
Gerald Jackson, Jr.
CERTIFIED PUBLIC ACCOUNTANT, P.A.

2165 BOSQUE ALY
ORLANDO, FL 32814-6379

TELEPHONE
(772)538-1870

JERRY@FLACONDOCPA.COM

September 6, 2023

The Board of Directors

Montego Cove Condominium Association, Inc.

RE: 2023 Audit Report and Tax Preparation

This letter confirms our understanding of our engagement to audit the financial statements of Montego Cove Condominium Association, Inc. as of and for the year ended December 31, 2023, including our responsibility as auditors, management's responsibilities, and the nature and limitations of the engagement.

The objective and scope of the audit

We will audit the financial statements of Montego Cove Condominium Association, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended and the related notes to the financial statements. You have informed us that your financial statements will include supplementary information about future repairs and replacements required by the American Institute of Certified Public Accountants. The supplemental information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements,

The responsibilities of the auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud.

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.

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.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our responsibility as auditors are limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, financial institutions, and attorneys.

Our audit will include obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, we are responsible for communicating to you and those charged with governance any internal control related matters that are required to be communicated under Statements of Auditing Standards.

Gerald Jackson Jr., CPA is the engagement partner responsible for supervising the engagement and signing the report.

We will also prepare the Association's income tax returns as required for the year ended December 31, 2023.

Our engagement may include other nonattest services such as proposing standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing all nonattest services and the impact they have on the financial statements.

Our professional standards require that we remain independent with respect to our audit clients, including those situations when we also provide nonattest services, such as those identified above. As a result, you

accept the responsibilities set forth below related to our performance of nonattest service as a part of this management:

- Assume all management responsibilities.
- Oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience.
- Evaluate the adequacy and results of the services performed.
- Accept responsibility for the results of the services.

It is our understanding that the Association's treasurer who understands the services to be performed sufficiently to satisfy management's responsibilities for oversight related to the nonattest service(s) has been designated by the Association's to oversee the nonattest services. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

Limitations of the Audit

Because of the inherent limitations of an audit, with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

An audit of financial statements includes consideration of internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances but not for expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Our audit cannot be relied upon to disclose all errors, fraud, or noncompliance with laws and regulations that may exist. However, we will inform the Association of any material errors, fraud, or noncompliance with laws and regulations that come to our attention, unless they are clearly inconsequential.

The responsibilities of management and identification of the applicable financial reporting framework

Our audit will be conducted on the basis that the Board of Directors acknowledge and understand that they have responsibility for:

- Preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

- 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.
- Providing us with:
 - Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that we may request from management for the audit.
 - Unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence.
- Making all financial records and related information available to us.
- The Association's financial statements and the selection and application of accounting policies.
- Establishing and maintaining effective internal controls over financial reporting.
- Designing and implementing programs and controls to prevent and detect fraud.
- Identifying and ensuring that the Association complies with the laws and regulations applicable to its activities.
- Adjusting the financial statements to correct material misstatements and affirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- Informing us about all known or suspected fraud affecting the Association involving (a) management, (b) employees who have significant roles in internal control, and (c) others, where the fraud could have a material effect on the financial statements.
- Informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from employees, former employees, regulators, or others.
- Informing us of any events occurring subsequent to the financial statement date and prior to our report date that may affect the financial statements or the related disclosures thereto.
- Informing us of any subsequent discovery of facts that may have existed as of the date of our auditors' report that may have affected the financial statements or the related disclosures thereto.
- Confirming your understanding of these responsibilities as defined in this letter to us in your management representation letter.

You are responsible for performing all management functions; for designating an individual at the association, with suitable skill, knowledge, or experience to oversee tax preparation services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

At the conclusion of the engagement, we will request from the Board of Directors written confirmation concerning representations made to us in connection with the audit.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Other relevant information

We expect to begin our audit on approximately February 25, 2024. Our fees for these services will be \$3,300.00, which includes income tax preparation. The fee will include a visit to go over the audit report.

Reporting We will issue a written report upon completion of our audit of the Association's financial statements. Our report will be addressed to the board of directors of the Association. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement. Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

Sincerely yours,



Acknowledged and agreed on behalf of Montego Cove Condominium Association, Inc

.Accepted: _____ Date _____
Name and Title _____

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.

STUART, FLORIDA

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

For Year Ended December 31, 2023

Gerald Jackson, Jr.
CERTIFIED PUBLIC ACCOUNTANT, P.A.

TELEPHONE
(772)538-1870

2165 BOSQUE ALY
ORLANDO, FL 32814

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Montego Cove Condominium Association, Inc.

Opinion

I have audited the accompanying financial statements of Montego Cove Condominium Association, Inc. which comprises the balance sheet as of December 31, 2023, and the related statements of revenues and expenses and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montego Cove Condominium Association, Inc. as of December 31, 2023, and the results of its operation and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Montego Cove Condominium Association, Inc. and to meet my other ethical requirements, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montego Cove Condominium Association, Inc. ability to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimate made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered to the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the identified during the audit.

Report on Supplementary Information:

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Comparison of Actual Versus Budgeted Operating Expenses and the Statement of Operating Assessments, Revenues and Expenses which is the responsibility of the Association's management, is presented for the purposes of analysis, and is not a required part of the financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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 my opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information, although not 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. I 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 inquires of management about the methods of preparing the information and comparing that information for consistency with their responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express and opinion or provide any assurance

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Report on Summarized Comparative Information:

I had previously audited Montego Cove Condominium Association, Inc.'s 2022 financial statements and had expressed an unmodified opinion on those financial statements in their report dated January 15, 2023. . In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022(prior year), is consistent, in all material respects, with the audited financial statements from which it has been derived.



Gerald Jackson Jr., CPA

January 30, 2024

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.

Balance Sheet

December 31, 2023

	December 31, 2023			12/31/22
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>ASSETS</u>				
CASH, INCLUDING INTEREST BEARING ACCOUNTS	\$ 129,198	\$ 848,581	\$ 977,779	\$ 940,967
ASSESSMENTS RECEIVABLE	41,935	0	41,935	21,031
LESS: ALLOWANCE	(15,059)	0	(15,059)	(10,059)
PREPAID INSURANCE	15,840	0	15,840	24,889
OTHER PREPAID EXPENSES	2,162	0	2,162	2,302
TOTAL ASSETS	\$ 174,076	\$ 848,581	\$ 1,022,657	\$ 979,130
<u>LIABILITIES AND FUND BALANCES</u>				
ACCOUNTS PAYABLE/ACCRUED EXPENSES	\$ 6,818	\$ 0	\$ 6,818	\$ 15,339
PREPAID ASSESSMENTS	53,197	0	53,197	59,616
DEFERRED COMCAST BONUS (NOTE 6)	0	0	0	5,417
TOTAL LIABILITIES	60,015	0	60,015	80,372
FUND BALANCES	114,061	848,581	962,642	898,758
TOTAL LIABILITIES AND FUND BALANCES	\$ 174,076	\$ 848,581	\$ 1,022,657	\$ 979,130

See Accompanying Notes to Financial Statements.

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.
Statement of Revenues, Expenses and Changes in Fund Balance
For Year Ended December 31, 2023

	2023			2022
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
MAINTENANCE ASSESSMENTS	\$ 1,026,332	\$ 216,000	\$ 1,242,332	\$ 991,536
SPECIAL ASSESS.-INSURANCE SHORTFALL	176,576	0	176,576	0
INTEREST INCOME	0	12,036	12,036	2,880
OWNERS LATE FEES AND INTEREST	1,376	0	1,376	1,043
COMCAST BONUS (NOTE 5)	5,418	0	5,418	3,250
APPLICATION FEES AND OTHER INCOME	9,119	0	9,119	8,330
RENTAL INCOME-UNIT 1-201	20,130	0	20,130	0
TOTAL REVENUES	1,238,951	228,036	1,466,987	1,007,039
<u>EXPENSES</u>				
ADMINISTRATION	609,345	0	609,345	404,341
UTILITIES	166,691	0	166,691	160,926
BUILDING & EQUIPMENT	109,164	0	109,164	116,245
GROUNDS	152,323	0	152,323	173,719
POOL & RECREATION	25,228	0	25,228	16,514
CONTRACT SERVICES	62,654	0	62,654	54,167
MISCELLANEOUS/CONTINGENCY	51	0	51	7,444
MAJOR REPAIRS AND REPLACEMENTS	0	277,647	277,647	265,112
TOTAL EXPENSES	1,125,456	277,647	1,403,103	1,198,468
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	113,495	(49,611)	63,884	(191,429)
FUND BALANCES, BEGINNING OF YEAR	566	898,192	898,758	1,090,187
FUND BALANCES, END OF YEAR	\$ 114,061	\$ 848,581	\$ 962,642	\$ 898,758

See Accompanying Notes to Financial Statements.

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.
Statement of Cash Flows
For Year Ended December 31, 2023

INCREASE(DECREASE) IN CASH	2023			2022
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 1,175,585	\$ 216,000	\$ 1,391,585	\$ 1,015,044
Interest Income Received	0	12,036	12,036	2,880
Other Income Received	30,625	0	30,625	9,373
Cash Payments to Vendors and Suppliers	(1,119,787)	(277,647)	(1,397,434)	(1,203,903)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>86,423</u>	<u>(49,611)</u>	<u>36,812</u>	<u>(176,606)</u>
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	86,423	(49,611)	36,812	(176,606)
CASH AT BEGINNING OF YEAR	42,775	898,192	940,967	1,117,573
CASH AT END OF YEAR	\$ <u>129,198</u>	\$ <u>848,581</u>	\$ <u>977,779</u>	\$ <u>940,967</u>

**RECONCILIATION OF EXCESS OF ASSESSMENTS AND REVENUES
OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

CASH FLOWS FROM OPERATING ACTIVITIES

Excess (deficit) of revenues over expenses	\$ 113,495	\$ (49,611)	\$ 63,884	\$ (191,429)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	(20,904)	0	(20,904)	(3,004)
Allowance for Uncollectible	5,000	0	5,000	10,000
Prepaid Expenses	9,189	0	9,189	(23,029)
Increase (Decrease) in:				
Accounts Payable	(8,521)	0	(8,521)	7,595
Assessments Received in Advance	(6,419)	0	(6,419)	26,512
Deferred Revenue	(5,417)	0	(5,417)	(3,251)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>86,423</u>	\$ <u>(49,611)</u>	\$ <u>36,812</u>	\$ <u>(176,606)</u>

See Accompanying Notes to Financial Statements.

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC. NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND PURPOSE

Montego Cove Condominium Association, Inc. was formed on July 16, 1984 as a Florida not-for-profit corporation. The Association has been organized for the purpose of operating, maintaining and preserving common property; to enforce the covenants, conditions, restrictions, and other provisions pursuant to Chapter 718 of the Florida Statutes, and as set forth in Declaration of Condominium, the Articles of Incorporation, the By-Laws, and rules and regulations of the Association. The condominium includes thirty-buildings (30) containing 182 condominium units in Stuart, Florida.

The common property consists of the structural components of the thirty (30) two-story (2) buildings and their roofs, landscape areas, two (2) lakes and related wetlands, two (2) swimming pools and decks, cabana, clubhouse with social room and kitchen facilities and office, tennis courts, roadway, parking areas and streetlights. The Association also has limited common property, which is available for the exclusive use of the individual unit owner consisting of designated parking spaces, balconies, porches and entryways.

All policy decisions are formed by the Board of Directors. Major decisions as defined in the Association's By-Laws, are referred to the general association membership for approval before action is taken.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting:

The financial statements have been prepared using the accrual basis of accounting pursuant to Section 718 of the Florida Statutes. The Association's governing documents provide certain guidelines for conducting 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 designated for future major repairs and replacements.

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 by the Association. Minor amounts of personal property and equipment acquired by the Association are recorded as operating fund expenses in the year incurred.

Allocation of Revenues and Expenses

The revenues and expenses of the Association are allocated to the unit owners based on an equal amount for each unit.

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Income Taxes:

Condominium associations may elect to be taxed either as regular corporations or as homeowners association. For the year ended December 31, 2023, the Association has elected to be taxed as a homeowners association (Form 1120-H). The association is taxed on its non-exempt income, such as net investment earnings. Exempt income, which consists primarily of member assessments, is not taxable. Income tax expense is considered an expense of the replacement fund.

In June 2006, the Financial Accounting Standards Board prescribed a comprehensive model for how a company should measure, recognize, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The opinion was amended in 2009 to more accurately reflect the applicability to Not-For-Profit entities such as Associations. The Association has adopted this pronouncement as amended as of January 1, 2009.

Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2021, 2022, and 2023 returns. However, the Association is not currently under audit and has not been contacted that a possible audit may be initiated. Also, there are no uncertain tax positions.

Subsequent Events

Management has evaluated the existence of any subsequent events through January 30, 2024, the date the financial statements were available to be issued.

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures (SFAS No. 157)*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the most advantageous market for the asset or liability.

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2023; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2023.

Member Assessments:

Association members are subject to quarterly assessments in advance, to provide funds for the Association's operating expenses and a reserve for major repairs and replacements. Quarterly member assessments are allocated equally to each unit in accordance with the governing documents. The annual budget and member assessments are determined and approved by the Board of Directors. Assessments receivable at the statement of financial position date represent assessments due from unit owners that are all considered collectible by the Board of Directors. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are delinquent.

Products and Services:

The Association provides cable television and trash collection services to all unit owners, the cost of which is included in the quarterly maintenance fee.

**MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Interest Earned:

The Board's policy is to retain interest earned on replacement fund investments in the replacement fund.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 expense during the reporting period. Actual results could differ from those estimates.

NOTE 3 - MANAGEMENT AGREEMENT

The properties and affairs of the Association are managed by Advantage Property Management LLC.

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is required by Section 718 of the Florida Statutes to fund future major repairs and replacements, unless a majority of unit owners, at the annual meeting, vote not to fund or only partially fund such future costs. An updated independent reserve study was prepared in 2021 to estimate the remaining useful lives and the replacement cost of the common property components. The table in the supplementary information on Future Major Repairs and Replacements is based on that study. The Board is funding for such major repairs and replacements over the estimated useful lives of the components based on the board of directors update of current replacement costs, considering amount previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on the estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacement. If additional funds are needed, however, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Association membership approved the pooling method of funding and accounting for all components of common property and using the pooled cash flow method in determining the required annual reserve funding.

**MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

The following table reflects the replacement fund activity for the current year:

	Beginning Balance	Funding	<u>Current Year</u> Interest	Expended	Ending Balance
<u>Pooled Reserves</u>					
Roofing	-	0	0	0	-
Clubhouse/Misc. Building	-	0	0	0	-
Painting	-	0	0	(50,400)	-
Pavement	-	0	0	0	-
Investment Fee	-	0	0	(150)	-
Irrigation	-	0	0	0	-
Tennis Courts	-	0	0	0	-
Restore/Replacement	-	0	0	0	-
Pools	-	0	0	0	-
Storm Water System	-	0	0	(227,097)	-
Pooling Method Funding	-	216,000	12,036	-	-
Total Pooled Reserves	898,192	216,000	12,036	(277,647)	848,581

- For the current year, required reserves were funded using the pooling method.

NOTE 5 – LONG TERM SERVICE CONTRACTS

Effective September 1, 2016, the Association renewed its bulk cable contract for monthly cable television services for an additional seven-year period. The contract contains provisions for additional renewals for additional years after the initial seven year term and allows for annual increases of a maximum of 4%. Also, in January, 2017 the association received \$22,750.00 as compensation for signing the new contract which is being amortized over 84 months to revenue at the rate of \$270.83 per month starting with September, 2016. It was renewed again in 2023 (for one more year).

NOTE 6 – HURRICANE INSURANCE DEDUCTIBLE

Insurance policy coverage:

The deductible on the insurance policy covering damages from hurricanes for the year ending December 31, 2023 represented five percent (5%) of the insured value of each building. The Association has not established an insurance deductible reserve and therefore any future deductibles will be funded using special assessments or borrowed funds.

Apportionment of Deductible:

Florida Statutes requires the Association to insure the Association's common property and the property located inside the units according to the original plans and specification or, if the original plans and specifications are not available, as they existed at the time the unit was initially conveyed. The Board of Directors has elected to apportion the insurance deductible entirely to the Association's common property and therefore the unit owners share the deductible in the same manner the unit owners share the insurance premiums, which are included as part of regular assessments.

Requirements of the Governing Documents:

The Association's governing documents require the Association to collect and disburse funds for reconstruction and repair following a casualty loss. Assessments from unit owners are to be collected from unit owners if the proceeds from insurance are insufficient to cover the costs of reconstruction. Disbursements are to be made from the funds upon approval of an architect and are to be first from insurance proceeds and then from unit owner's assessments. Any surplus in the construction fund after payment of all costs have been made are to be distributed to the unit owners in proportion to the assessment levied on the unit owner for repair and reconstruction of the common elements.

**MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – BANK BALANCES

The total balance for all bank accounts at each bank is insured to a limit of \$250,000 per depositor. As of December 31, 2023 all bank funds were insured.

NOTE 8 - ASC 606

It has been determined that ASC 606 - Revenue Recognition (also described as Contracts with Customers) does not apply to association accounting reporting and therefore was not implemented in 2019.

NOTE 9 – LINE OF CREDIT

On July 24, 2020 the Association obtained a \$200,000 line of credit from a local bank. Any funds drawn will be subject to a variable interest rate. As of December 31, 2023 the balance was zero.

NOTE 10 – APPLICATION OF PRIOR OPERATING SURPLUS TO 2023 BUDGET

The 2023 operating fund budget was subsidized with \$15,000 of prior operating fund surplus. The effect of such a subsidy was to reduce the required 2023 maintenance fees by this \$15,000. Generally accepted accounting principles does not permit recording this subsidy as revenue in 2023.

SUPPLEMENTARY INFORMATION

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2023

	<u>2022</u>		<u>2023</u>		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>\$</u> <u>Variance</u>	<u>%</u> <u>Variance</u>
<u>REVENUES</u>					
MAINTENANCE ASSESSMENTS	779,036	1,026,332	1,026,422	(90)	0.0%
SPECIAL ASSESS.-INSURANCE SHORTFALL	0	176,576	0	176,576	0.0%
OWNERS LATE FEES AND INTEREST	1,043	1,376	1,000	376	37.6%
COMCAST BONUS (NOTE 5)	3,250	5,418	5,420	(2)	0.0%
APPLICATION FEES AND OTHER INCOME	8,330	9,119	9,500	(381)	-4.0%
CARRY OVER SURPLUS	0	0	15,000	(15,000)	-100.0%
RENTAL INCOME- UNIT 1-201	0	20,130	0	20,130	0.0%
TOTAL REVENUES	791,659	1,238,951	1,057,342	181,609	17.2%
<u>EXPENSES:</u>					
ADMINISTRATION					
MANAGEMENT FEE	42,340	45,262	45,262	0	0.0%
EXTRA MANAGER HOURS	1,440	0	0	0	0.0%
LEGAL FEES	5,699	5,326	2,000	(3,326)	-166.3%
INSURANCE- COMMON AREA	334,909	538,699	440,000	(98,699)	-22.4%
INSURANCE - MEDICAL	0	4,780	4,732	(48)	-1.0%
BAD DEBT	10,000	5,000	0	(5,000)	0.0%
OFFICE EXPENSES	5,892	6,117	4,000	(2,117)	-52.9%
CPA AUDIT FEE	3,200	3,300	4,700	1,400	29.8%
CORPORATE ANNUAL REPORT/FEES	861	861	790	(71)	-9.0%
Total · ADMINISTRATION	404,341	609,345	501,484	(107,861)	-21.5%
UTILITIES					
ELECTRIC	24,224	25,529	25,200	(329)	-1.3%
STREET LIGHTS-FPL	20,236	21,616	21,050	(566)	-2.7%
WATER / SEWER	2,558	2,534	2,780	246	8.8%
TELEPHONE	4,326	4,126	4,400	274	6.2%
COMCAST CONSULTANT FEE	9,083	4,038	6,016	1,978	32.9%
CABLE TV	100,499	108,848	128,536	19,688	15.3%
Total · UTILITIES	160,926	166,691	187,982	21,291	11.3%
BUILDING AND EQUIPMENT					
BUILDING REPAIRS AND MAINTENANCE	34,349	19,651	20,000	349	1.7%
MAINTENANCE LABOR	66,779	85,256	73,008	(12,248)	-16.8%
SECURITY GATE	11,171	2,140	9,360	7,220	77.1%
RENTAL UNIT- 1-201	3,946	2,117	0	(2,117)	0.0%
Total · BUILDING AND EQUIPMENT	116,245	109,164	102,368	(6,796)	-6.6%
GROUNDS					
GROUNDS CONTRACT	107,451	107,580	113,840	6,260	5.5%
PLANT REPLACEMENT	13,613	5,216	9,000	3,784	42.0%
TREE REMOVAL	0	1,225	4,500	3,275	72.8%
LAKE MAINTENANCE	8,733	9,753	8,850	(903)	-10.2%
IRRIGATION MAINTENANCE	28,297	8,237	7,200	(1,037)	-14.4%
IRRIGATION REPAIRS	0	3,463	15,000	11,537	76.9%
SPECIAL PROJECTS	0	3,612	0	(3,612)	0.0%
TREE TRIMMING	15,625	13,237	20,000	6,763	33.8%
Total · GROUNDS	173,719	152,323	178,390	26,067	14.6%

See Accompanying Notes to Financial Statements.

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2023

	<u>2022</u>	<u>2023</u>			
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>\$</u> <u>Variance</u>	<u>%</u> <u>Variance</u>
<u>EXPENSES: (continued)</u>					
POOL & RECREATION					
POOL MAINTENANCE CONTRACT	12,510	14,095	13,728	(367)	-2.7%
POOL REPAIRS	3,583	9,540	3,000	(6,540)	-218.0%
SHUFFLE & TENNIS	92	96	500	404	80.8%
CLUBHOUSE JANIITOR SUPPLIES	329	1,497	500	(997)	-199.4%
Total · POOL & RECREATION	<u>16,514</u>	<u>25,228</u>	<u>17,728</u>	<u>(7,500)</u>	<u>-42.3%</u>
CONTRACT SERVICES					
TRASH REMOVAL	52,852	55,540	56,390	850	1.5%
BUILDING PEST CONTROL	1,315	7,114	3,000	(4,114)	-137.1%
Total · CONTRACT SERVICES	<u>54,167</u>	<u>62,654</u>	<u>59,390</u>	<u>(3,264)</u>	<u>-5.5%</u>
MISC/CONTINGENCY					
CONTINGENCY	6,872	0	10,000	10,000	100.0%
SPECIAL PROJECTS	572	51	0	(51)	0.0%
Total · MISC./CONTINGENCY	<u>7,444</u>	<u>51</u>	<u>10,000</u>	<u>9,949</u>	<u>99.5%</u>
TOTAL EXPENSES	<u>933,356</u>	<u>1,125,456</u>	<u>1,057,342</u>	<u>(68,114)</u>	<u>-6.4%</u>
NET SURPLUS (DEFICIT)	<u>(141,697)</u>	<u>113,495</u>	<u>0</u>	<u>113,495</u>	

See Accompanying Notes to Financial Statements.

MONTEGO COVE CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31,2023

An updated independent study was performed in 2021 to estimate the remaining useful lives and the replacement costs of the components of common property.

The Association uses the pooling method to fund reserves.

<u>Component</u>	<u>Estimated Useful Life</u>	<u>Estimated Current Replacement Cost</u>	<u>Budgeted Pooled 2024 Full Funding</u>	<u>Pooled Replacement Fund Balance At 12/31/2023</u>
<u>POOLED RESERVE ITEMS:</u>				
ROOFING	0 - 19	\$ 2,313,737		
CLUBHOUSE/MISC. BUILDING	0 - 38	164,961		
PAINTING	0 - 7	388,839		
PAVEMENT	0 - 21	610,404		
TENNIS COURTS	3 - 14	63,240		
RESTORE/REPLACEMENT	0 - 38	791,305		
POOLS	1 - 8	86,445		
STORM WATER SYSTEM	0 -50	744,978		
TOTAL POOLED ITEMS		\$ 5,163,909	\$ 216,000	\$ 848,581

Required full funding (statutory funding) for the year ending December 31, 2024 will be achieved by funding of \$216,000.

This disclosure is made in accordance with Florida Statute 718.111(13).

The decision of full funding, partial funding or waiving the funding of reserves is by a vote of the membership.

See Accompanying Notes to Financial Statements.