

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2014

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members
Lago Vista Condominium Association, Inc.
Kissimmee, Florida

We have audited the accompanying financial statements of Lago Vista Condominium Association, Inc., which comprise the balance sheets as of December 31, 2014, and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lago Vista Condominium Association, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Actual and Budgeted Revenues and Expenses on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the financial statements but is required by the State of Florida Statutes 718 and 721. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kissimmee, Florida
May 26, 2015

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEETS
December 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL ALL FUNDS
ASSETS			
Cash and Equivalents	\$ 216,484	\$ 393,015	\$ 609,499
Time Share Property Tax Escrow	11,480		11,480
Assessments Receivable-net of Allowance for Doubtful Accounts of \$69,650	588,366	-	588,366
Unit-week Inventory	25,000	-	25,000
Prepaid Expenses	10,692	-	10,692
Deposits	20	-	20
Equipment, at cost, less Accumulated Depreciation of \$105,805	9,416	-	9,416
TOTAL ASSETS	<u>\$ 861,458</u>	<u>\$ 393,015</u>	<u>\$ 1,254,473</u>
LIABILITIES			
Accounts Payable	\$ 37,321	\$ -	\$ 37,321
Due To Owners	3,276	-	3,276
Taxes Payable	1,948	-	1,948
Other Liabilities	59,718	-	59,718
Assessments Received in Advance	207,709	-	207,709
TOTAL LIABILITIES	309,972	-	309,972
FUND BALANCES	<u>551,486</u>	<u>393,015</u>	<u>944,501</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 861,458</u>	<u>\$ 393,015</u>	<u>\$ 1,254,473</u>

The accompanying notes are an integral part of these financial statements.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF REVENUES AND EXPENSES

Year Ended December 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL ALL FUNDS
REVENUE			
Member Assessments	\$ 848,150	49,450	\$ 897,600
Unit Rentals	6,589	-	6,589
Other Income	31,545	-	31,545
Interest Income	10	449	459
	886,294	49,899	936,193
TOTAL REVENUE			
EXPENSES			
Administrative Salaries and Benefits	159,908	-	159,908
Other Administrative	63,745	-	63,745
Bad Debts	117,874	-	117,874
Professional and Management Fees	38,258	-	38,258
Building Maintenance Salaries	60,268	-	60,268
Building Repair and Maintenance	30,820	-	30,820
Grounds Maintenance	11,100	-	11,100
Recreational Facility Maintenance	11,015	-	11,015
Housekeeping	115,347	-	115,347
Insurance	48,429	-	48,429
Utilities	90,281	-	90,281
Roof Repair		7,550	7,550
Painting		5,262	5,262
Unit Furnishings		45,980	45,980
	747,045	58,792	805,837
TOTAL EXPENSES			
EXCESS OF			
REVENUES OVER EXPENSES	\$ 139,249	\$ (8,893)	\$ 130,356

The accompanying notes are an integral part of these financial statements.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.
STATEMENTS OF CHANGES IN FUND BALANCES
Year Ended December 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL ALL FUNDS
BEGINNING FUND BALANCES	\$ 421,130	\$ 393,015	\$ 814,145
Fund transfers	\$ (8,893)	\$ 8,893	-
Excess of Revenues Over Expenses	<u>139,249</u>	<u>(8,893)</u>	<u>130,356</u>
ENDING FUND BALANCES	<u><u>\$ 551,486</u></u>	<u><u>\$ 393,015</u></u>	<u><u>\$ 944,501</u></u>

The accompanying notes are an integral part of these financial statements.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL ALL FUNDS
CASH FLOWS: OPERATING ACTIVITIES			
Excess of Revenues			
Over Expenses	\$ 139,249	\$ (8,893)	\$ 130,356
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided (Used) By Operation Activities:			
Depreciation	628	-	628
Decrease (Increase) in:			
Property Tax Escrow	(2,916)	-	(2,916)
Assessments Receivable	(131,845)	-	(131,845)
Prepaid Expenses	3,147	-	3,147
Increase (Decrease) in:			
Accounts Payable	(1,564)	-	(1,564)
Due to Owners	15	-	15
Taxes Payable	(2,878)	-	(2,878)
Other Liabilities	21,185	-	21,185
Assessments Received in Advance	46,807	-	46,807
Net Cash Provided By Operating Activities	<u>71,828</u>	<u>(8,893)</u>	<u>62,935</u>
CASH FLOWS: INVESTING ACTIVITIES			
Investment in equipment	(1,450)	-	(1,450)
Net Cash Used By Investing Activities	<u>(1,450)</u>	<u>-</u>	<u>(1,450)</u>
CASH FLOWS: FINANCING ACTIVITIES			
Interfund Loans	(8,893)	8,893	-
Net Cash Provided (Used) By Financing Activities	<u>(8,893)</u>	<u>8,893</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	61,485	-	61,485
Cash and Cash Equivalents, Beginning of Year	<u>154,999</u>	<u>393,015</u>	<u>548,014</u>
Cash and Cash Equivalents, End of Year	<u>\$ 216,484</u>	<u>\$ 393,015</u>	<u>\$ 609,499</u>
SUPPLEMENTAL DISCLOSURES:			
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 - NATURE OF ORGANIZATION

Lago Vista Condominium Association, Inc. (the "Association") is a statutory condominium association incorporated in the State of Florida on March 4, 1981. The Association is responsible for the operation and maintenance of the common property of the interval ownership condominium located in Kissimmee, Florida. The interval ownership condominium consists of 40 physical units and 2,080 unit-weeks, of which 40 unit-weeks are set aside for maintenance. The owners of all unit-weeks in the condominium are the only members.

NOTE 2 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 26, 2015, the date the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts on the accrual basis using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund--This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund--This fund is used to accumulate financial resources designated for future major repairs and replacements.

Property and Equipment

Real property, unit furnishings and common areas acquired from the developer and related improvements to such property are not owned by and thus are not reflected in the Association's books and records or its financial statements. The ownership of those commonly owned assets is vested directly or indirectly in the unit-week owners.

Personal property owned by the Association is recognized at cost. Depreciation is computed using accelerated methods over the estimated useful lives of the assets. Depreciation expense was \$628 for the year ended December 31, 2014.

Sales and Rental Tax

The Association collects taxes from nonexempt customers and remits the entire amount to the applicable State and County. The Association's accounting policy is to exclude the tax collected from revenue and cost of sales.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments

The Association members, also referred to as unit-week owners, are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Maintenance fee revenue is recorded annually in the amount of the membership assessment allocation specified for current period operations based on the annual budget adopted by the Board of Directors and ratified by the unit-week owners. Each Association member is a unit-week owner and an equal portion of the maintenance fees is assessed for each unit-week. Assessments receivable at the balance sheet date represent maintenance fees billed but not yet collected from unit-week owners.

The annual assessments are billed in November of each year to provide funds for the following calendar year. Assessments received in advance are reflected in the balance sheet under liabilities and represent funds received by the Association for maintenance fees to be assessed in the future. These fees have not been billed and are not earned as of the balance sheet date. The Association may elect to transfer excess operating fund revenue for the current year to the replacement fund for use in future years for major repairs and replacements.

Assessments Receivable

The Association extends credit to unit-week owners in the ordinary course of business. Assessments are due January 1 of the operating year and become delinquent March 1. To mitigate its credit risk, the Association follows various policies in pursuing past due amounts. The unit-week owner is not allowed to occupy the unit until all delinquent assessments are paid. The unit-week owner may rent the unit during their week and apply these rents toward delinquent assessments. The Association can file liens against the unit-week owner and can also file foreclosure proceedings in the local courts. The delinquent unit-week owners are subject to late fees and collection costs. The Association does not recognize these fees as revenue until they are collected. As of the balance sheet date all of the net assessments receivable, \$588,366 were more than 90 days delinquent.

Allowance for Doubtful Accounts

The Association provides an allowance for doubtful accounts equal to the estimated uncollectible assessments receivable. The estimated allowance is based on management's evaluation of the outstanding assessments receivable at the end of the year. The allowance for doubtful accounts was \$69,650 at December 31, 2014. (See Note 6)

Unit-Week Inventory

Unit-week inventory consists of unit-weeks upon which the Association has foreclosed. These unit-weeks have been recorded at their fair value as determined by management based on recent sales. Maintenance fee revenue has been recognized for the delinquent maintenance fees associated with these units and a corresponding gain or loss on foreclosure has been recorded.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Association can elect to file its tax returns as either a homeowners' association or as a regular corporation. For 2014, the Association has elected to file its income tax returns as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that section, membership income is exempt from taxation if certain elections are made. Accordingly, the Association is generally taxed only on non-membership income, such as net rental income, net sales of units and interest earnings. The statute of limitations for the Association's income tax filings with taxing authorities is generally open for years beginning in 2011 through 2014.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers highly liquid investments with maturities of three months or less to be cash. Cash held in escrow for property taxes is not considered to be cash.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 4 - PROPERTY TAXES PAYABLE

Chapter 192 of the Florida Statutes requires that, for the purposes of ad valorem taxation and special assessments, the managing entity shall be considered the taxpayer and an agent of the unit-week owner. Accordingly, funds collected through the annual assessments for property taxes are deposited in a separate escrow bank account until remitted to the taxing authority. These funds are recorded as property taxes payable. During the current year, the property tax bill was less than the current year assessment and the excess has been recorded as an increase to Other Liabilities.

NOTE 5 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received by the Association prior to January 1, 2015 are considered assessments received in advance and consist of \$201,079 for 2015 and \$6,630 for 2016. The assessments received in advance are recorded as liabilities at December 31, 2014.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 6 – BAD DEBTS

The State of Florida requires the Association to reflect member assessments' revenue, both operating and replacement funds, based on the total number of unit-weeks available. The Association owns 36 unit-weeks. In order to comply with the State of Florida requirements, the Association recorded \$14,967 as operating fund member assessment revenue and \$873 as replacement fund member assessment revenue. These amounts are included in the allowance for doubtful accounts.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash investments and assessments receivable. The Association maintains its temporary cash investments at various financial institutions that are insured by the Federal Deposit Insurance Corporation for up to \$250,000. As of December 31, 2014, the Association had no cash balances that exceeded such limits.

The Association assesses regular assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to acquire the unit by foreclosure, if necessary. Should the collection of the past due assessments result in foreclosure, the collectability of the receivable is dependent on the quick sale market value of the unit. Market value is influenced by the real estate market in Kissimmee, Florida.

NOTE 8 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements. Chapter 718 of the Florida Statutes requires that all budgets adopted on or after October 1, 1979, shall include reserves for major repairs and replacements unless waived by a vote of the majority of the voting interests of the Association present at a duly called meeting of the Association.

Reserves were included in the proposed budget for the year ended December 31, 2014, which was presented to unit owners at the annual meeting in January 2014. The board of directors voted to include funding for major repairs and replacements in the annual budget for the year ended December 31, 2014. Because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. When funds are needed for these purposes, the Association has the right, subject to membership approval, to increase the regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The board of directors conducted a study in August 1999 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. Management revises the 1999 estimates each year from 2003 through 2014 and incorporated interest and inflation into its calculations. The results of this review have been detailed on the table included in the unaudited supplementary information on Future Major Repairs and Replacements.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 9 - RELATED PARTY

The Association has contracted with Interval Management Corporation (IMC), a related party by common ownership interests, to provide exchange services for the owners of unit-weeks at Lago Vista Condominium Association, Inc. During the current year, the Association paid \$11,416 in commissions to IMC. As of December 31, 2014, Lago Vista Condominium Association owed Interval Management Corporation \$11,157 which has been included in other liabilities on the balance sheet.

An officer of the Association is a partner in the law firm that handles the foreclosures for the Association. During the current year, the Association paid \$6,192 in legal fees to Chern and Sevin. As of December 31, 2014, Lago Vista Condominium Association owed Chern and Sevin \$1,956 which has been included in accounts payable on the balance sheet.

SUPPLEMENTARY INFORMATION

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS
Year Ended December 31, 2014
(Unaudited)

The Board of Directors conducted a study in August 1999 to estimate the remaining useful lives and the replacement costs of the components of the common property of the existing 40 units. The estimates were obtained from licensed contractors who inspected the property. Management revised the 1999 estimates each year from 2003 through 2014 and incorporated interest and inflation into its calculations.

Interest income earned on reserve funds and transfers from the general fund are allocated to the components of the reserve fund based on each components beginning fund balance.

The following table is based on the study and presents significant information about the components of common property:

COMPONENTS	ESTIMATED REMAINING USEFUL LIVES IN YEARS	ESTIMATED CURRENT REPLACEMENT COSTS	2014 FUNDING REQUIREMENT
Roof	1 to 15	\$ 103,000	\$ 8,344
Painting	8	20,000	2,000
Paving	0	39,350	4,350
Furnishings	1 to 15	474,330	27,756
Storm contingency	-		7,000
		\$ 636,680	\$ 49,450

Activity in each of the reserve fund categories for the year ended December 31, 2014 consisted of the following:

COMPONENTS	BALANCE AT DECEMBER 31,	ADDITIONS	TRANSFERS & EXPENDITURES	BALANCE AT DECEMBER 31,
Roof	\$ 21,174	\$ 2,688	\$ (7,550)	\$ 16,312
Painting	3,801	483	(5,262)	(978)
Paving	34,462	4,375	-	38,837
Furnishing	272,465	34,593	(37,087)	269,971
Storm contingency	61,113	7,759		68,872
	\$ 393,015	\$ 49,899	\$ (49,899)	\$ 393,015

See Accountants' Report

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF ACTUAL AND BUDGETED REVENUES AND EXPENSES
For the Year Ended December 31, 2014
(Unaudited)

As required by the State of Florida Statutes 718 and 721 the following schedule forms a comparison of the actual to the budgeted revenues and expenses.

The Association's budget is based on 40 units. The State of Florida requires the budget to be compiled without including the

	Adjusted Budget (Compiled)	Actual	Variance Favorable/ (Unfavorable) (Compiled)
REVENUES:			
Revenues-Maintenance Assessments	\$ 848,160.00	\$ 848,150	\$ (10)
Revenues-Reserve Funding	49,454	49,450	(4)
Interest Income	1,000	459	(541)
Other Revenues		29,788	29,788
Total Revenues	<u>\$ 898,614</u>	<u>\$ 927,847</u>	<u>\$ 29,233</u>
EXPENDITURES:			
Administration:			
Bad Debts	\$ 100,000	117,874	\$ (17,874)
Telephone	12,000	11,649	351
Office Supplies	3,550	4,911	(1,361)
Postage/Printing	6,000	4,607	1,393
Office Equipment Maintenance	6,500	2,500	4,000
Required Annual Audit	7,300	9,157	(1,857)
Salary-Management	40,000	33,077	6,923
Salary-Office	75,000	71,810	3,190
Payroll Taxes	19,000	23,800	(4,800)
Workman's Compensation	6,600	11,928	(5,328)
Health Insurance	40,000	19,293	20,707
Management Fee	32,000	28,010	3,990
Maintenance:			
Salary-Maint./Grounds	57,200	60,268	(3,068)
Maintenance Repairs & Replacement	30,000	23,668	6,332
Equipment-Repair & Maint.	3,000	1,941	1,059
Tools	3,000	2,612	388
Extermination/Pest Control	6,000	2,600	3,400
Groundskeeping	13,000	11,100	1,900
Pool	16,000	6,083	9,917

See accompanying notes and accountants' report.

LAGO VISTA CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF ACTUAL AND BUDGETED REVENUES AND EXPENSES
For the Year Ended December 31, 2014
(Unaudited)

	Adjusted Budget (Compiled)	Actual	Variance Favorable/ (Unfavorable) (Compiled)
Housekeeping:			
Salary-Housekeeping	25,000	23,964	1,036
Housekeeping/Unit Care	70,000	57,166	12,834
Housekeeping Supplies	22,500	18,677	3,823
Housewares	6,000	7,674	(1,674)
Linens	8,000	7,865	135
Utilities:			
Electricity	73,000	60,749	12,251
Water and Sewer	29,000	16,825	12,175
Cable TV	6,800	6,118	682
Gas	3,600	2,119	1,481
Waste Removal	7,200	4,471	2,729
Other Expenses:			
Rent-Recreation Facilities	4,700	4,932	(232)
Insurance	60,600	48,429	12,171
Travel/Auto	8,000	4,876	3,124
Legal Fees	10,000	1,090	8,910
Advertising	300	204	96
Collection Fees	3,000	-	3,000
Interest Expenses	400	-	400
Fees to Division	4,080	4,080	-
Other Expenses	30,830	30,290	540
Depreciation		628	(628)
Total Expenditures	<u>849,160</u>	<u>747,045</u>	<u>102,115</u>
Reserves: (unless waived)			
Roof Replacement	8,348	7,550	798
Building Painting	2,000	5,262	(3,262)
Pavement Resurfacing	4,350	-	4,350
Unit Furnishings	27,756	45,980	(18,224)
Storm Contingency	7,000	-	7,000
Total Reserves	<u>49,454</u>	<u>58,792</u>	<u>(9,338)</u>
Total Expenditures and Reserves	<u>\$ 898,614</u>	<u>\$ 805,837</u>	<u>\$ 92,777</u>

See accompanying notes and accountants' report.