

# Landings Management

Association, Inc.

December 31, 2006

AUDITED FINANCIAL STATEMENTS:	Page #
INDEPENDENT AUDITOR'S REPORT.....	1
BALANCE SHEET.....	2
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE.....	3
STATEMENT OF CASH FLOWS.....	4
NOTES TO FINANCIAL STATEMENTS.....	5, 6 & 7
OTHER FINANCIAL INFORMATION:	
SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES.....	8
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS.....	9

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Landings Management Association, Inc.  
2477 Stickney Point Road, Suite 118A  
Sarasota, Florida 34231

I have audited the accompanying balance sheet of Landings Management Association, Inc. as of December 31, 2006, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of Landings Management Association, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Landings Management Association, Inc. as of December 31, 2006 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.

The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of changes in replacement fund balances page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I express no opinion on it.

The supplementary information on page 9 is not a required part of the basic financial statements of Landings Management Association, Inc. but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

  
James B. Richardson CPA

Date: February 12, 2007

**LANDINGS MANAGEMENT ASSOCIATION, INC.**

**BALANCE SHEET**

Year ended December 31, 2006

	<u>OPERATING</u> <u>FUND</u>	<u>REPLACEMENT</u> <u>FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 453,279	\$ 107,562	\$ 560,841
Assessments receivable	4,511	-	4,511
Prepaid insurance	3,464	-	3,464
Prepaid expenses	2,300	-	2,300
Utility deposits	<u>1,677</u>	<u>-</u>	<u>1,677</u>
TOTAL ASSETS	<u>\$ 465,231</u>	<u>\$ 107,562</u>	<u>\$ 572,793</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ 7,310	\$ -	\$ 7,310
Accrued income tax	2,636	-	2,636
Assessments received in advance	<u>491,188</u>	<u>-</u>	<u>491,188</u>
TOTAL LIABILITIES	501,134	-	501,134
Fund balances	<u>(35,903)</u>	<u>107,562</u>	<u>71,659</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 465,231</u>	<u>\$ 107,562</u>	<u>\$ 572,793</u>

See accompanying notes to financial statements.

**LANDINGS MANAGEMENT ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES , AND CHANGES IN FUND BALANCE**

Year ended December 31, 2006

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>SPECIAL ASSESSMENT</b>	<b>TOTAL</b>
<b>REVENUES</b>				
Member assessments	\$ 666,399	\$ -	\$ 52,725	\$ 719,124
Track C & D assessment/Subsidy	19,624	-	-	19,624
Interest income	6,949	4,912	-	11,861
Fines, gate openers & other income	7,530	-	-	7,530
Total revenues	700,502	4,912	52,725	758,139
<b>EXPENSES</b>				
Grounds	108,404	-	-	108,404
Roads	125,625	-	-	125,625
Maintenance & repairs	41,744	-	-	41,744
Lakes	16,349	-	-	16,349
Utilities	53,207	-	-	53,207
Security	253,666	-	-	253,666
Insurance	13,332	-	-	13,332
Administration	58,138	-	-	58,138
Natural areas	24,535	-	-	24,535
Replacement Fund Expense	-	-	-	-
Special Assessment Fund Expenses	-	-	40,589	40,589
Total expenses	695,000	-	40,589	735,589
Excess (deficit) of revenues over expenses	5,502	4,912	12,136	22,550
<b>BEGINNING FUND BALANCE</b>	(48,708)	107,562	(9,745)	49,109
<b>Transfers</b>	7,303	(4,912)	(2,391)	-
<b>ENDING FUND BALANCE</b>	\$ (35,903)	\$ 107,562	\$ -	\$ 71,659

See accompanying notes to financial statements.

*James B. Richardson*  
*Certified Public Accountant*

**LANDINGS MANAGEMENT ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

Year ended December 31, 2006

	OPERATING FUND	REPLACEMENT FUND	SPECIAL ASSESSMENT	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Assessments collected	\$ 759,085	\$ -	\$ 52,725	\$ 811,810
Interest income	6,949	4,912	-	11,861
Gate openers & other income	7,530	-	-	7,530
Cash paid for operations	(714,766)	-	(40,589)	(755,355)
Income taxes paid	(551)	-	-	(551)
Transfers	9,745	-	(9,745)	-
Interest paid	-	-	-	-
Net increase (decrease) in cash from Operations	67,992	4,912	2,391	75,295
<b>CASH BEGINNING OF YEAR</b>	377,984	107,562	-	485,546
Transfers	7,303	(4,912)	(2,391)	-
<b>CASH END OF YEAR</b>	\$ 453,279	\$ 107,562	\$ -	\$ 560,841

**RECONCILIATION OF EXCESS (DEFICIT) OF REVENUES OVER EXPENSES  
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	OPERATING FUND	REPLACEMENT FUND	SPECIAL ASSESSMENT	TOTAL
Excess (deficit) of revenues over expenses	\$ 5,502	\$ 4,912	\$ 12,136	\$ 22,550
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in assets:				
Assessments receivable	(4,511)	-	-	(4,511)
Prepaid expenses	(439)	-	-	(439)
Due to/from other fund	9,745	-	(9,745)	-
Increase (decrease) in liabilities:				
Accounts payable	(21,963)	-	-	(21,963)
Accrued income tax	2,085	-	-	2,085
Prepaid assessments	77,573	-	-	77,573
Total adjustments	62,490	-	(9,745)	52,745
<b>NET CASH PROVIDED (USED) BY OPERATIONS</b>	\$ 67,992	\$ 4,912	\$ 2,391	\$ 75,295

See accompanying notes to financial statements.

*James B. Richardson*  
Certified Public Accountant

## LANDINGS MANAGEMENT ASSOCIATION, INC.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006

#### NOTE A – NATURE OF ORGANIZATION:

Landings Management Association, Inc. “the Association” is a statutory condominium association incorporated in the State of Florida on January 11, 1980. The Association is a master association whose property surrounds 20 other Associations and consists of 702 residential units located in Sarasota, Florida. The president of each association has an exclusive and irrevocable proxy to act for and vote on behalf of all of the unit owners of his association. The Association and Argus Property Management, Inc. have entered into a management agreement, which makes Argus Property Management, Inc. the management agent for the Association, to maintain and operate the property and facilities. The agreement provides for monthly fees and other consideration.

#### NOTE B – 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 prepares its financial statements on the accrual basis of accounting, and maintains its accounts 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. Expenditures from this fund are normally restricted to those items for which assessments are levied.

##### Member Assessments

Association members are subject to annual assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Annual assessment to members was \$952 for 2006. Of this amount, \$-0- was designated to the replacement fund. Special assessments are needed from time to time to cover repairs, replacements or operating expenses when existing funds are not capable of funding the expenditure. In November 2005 the Board approved a special assessment for the materials, equipment and installation of a new bar code automatic reading system for all gates and some upgrades to existing equipment. The special assessment was assessed January 1, 2006. Assessments are recognized in the period to which they apply, and payments in advance are deferred to the appropriate future period. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association’s policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

**LANDINGS MANAGEMENT ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2006

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued**

Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528. The Association has the option to file its tax returns as a regular Corporation or as a homeowners' association. Under either method, the Association is normally liable for tax on its investment income and other nonexempt function income.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not the Association. The Association expects to capitalize personal property at cost and depreciate it over its estimated useful life using the straight-line method.

Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Allocation of Income and Expenses

The allocation of income and expenses to the Association members is based on the condominium documents, which state that Association members equally share the income and expenses of the Association.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LANDINGS MANAGEMENT ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2006

**NOTE C – FUTURE MAJOR REPAIRS AND REPLACEMENTS:**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds should be held in separate accounts and are generally not available for operating purposes.

The Association board of directors determined the remaining useful life and replacement costs of the gate houses, nature trail structures and the perimeter walls of the Association. A new entry-control system was installed in 2006, and funded by a special assessment. The Association adopted a policy of annually funding road resurfacing following a long range plan that sets forth a schedule of resurfacing every road in the Association, year by year. Considering amounts previously accumulated in the replacement fund for the gate houses, nature trail structures, perimeter walls and related common areas, no funding was required for the 2007 budget. The table included in the unaudited supplementary information on future major repairs and replacements (page 9) is based on the Boards determination.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**NOTE D – UNINSURED CASH BALANCES:**

The Association maintains its cash balances at financial institutions in Sarasota, Florida. The checking account is secured by the Federal Deposit Insurance Corporation (FDIC) up to an amount of \$100,000.

The Association also maintains an investment account that the FDIC does not insure. However, this account is primarily protected by the Security Investor Protection Corporation (SIPC) up to \$500,000 per customer (of which \$100,000 may be for cash), and secondly through private insurance.

LANDINGS MANAGEMENT ASSOCIATION, INC

SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES

Year ended December 31, 2006

(UNAUDITED)

<u>COMMON AREA COMPONENTS</u>	<u>BEGINNING FUND BALANCE</u>	<u>ADDITIONS TO FUND</u>	<u>TRANSFER</u>	<u>ENDING FUND BALANCE</u>
Gate houses, nature trail structures, perimeter walls and related common areas	<u>\$ 107,562</u>	<u>\$ 4,912</u>	<u>\$ (4,912)</u>	<u>\$ 107,562</u>

**LANDINGS MANAGEMENT ASSOCIATION, INC.**

**SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS  
AND REPLACEMENTS**

December 31, 2006  
(UNAUDITED)

COMPONENTS	ESTIMATED REMAINING LIFE IN YEARS	ESTIMATED CURRENT COST	2007 FUNDING REQUIREMENT	FUND BALANCE 2006
=====	=====	=====	=====	=====
Gate houses, nature trail structures, perimeter walls & related common area.	1-13	\$200,000	\$-0-	\$107,562

The Board uses the cash flow method that calculates the annual contribution based on a thirty-year positive cash flow. This procedure is a pooling of all the reserve funds and the creation of a general reserve fund. The cash flow analysis is performed to determine that there are adequate reserve funds on deposit as the reserve components of the property age and are repaired or replaced. This method takes into account both interest and inflation.

The Board determined that a funding requirement for the 2007 budget was not required. For that reason, and because actual expenditures may vary from the estimated future expenditures, and the variations may be material, the amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

*James B. Richardson*  
*Certified Public Accountant*