



Long Bayou Condominium Association, Inc.
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April 19, 2016

Re: Long Bayou Condominium

Dear Owners,

Long Bayou Condominium recently completed the Audited Financial Statement for the year ending 2015. Please see attached for your records.

If you have any further questions or concerns, please do so in writing to the Long Bayou office at 9777 62nd Terrace North, St. Petersburg, FL 33708.

Thank you for your cooperation,

A handwritten signature in black ink, appearing to be "Ben Commons", written over a horizontal line.

Ben Commons, CMCA, AMS
On Behalf of your Board of Directors
Long Bayou Condominium

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

DECEMBER 31, 2015

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
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DECEMBER 31, 2015

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Long Bayou Condominium Association, Inc.
St. Petersburg, Florida

We have audited the accompanying financial statements of Long Bayou Condominium Association, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, and 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the basic financial statements that are free of 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 Long Bayou Condominium Association, Inc., as of December 31, 2015, 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 the information on future major repairs and replacements of common property on page 10 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 consists 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.

Frank Weiss

Frank Weiss, CPA, P.A.
Largo, Florida
March 18, 2016

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2015
(WITH UNAUDITED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

| | Operating Fund | Replacement Fund | 2015 Total | 2014 Total Unaudited |
|---|--------------------------|--------------------------|----------------------------|----------------------------|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 105,813 | \$ 675,746 | \$ 781,559 | \$ 548,184 |
| Investment | - | 82,393 | 82,393 | 388,187 |
| Assessments receivable | 29,419 | - | 29,419 | 19,223 |
| Prepaid insurance | 226,453 | - | 226,453 | 149,952 |
| Due from operating fund | - | - | - | 146,552 |
| Equipment, net of accumulated depreciation of \$69,706 | 43,960 | - | 43,960 | 22,362 |
| Other current assets | 1,566 | 46 | 1,612 | 198 |
| Total assets | <u>\$ 407,211</u> | <u>\$ 758,185</u> | <u>\$ 1,165,396</u> | <u>\$ 1,274,658</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 17,003 | \$ - | \$ 17,003 | \$ 11,399 |
| Prepaid assessments | 28,657 | - | 28,657 | 26,735 |
| Due to replacement fund | - | - | - | 146,552 |
| Other liabilities | 2,998 | - | 2,998 | 2,764 |
| Total liabilities | 48,658 | - | 48,658 | 187,450 |
| FUND BALANCE: | <u>358,553</u> | <u>758,185</u> | <u>1,116,738</u> | <u>1,087,208</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 407,211</u></u> | <u><u>\$ 758,185</u></u> | <u><u>\$ 1,165,396</u></u> | <u><u>\$ 1,274,658</u></u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
DECEMBER 31, 2015
(WITH UNAUDITED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

| | Operating Fund | Replacement Fund | 2015 Total | 2014 Total Unaudited |
|---|-------------------|---------------------|---------------------|----------------------------|
| REVENUES: | | | | |
| Regular assessments | \$ 975,852 | \$ 92,115 | \$ 1,067,967 | \$ 1,068,004 |
| Laundry income | 25,112 | - | 25,112 | 19,040 |
| Interest income | 184 | 938 | 1,122 | 1,099 |
| Late fees | 1,575 | - | 1,575 | - |
| Application fees | 1,435 | - | 1,435 | 1,660 |
| Other income | 5,542 | - | 5,542 | 10,155 |
| Total revenues | <u>1,009,700</u> | <u>93,053</u> | <u>1,102,753</u> | <u>1,099,958</u> |
| EXPENSES: | | | | |
| Insurance | 274,738 | - | 274,738 | 270,564 |
| Payroll and benefits | 164,768 | - | 164,768 | 137,777 |
| Recreation center costs | 62,631 | - | 62,631 | 86,971 |
| Bad debt | 3,194 | - | 3,194 | 3,747 |
| Cable | 88,621 | - | 88,621 | 89,589 |
| Sewer | 81,375 | - | 81,375 | 73,764 |
| Fuel | 20,227 | - | 20,227 | 24,448 |
| Water | 44,738 | - | 44,738 | 31,913 |
| Trash | 12,396 | - | 12,396 | 11,280 |
| Electricity | 18,681 | - | 18,681 | 12,563 |
| Master road association fees | 63,049 | - | 63,049 | 67,184 |
| General repair and maintenance | 79,070 | - | 79,070 | 51,628 |
| Fire protection | 10,725 | - | 10,725 | 16,487 |
| Grounds maintenance | 67,861 | - | 67,861 | 55,925 |
| Telephone | 6,833 | - | 6,833 | 6,574 |
| Accounting and legal fees | 23,169 | - | 23,169 | 19,103 |
| Depreciation | 12,916 | - | 12,916 | 11,308 |
| Other expenses | 11,265 | - | 11,265 | 7,233 |
| Repairs and replacements | - | 26,966 | 26,966 | 35,853 |
| Total expenses | <u>1,046,257</u> | <u>26,966</u> | <u>1,073,223</u> | <u>1,013,911</u> |
| Excess of revenues over (under) expenses | (36,557) | 66,087 | 29,530 | 86,047 |
| Fund balance, beginning of year | <u>395,110</u> | <u>692,098</u> | <u>1,087,208</u> | <u>1,001,161</u> |
| Fund balance, end of year | <u>\$ 358,553</u> | <u>\$ 758,185</u> | <u>\$ 1,116,738</u> | <u>\$ 1,087,208</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
DECEMBER 31, 2015
(WITH UNAUDITED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>2015 Total</u> | <u>2014 Total Unaudited</u> |
|--|---------------------------|-----------------------------|-----------------------|-------------------------------------|
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| Reconciliation of excess (deficit) of revenues over expenses to net cash used in operating activities: | | | | |
| Excess (deficit) of revenues over expenses | \$ (36,557) | \$ 66,087 | \$ 29,530 | \$ 86,047 |
| Adjustments to reconcile excess (deficit) of revenues over (under) expenses to net cash used in operating activities: | | | | |
| Depreciation | 12,916 | - | 12,916 | 11,308 |
| (Increase) decrease in certain assets: | | | | |
| Assessments receivable | (10,196) | - | (10,196) | (3,646) |
| Accounts receivable other | 117 | 21 | 138 | (1) |
| Prepaid insurance | (76,501) | - | (76,501) | 2,939 |
| Other current assets | (1,506) | (46) | (1,552) | - |
| Increase (decrease) in certain liabilities: | | | | |
| Accounts payable | 5,604 | - | 5,604 | 3,936 |
| Prepaid assessments | 1,922 | - | 1,922 | 952 |
| Rummage sale fund | - | - | - | (3,323) |
| Social club fund | - | - | - | 27 |
| Other liabilities | 234 | - | 234 | - |
| Total adjustments | (67,410) | (25) | (67,435) | 12,192 |
| Net cash provided by (used in) operating activities | <u>(103,967)</u> | <u>66,062</u> | <u>(37,905)</u> | <u>98,239</u> |
| CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES | | | | |
| Purchase of equipment | (34,514) | - | (34,514) | (19,457) |
| Increase in certificate of deposit | - | (82) | (82) | - |
| Redemption of certificate of deposit | <u>305,876</u> | <u>-</u> | <u>305,876</u> | <u>-</u> |
| Net cash provided by (used in) investing activities | <u>271,362</u> | <u>(82)</u> | <u>271,280</u> | <u>(19,457)</u> |
| CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES | | | | |
| Interfund transfers | <u>(146,552)</u> | <u>146,552</u> | <u>-</u> | <u>-</u> |
| Net increase in cash | 20,843 | 212,532 | 233,375 | 78,782 |
| Cash and cash equivalents at beginning of year | <u>84,970</u> | <u>463,214</u> | <u>548,184</u> | <u>857,589</u> |
| Cash and cash equivalents at end of year | <u>\$ 105,813</u> | <u>\$ 675,746</u> | <u>\$ 781,559</u> | <u>\$ 936,371</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – NATURE OF ORGANIZATION:

Long Bayou Condominium Association, Inc. (the “Association”) was organized on June 15, 1973 as a not-for-profit Florida corporation. The Association consists of 272 residential units in St. Petersburg, Florida. The Association operates under the provisions of the Florida Statutes. The primary function of the Association is to provide for the operation and maintenance of the common property within the development.

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 March 18, 2016, the date that 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 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 general operations of the Association.

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

Member Assessments

Owners are subject to monthly 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 are stated at the amounts expected to be collected from outstanding assessments 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. At December 31, 2015, the Association had delinquent assessments of \$29,419, and in the the opinion of management and the board of directors these assessments are fully collectible; therefore, the allowance for doubtful accounts is not required.

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis, based on the estimated useful life of the property as follows:

| | Estimated Useful Lives (Years) |
|-----------|--------------------------------------|
| Equipment | 7 |

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 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.

NOTE 4 – PROPERTY AND EQUIPMENT:

Property and equipment activity for the year ended December 31, 2015 is as follows:

| | Balance at January 1, 2015 | Additions | Deletions | Balance at December 31, 2015 |
|-------------------------------------|----------------------------------|-----------|-----------|------------------------------------|
| Property and equipment depreciated: | | | | |
| Equipment | 79,152 | 34,514 | - | 113,666 |
| Less accumulated depreciation | (56,790) | (12,916) | - | (69,706) |
| Total property and equipment, net | \$ 22,362 | \$ 21,598 | \$ - | \$ 43,960 |

NOTE 5 – MANAGEMENT CONTRACT:

The Association engaged a management company to manage its operations for 2015. The contract is for one year, and may be renewed on an annual basis. The management contract for year ending December 31, 2015 was \$41,439 plus ancillary costs of \$534.

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 – RISK:

Financial instruments that are exposed to concentration of credit risk consist primarily of cash. The Association places their cash in what management believes to be high quality financial institutions located in Florida. The bank balances at times may be in excess of the Federal Deposit Insurance Corporation (the “FDIC”) insurance limits. At December 31, 2015, the Association’s uninsured cash balances totaled \$735,343.

NOTE 7 – INCOME TAXES:

The Association qualifies as a tax exempt homeowner’s association under Internal Revenue Code Section 528 for the year ended December 31, 2015. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, and on its membership income in excess of membership expenses, to the extent that they are not used to offset the following year’s expenses are taxed at thirty percent (30%) by the federal government and at five and one-half percent (5.5%) by the State of Florida. For the years ended December 31, 2015 and 2014, the Association’s federal income tax expense was \$0.

The Association’s tax filings are subject to audit by various taxing authorities. The Association’s federal income tax returns for 2012, 2013, and 2014 remain open to examination by the Internal Revenue Service; state income tax returns for 2013 and 2014 are open to examination by the Florida Department of Revenue. In evaluating the Association’s tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

NOTE 8 – FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association’s governing documents require funds to be accumulated for future major repairs and replacements, unless otherwise decided by the voting membership. Accumulated funds, which aggregate \$758,139 at December 31, 2015, are held in separate accounts and are generally not available for operating purposes. The Board of Directors conducted an analysis to estimate the remaining useful lives and the replacement costs of the components of common property. No independent engineer conducted an analysis of remaining useful lives or future replacement costs of common property. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the Board of Directors’ estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$66,907, based on a ten percent (10%) funding plan has been included in the 2016 budget.

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 8 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (continued):

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. 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.

The changes in the replacement fund component balances for the year ended December 31, 2015 are as follows:

| Common Property Components | Components of Beginning Fund Balance Unaudited | Additions to Fund | Interest | Charges to Fund | Components of Ending Fund Balance |
|-------------------------------|---|----------------------|---------------|--------------------|---|
| Painting | \$ 85,250 | \$ 19,181 | \$ - | \$ - | \$ 104,431 |
| Painting Building 9 | 12,893 | 1,747 | - | - | 14,640 |
| Paving | 24,786 | 7,006 | - | - | 31,792 |
| Roof 1, 2, 3, 4, 6 & 7 | 64,001 | 11,669 | - | - | 75,670 |
| Roof 5, 8 & 9 | 29,834 | 7,418 | - | - | 37,252 |
| Roof Recreation Center | 26,172 | 2,230 | - | - | 28,402 |
| Recreation Building | 113,839 | 6,576 | - | - | 120,415 |
| Pool geothermal | 1,708 | 1,528 | - | - | 3,236 |
| Perimeter fence | 4,930 | 777 | - | - | 5,707 |
| Carport | 22,485 | 3,800 | - | - | 26,285 |
| Stairs | 13,254 | 3,780 | - | - | 17,034 |
| Landscaping | 11,108 | 1,155 | - | - | 12,263 |
| Plumbing | 42,270 | 4,727 | - | 20,666 | 26,331 |
| Association wiring | 44,081 | 7,072 | - | - | 51,153 |
| Drainage | 13,556 | 3,375 | - | - | 16,931 |
| Elevator | 6,234 | 742 | - | 6,300 | 676 |
| Fire Alarm | 20,023 | 4,332 | - | - | 24,355 |
| Contingency | 155,674 | 5,000 | 938 | - | 161,612 |
| | <u>\$ 692,098</u> | <u>\$ 92,115</u> | <u>\$ 938</u> | <u>\$ 26,966</u> | <u>\$ 758,185</u> |

The table included in the unaudited supplementary information on Future Major Repairs and Replacements on page 10 is based on the Board of Directors' estimates.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BAYOU CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015

During November 2015 the board of directors conducted an analysis to estimate the remaining useful lives and the replacement costs of the components of common property. No outside independent analysis of the remaining useful lives or future replacement costs have been conducted by the Association.

The following table is based upon the analysis of the board of directors and presents significant information about the components of common property.

| <u>Components</u> | <u>Estimated Remaining Useful Lives (Years)</u> | <u>Estimated Current Replacement Costs</u> |
|------------------------|---|--|
| Painting | 2 | \$ 468,865 |
| Painting Building 9 | 4 | 100,255 |
| Paving | 13 | 305,000 |
| Roof 1, 2, 3, 4, 6 & 7 | 18 | 1,580,963 |
| Roof 5, 8 & 9 | 13 | 998,774 |
| Roof Recreation Center | 12 | 316,063 |
| Recreation Building | 24 | 903,075 |
| Pool geothermal | 9 | 152,813 |
| Perimeter fence | 10 | 36,000 |
| Carport | 26 | 1,048,500 |
| Stairs | 6 | 200,000 |
| Landscaping | 7 | 102,500 |
| Plumbing | 32 | 1,224,000 |
| Association wiring | 7 | 156,230 |
| Drainage | 10 | 112,500 |
| Elevator | 17 | 139,750 |
| Fire Alarm | 15 | 150,000 |
| Contingency | 1 | 211,258 |
| Total | | <u>\$ 8,206,546</u> |

The accompanying notes to the basic financial statements are an integral part of this statement