

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.**

**DECEMBER 31, 2006**

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SUPPLEMENTARY INFORMATION**

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THOMAS OSBORNE & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Fox Wood at Trinity Community Association, Inc.  
Trinity, Florida

We have reviewed the accompanying balance sheet of Fox Wood at Trinity Community Association, Inc. (Association) 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, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Fox Wood at Trinity Community Association, Inc.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The supplementary information about future major repairs and replacements on page 7 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management of Fox Wood at Trinity Community Association, Inc., without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Thomas Osborne & Associates, P.A.*

Orlando, Florida  
July 8, 2007

**BALANCE SHEET**

**FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.**

December 31, 2006

|                                     | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total</u>      |
|-------------------------------------|---------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>                       |                           |                             |                   |
| Cash and cash equivalents           | \$ 9,788                  | \$ 76,253                   | \$ 86,041         |
| Certificates of deposit             | -                         | 152,032                     | 152,032           |
| Assessments receivable              | 2,502                     | -                           | 2,502             |
| Due from operating fund             | -                         | 208                         | 208               |
| Prepaid expenses                    | 5,660                     | -                           | 5,660             |
| Deposits                            | 3,291                     | -                           | 3,291             |
|                                     | <u>\$ 21,241</u>          | <u>\$ 228,493</u>           | <u>\$ 249,734</u> |
| <b>LIABILITIES AND FUND BALANCE</b> |                           |                             |                   |
| Due to replacement fund             | \$ 208                    | \$ -                        | \$ 208            |
| Prepaid member assessments          | 6,693                     | -                           | 6,693             |
|                                     | <u>6,901</u>              | <u>-</u>                    | <u>6,901</u>      |
| <b>FUND BALANCE</b>                 | <u>14,340</u>             | <u>228,493</u>              | <u>242,833</u>    |
|                                     | <u>\$ 21,241</u>          | <u>\$ 228,493</u>           | <u>\$ 249,734</u> |

See accompanying notes and accountants' report.

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

**FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.**

Year Ended December 31, 2006

|   | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total</u>      |
|---|---------------------------|-----------------------------|-------------------|
| <b>REVENUES</b>                         |                           |                             |                   |
| Member assessments                      | \$ 277,810                | \$ 73,220                   | \$ 351,030        |
| Interest                                | 123                       | 7,398                       | 7,521             |
| Miscellaneous                           | 7,034                     | -                           | 7,034             |
|   | <u>284,967</u>            | <u>80,618</u>               | <u>365,585</u>    |
| <b>EXPENSES</b>                         |                           |                             |                   |
| Grounds maintenance                     | 24,564                    | -                           | 24,564            |
| Gate maintenance and expense            | 8,161                     | -                           | 8,161             |
| Irrigation expense                      | 33,021                    | -                           | 33,021            |
| Landscape maintenance and extras        | 103,454                   | -                           | 103,454           |
| Major repairs and replacements          | -                         | 59,997                      | 59,997            |
| Utilities                               | 13,579                    | -                           | 13,579            |
| Recreational area expense               | 11,706                    | -                           | 11,706            |
| Management and administrative expense   | 73,842                    | -                           | 73,842            |
|   | <u>268,327</u>            | <u>59,997</u>               | <u>328,324</u>    |
| <b>EXCESS OF REVENUES OVER EXPENSES</b> | 16,640                    | 20,621                      | 37,261            |
| Fund balance at beginning of year       | 7,200                     | 198,372                     | 205,572           |
| Transfers                               | <u>(9,500)</u>            | <u>9,500</u>                | <u>-</u>          |
| <b>FUND BALANCE AT END OF YEAR</b>      | <u>\$ 14,340</u>          | <u>\$ 228,493</u>           | <u>\$ 242,833</u> |

See accompanying notes and accountants' report.

**STATEMENT OF CASH FLOWS**

**FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.**

**Year Ended December 31, 2006**

|  | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total</u>     |
|--|---------------------------|-----------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                           |                             |                  |
| Excess of revenues over expenses   | \$ 16,640                 | \$ 20,621                   | \$ 37,261        |
| Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities: |                           |                             |                  |
| Decrease in assessments receivable   | 1,088                     | -                           | 1,088            |
| Decrease in prepaid expenses   | 3,840                     | -                           | 3,840            |
| Decrease in accounts payable   | (3,127)                   | -                           | (3,127)          |
| Decrease in accrued expenses   | -                         | -                           | -                |
| Decrease in prepaid member assessments   | <u>(30,189)</u>           | <u>-</u>                    | <u>(30,189)</u>  |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <u>(11,748)</u>           | <u>20,621</u>               | <u>8,873</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                           |                             |                  |
| Purchase of certificates of deposit  | -                         | (152,032)                   | (152,032)        |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>   | <u>-</u>                  | <u>(152,032)</u>            | <u>(152,032)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                           |                             |                  |
| Inter-fund transfers   | (9,500)                   | 9,500                       | -                |
| Inter-fund borrowings  | <u>(56,306)</u>           | <u>56,306</u>               | <u>-</u>         |
| <b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>  | <u>(65,806)</u>           | <u>65,806</u>               | <u>-</u>         |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | <u>(77,554)</u>           | <u>(65,605)</u>             | <u>(143,159)</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR   | <u>87,342</u>             | <u>141,858</u>              | <u>229,200</u>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <u>\$ 9,788</u>           | <u>\$ 76,253</u>            | <u>\$ 86,041</u> |

See accompanying notes and accountants' report.

## NOTES TO FINANCIAL STATEMENTS

### FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

DECEMBER 31, 2006

#### NOTE A - ORGANIZATION

Fox Wood at Trinity Community Association, Inc. (Association) was incorporated August 22, 1996 under the laws of the State of Florida as a corporation not for profit, for the purpose of providing maintenance, preservation, and control of the common areas within the development. The Association consists of 910 residential lots located in Trinity, Florida.

#### 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 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.

##### Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. The Association has elected to be taxed as a homeowners' association under Section 528 of the Internal Revenue Code. This Section provides that the Association will be taxed only on nonexempt income as defined under Section 528. Net nonexempt function income, which includes interest earned and revenues received from nonmembers, is taxed at 30% by the federal government. An income tax provision was not required due to the excess of allocable expenses over nonexempt income for the year ended December 31, 2006.

##### Members' 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. Assessments receivable at the balance sheet date represent fees due from unit owners. Members' assessments received in advance are classified as prepaid assessments on the balance sheet. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. The Association considers all assessments receivable at December 31, 2006 to be fully collectible.

##### Statement of Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents consist of checking and money market accounts held by financial institutions.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

DECEMBER 31, 2006

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### Property and Equipment

Common areas owned by the Association are reserved for the use of the owners and/or are required to be maintained as common areas under the Declaration and/or governmental restrictions; therefore, the sale of such common areas for revenue is remote. Accordingly, such common areas are not recorded in the financial records of the Association.

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

##### Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist of temporary cash investments. The Association places such assets with a quality financial institution and limits its exposure to any potential loss in excess of federally insured limits.

#### NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The current budget provides for the segregation of a portion of the assessments for a reserve for future major repairs and replacements. Accumulated funds are held in separate bank accounts and generally are not available for operating purposes.

The funding program was based on a study performed by the Board of Directors in 2006 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures 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 all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Neither the Association documents nor the Florida Statutes require the accumulation of such reserves.

**SUPPLEMENTARY INFORMATION**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)**

**FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.**

**December 31, 2006**

The Board of Directors completed a study in 2006 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs.

The following is based on the study and presents significant information on the components of common property.

| <u>Components</u> | <u>Estimated<br/>Remaining Useful<br/>Lives (Years)</u> | <u>Current Estimated<br/>Replacement<br/>Costs</u> | <u>Components<br/>of Fund<br/>Balance at<br/>December 31, 2006</u> |
|-------------------|---|--|--|
| Roads             | 6 - 9   | \$ 484,500   | \$ 170,436   |
| Guard house       | 23  | 30,000   | 9,349  |
| Gate system       | 3 - 30  | 20,000   | 24,651   |
| Parks             | 7 - 26  | 76,000   | 10,434   |
| Walls (painting)  | 1 - 3   | 59,000   | 13,623   |
|                   |   | <u>\$ 669,500</u>                                  | <u>\$ 228,493</u>  |

See accountant's report.