

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.

Minutes of the Annual Meeting

November 5, 2016

John Rasmussen, president of the Association, called the meeting to order at 8:45 a.m. on the date above noted at the Grenelefe Conference Center, Haines City, Florida, the location specified in the notice of meeting.

Mr. Rasmusen then stated that if there were no objections, as president of the Association, he would chair the meeting and appoint Carol Post to act as the recording secretary. Carol Post stated that the meeting had been properly noticed to the general membership. Glenn Norton moved and Faye Sadler seconded a motion, which was passed unanimously, to waive the calling of the roll. Acting secretary Carol Post then certified the validity of the proxies and declared a quorum. Murray Miller moved and Carol Vasquez seconded a motion, which was passed unanimously, to dispense with the reading of last year's annual meeting minutes.

Mr. Rasmussen stated that there were five candidates for five open positions on the board, so an election wouldn't be necessary. He indicated that Carl Bauer, Tom Leiser, Glenn Norton, Bryon Smith and John Rasmussen would be appointed to two-year terms.

Chris Gourdie, the general manager, then gave a report on the status of the reserve accounts. He outlined the amount being allocated to each reserve account during 2017 and shared how those funds would be spent. Jeanne Dannemiller expressed some dissatisfaction with the landscaping and asked why things are done the way they are. Mr. Gourdie explained that the Association has six men landscaping 220 acres. He explained they are trying to control the weeds with spray and have purchased three new sprayers. They are also looking at using a growth inhibitor next year and have begun using pine straw on the islands. The high acid stops weeds from growing. He stated that the Association encourages owners to plant if they wish and provides signs that say "no weed-whacking."

Rich Leiter then asked how much the maintenance fees have gone up in the last five years. Mr. Rasmussen stated that they haven't. Mr. Leiter stated that he is asking for Grenelefe to have a chance to be what management wants it to be. Mr. Rasmussen then asked that the owners hold any remaining questions and comments until the owner comments portion of the agenda.

The general manager then presented a slide show depicting some of the work done during the year throughout property.

Mr. Rasmussen then moved on to the president's report. He reported that the Association had completed paving of most of the roads this year, at a cost of approximately \$290,000. The remainder of the multi-unit parking areas, originally scheduled to be completed in two years, were completed this year, temporarily leaving the parking lot reserve with a negative balance.

He indicated that the budget committee reviewed the budget presented by Mr. Gourdie and Ms. Post, with a goal of keeping the budget the same, keeping the reserves at the same level or higher

and providing employees with a 2-percent raise across the board. He stated that the overall budget is going down, but there is no carryover because of the roads, which keeps the fees level. He explained that the annual meeting letter stated that the budget committee reviewed the budget and recommended to the Board that the budget be accepted without change. The budget committee did, in fact, suggest moving the expense to replace the A/C conduits from operating to reserves, which was done before the budget was presented to the board.

Mr. Rasmussen stated that the total reserves were down about \$75,000, due to completing double the amount of scheduled parking lots. He stated that the multi-unit building renovations were completed, so money will go farther in that fund, but that the lake lofts, currently being renovated, were a challenge. He explained that, unless waived by the membership, the State requires reserves to be funded at 100%, which for the Association would be \$999,532, but the board is proposing a funding level of \$405,499.

Mr. Rasmussen stated that laundry revenue was approximately \$79,000 as of September 30, compared to around \$20,000 annually when the machines were leased. He stated that the Association acquired unit 3563 through foreclosure. He also reported on 38 units that had sold thus far this year, with overall prices increasing over last year's. He publicly thanked the budget committee and Mr. Gourdie and the team.

John "Randy" Kuhl then gave a report on the Association's financial condition as of the year ending September 30, 2016, which is attached and made a part of these minutes of the annual meeting.

The Association's auditor, Andrea Doane, then gave a report on the 2015 audit, which is made a part of the treasurer's report and attached to these minutes of the annual meeting. She stated that there were no significant findings.

Mr. Rasmussen then stated that the board had already approved a total operating and reserve budget in the amount of \$2,396,544. He explained that, unless otherwise approved by the membership, the reserves must be funded at 100%, which would result in higher fees. Randy Kuhl moved and Faye Sadler seconded a motion to waive 100-percent funding of the reserve requirements for the fiscal year 2017 in favor of a funding level of \$405,499 proposed by the Board of Directors. The motion passed, with 600 in favor and 4 opposed.

Carol Vasquez moved and Earl Monari seconded a motion to postpone the Association's audit for year 2016 from May 1 to August 1, 2017. The motion passed, with 600 in favor and 0 opposed.

Carol Vasquez then asked if the membership can vote to give \$200 to the beautification committee to assist with costs of planting. Mr. Rasmussen stated that votes can only be taken on agenda items, but that the issue can be considered with the next budget. Earl Monari suggested bringing it up at the next board meeting.

Faye Sadler moved and Martha Oxley seconded a motion to defer excess membership income to subsequent years in accordance with Internal Revenue Ruling 70-604. The motion passed, with 600 in favor and 0 opposed.

The meeting was then open for owner comments. Mary Jane Arpin asked if Association staff keeps track of what vehicles are parked around property, that there is a big truck taking up two parking spaces on Birch. Mr. Gourdie indicated that Association documents state what size trucks are allowed, and Association staff would check it out.

Ellie Reith asked how long trailers are allowed to be parked, that one is parked on Palm View, and Mr. Gourdie said trailers are not allowed. Ms. Reith asked why the west side trash location is being moved, and Mr. Rasmussen stated that it is being moved to Association property in preparation for a possible sale in the future. Mr. Gourdie stated that the trash situation has been terrible and the Association is looking into getting a compactor. Ruth Norton asked if anyone has considered recycling. Mr. Gourdie stated that the Association had tried it without success, but could look into it again. He stated that the Association has decreased yard waste disposal costs from \$90 per load to \$8 per ton by contracting with a green company that converts waste into fertilizer.

Rich Leiter then complimented the board on doing a great job. He stated that the roads look very nice, but the new blacktop makes them hard to see at night with poor lighting. He asked about having a line down the middle or the sides. Carl Bauer stated that Westgate would not do this.

Mr. Leiter then stated that he had asked about term limits for directors at the last annual meeting. Glenn Norton didn't feel that there was anything wrong with term limits, but that new directors needed to be on the board for some time before getting a good grasp of what is going on. He also stated that there weren't many people trying to get on the board. Mr. Leiter gave examples of past boards where the same director has been president for multiple terms. Mr. Rasmussen indicated that although Westgate's majority vote determines who gets on the board, the directors select the officers. Mr. Leiter asked if the president gets compensation, and Mr. Rasmussen said the president receives \$300 per month. Murray Miller stated that a prior president who didn't live on property decided that Grenelefe didn't need mailboxes and that owners were not able to get them until he passed away. He suggested having term limits that could be waived by a vote based on number of owners rather than number of units. Drew Smith, the Association attorney, stated that that would require a change in the bylaws. Mr. Rasmussen stated that the current board operates differently from prior boards, that no particular director controls the board, and there is more open discussion. Tom Leiser suggested that the board take a position on the issue of term limits at the February board meeting and come back with a recommendation.

Mr. Leiter then revisited the subject of fees, stating that Chris Gourdie has not had the funds to do the job he would like to do, that it is hard to get good employees to stay. Mr. Leiter felt that the membership wouldn't be upset with a small increase. Mr. Gourdie stated that he has had a big problem finding carpenters due to the growth in the area. Mr. Rasmussen indicated that Mr. Gourdie has a wage table giving low, medium and high pay ranges for each job, based on experience, but that it can be brought to the board to ask for changes. Both A/C and grounds were recently increased.

Murray Miller then asked about owners being able to hire Association staff after hours, with the funds being run through the Association. Andrea Doane, the Association's accountant, warned that, as a not-for-profit, the Association has an obligation to not make money, and it is already at the maximum allowed percentage for non-exempt revenue. Mr. Gourdie stated that he is already short-staffed and is having trouble finding good people to fill the slots, especially in carpentry.

Rich Leiter then asked if Carl Bauer can make any comments on what Westgate's position is on Grenelefe. Mr. Bauer responded that they are trying to sell Grenelefe. Mr. Leiter stated that the golf courses are unplayable this season. Mr. Bauer indicated that at the current levels of membership, there isn't enough money. Resources are being directed to the south course, with the east course simply being kept playable. When other questions were raised, Mr. Bauer stated that he doesn't get involved with golf, and it was best to direct questions to Billy at the pro shop.

At 10:20 a.m., Jeanne Dannemiller moved and Glenn Norton seconded a motion, which was passed unanimously, to adjourn the meeting.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carol Post". The signature is written in dark ink and is positioned above the printed name and title.

Carol Post
Secretary

TREASURER'S REPORT
For the Year to Date September 30, 2016

ANNUAL MEETING
November 5, 2016

The certified public accounting firm of Doane CPA Firm audited the books of the Association for the year ending December 31, 2015. Their final report, which indicates the financial position of the Association as of the end of 2015, will be mailed to the membership this month with the annual meeting minutes.

This report will reflect the data from the last financial statement available, which is as of September 30, 2016.

The Association ended September with a loss of income to expenses of \$132,854 year to date, due to completing the road resurfacing project at a cost in excess of \$290,000. As per a vote taken by the board, the \$140,975 balance of the property insurance fund will be used assist with the road costs, which makes an actual net profit of \$8,121. There was \$908,964 in operating funds, which is higher than normal, due to Westgate paying its fourth quarter fees in September. Accounts receivable totaled \$233,468, \$172,150 of which is fourth quarter maintenance fees invoiced in September but not due until October. Accounts receivable over 30 days totaled \$62,782, \$19,056 of which was paid in October, and most of the balance of which is in attorney collection. Accounts payable were \$39,365.

Besides the road resurfacing project, the most significant overbudget items in 2016 were:

- Bad debt overbudget by \$9,414 due to two units being foreclosed by banks
- Insurance deductible expense overbudget by \$10,394 due to sewer backups and leaks
- Termite, bee and wasps service is overbudget by \$12,965. The \$78,000 termite treatment performed in 2015 is being expensed over five years, but is not included in the budget since the amounts are already paid.
- Other overbudget areas include building uniforms, tools and equipment, landscaping tools and equipment, landscape chemicals, and miscellaneous taxes.

The primary underbudget areas include:

- Casualty and liability insurance underbudget by \$79,085, and workers compensation underbudget by \$3,488, due to lower than anticipated premiums
- Water and sewer and laundry electric and water, underbudget by a total of \$12,432 due to water conservation efforts
- Painting contractor and building paint, underbudget by \$25,246 and \$13,222 respectively, due to not completing as many buildings as anticipated

- Trash removal, underbudget by \$12,269 due to use of a new vendor for yard waste
- Grounds gasoline underbudget by \$5,784, due to lower gas prices
- Irrigation supplies, underbudget by \$4,704
- Routine legal underbudget by \$6,631
- Building payroll and health insurance underbudget by a total of \$30,398 due to vacant positions. This amount is only partially offset by an overbudget amount of \$5,352 in temporary help, leaving an actual underbudget amount of \$25,046.
- Grounds payroll and health insurance underbudget by a total of \$39,130 due to vacant positions. This amount is mostly offset by an overbudget amount of \$35,712 in temporary help, leaving an actual underbudget amount of \$3,418.
- Other underbudget areas include vehicle maintenance in grounds and buildings, lighting, audit and tax preparation, and postage, printing and billing.

Income from laundry equipment is \$79,188. Total interest income thus far is \$1,787: \$429 from operating funds and \$1,358 from reserve funds.

In December of 2015, the Association foreclosed on unit 3552 for unpaid maintenance fees. However, the bank mortgage prevented the Association from selling or renting the unit. Last month, the bank finally foreclosed on the mortgage, so the Association will once again be able to collect maintenance fees. In February of this year, the Association sold unit 2035, which it had acquired through foreclosure in 2013, to a company that purchases association-owned units encumbered with bank mortgages.

The Association ended September with \$750,802 in reserves, \$140,975 of which is the Property Insurance Fund. The largest reserve is the multi-unit roof reserve, at \$229,694. The multi-unit building reserve carries a balance of \$214,682, and the lakeloft reserve has a balance of \$30,035. The landscaping reserve has a balance of \$25,372, and the equipment reserve balance is \$49,093. The laundry reserve has a balance of \$83,928. The parking resurfacing fund carries a negative balance of \$24,321 due to completing two years of resurfacing in one, in order to finish the multi-unit building parking areas. This amount will zero out and the fund will once again be in the black in January of 2017. The cash reserves are primarily invested in CDs, money markets and savings accounts at CenterState Bank, Mid-Florida Federal Credit Union, Quantum National Bank, Capital One, Trustco Bank, and Citizens Bank. The interest rates on these accounts vary, with an average rate of return of approximately .17 percent.

Respectfully submitted,

John R. "Randy" Kuhl, Treasurer

**GRENELEFE ASSOCIATION OF
CONDOMINIUM OWNERS NO. 1, INC.**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

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GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.

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Certified Public Accountancy
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To the Board of Directors
Grenelefe Association of
Condominium Owners No. 1, Inc.
Haines City, Florida 33844

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying Balance Sheet of Grenelefe Association of Condominium Owners No. 1, Inc. (a Florida Corporation, Common Interest Realty Association) as of December 31, 2015 and the related statement of revenues and expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Grenelefe Condominium Association #1, Inc. as 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule 1 - Future Major Repairs and Replacements and Schedule 2 -Operating and Reserves Actual vs. Budget on pages 12-13 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. 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because of the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matter

The December 31, 2014 financial information was audited by Doane CPA Firm LLC, in a report dated August 31, 2015 and presented herein for additional analysis purposes.

Doane CPA Firm

Doane CPA Firm LLC
Davenport, FL

September 15, 2016

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS, NO. 1, INC.

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

	<u>----- 2015 -----</u>			<u>2014</u>
<u>ASSETS</u>	<u>OPERATING</u> <u>FUND</u>	<u>RESERVE</u> <u>FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
Cash and cash equivalents - Note A	670,151	423,035	1,093,186	\$ 1,325,327
Assessment receivable - Note C	68,579	-	68,579	50,936
Note receivable - Note D	1,552	-	1,552	2,307
Other receivables	907	-	907	1,130
Prepaid expenses	157,262	-	157,262	63,380
Certificates of deposit reserves	-	422,607	422,607	421,675
Foreclosed properties - Note E	26,512	-	26,512	57,273
Investment in securities - Note I	20,736	-	20,736	23,996
Furniture and equipment				-
(Net of depreciation) - Note G	136,064	-	136,064	121,603
Deposits	10,350	-	10,350	10,350
 TOTAL ASSETS	 <u>\$ 1,092,113</u>	 <u>\$ 845,642</u>	 <u>\$ 1,937,755</u>	 <u>\$ 2,077,977</u>
 <u>LIABILITIES</u>				
Accounts payable and accrued expenses	54,637	2,586	57,223	43,366
Deferred tax liability -unrealized gains	1,480	-	1,480	341
Prepaid and deferred assessments	102,563	-	102,563	407,021
 TOTAL LIABILITIES	 <u>158,680</u>	 <u>2,586</u>	 <u>161,266</u>	 <u>450,728</u>
 FUND BALANCE				
Fund balance	925,045	843,056	1,768,101	1,614,121
Other comprehensive income (loss) - Note I	8,388	-	8,388	13,128
 TOTAL FUND BALANCE	 <u>933,433</u>	 <u>843,056</u>	 <u>1,776,489</u>	 <u>1,627,249</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,092,113</u>	 <u>\$ 845,642</u>	 <u>\$ 1,937,755</u>	 <u>\$ 2,077,977</u>

See independent auditor's report and notes to financial statements.

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS, NO. 1, INC.STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	----- 2015 -----			2014
	OPERATING FUND	RESERVE FUNDS	TOTAL	TOTAL
REVENUES				
Assessments	\$ 1,865,898	\$ 438,370	\$ 2,304,268	\$ 2,304,148
HVAC net income(loss) - Note N	33,840	-	33,840	-
Laundry net income(loss) - Note G and Note N	(8,946)	-	(8,946)	(24,148)
Interior pest control fees net income(loss) - Note N	109	-	109	25
Storage rental net income(loss) - Note N	6,491	-	6,491	5,169
Other exempt function income	16,432	-	16,432	18,436
Interest and dividends	1,152	2,277	3,429	3,714
Gain(loss) on fixed asset and investments	(5,314)	-	(5,314)	(417)
Maintenance fee finance charges	8,282	-	8,282	3,599
TOTAL REVENUE	\$ 1,917,944	440,647	2,358,591	2,310,526
EXPENSES				
Operating Payroll expense	580,062	-	580,062	473,968
Insurance	344,653	-	344,653	389,628
Management salaries and temporaries	175,266	-	175,266	193,068
Employee benefits	113,275	-	113,275	108,838
Utilities	88,212	-	88,212	108,346
Vehicle expenses	55,371	-	55,371	62,536
Repairs and maintenance	113,197	-	113,197	57,974
Trash removal	64,350	-	64,350	56,511
Payroll taxes	48,828	-	48,828	52,251
Grounds maintenance and supplies	61,156	-	61,156	48,063
Office and other	40,449	-	40,449	37,449
HVAC expenses	23,473	-	23,473	38,625
Depreciation	21,386	-	21,386	25,173
Casualty Repairs not exceeding deductible	6,634	-	6,634	24,313
Accounting and audit	16,800	-	16,800	17,600
Tree Care	16,608	-	16,608	14,400
Uniforms, tools and equipment	15,782	-	15,782	12,814
Irrigation repair	18,633	-	18,633	12,356
Bad debt and allowances	22,291	-	22,291	11,923
Director and board meeting expenses	9,186	-	9,186	9,611
Legal	10,833	-	10,833	8,696
Licenses, permits and taxes	4,473	-	4,473	1,329
Fire protection	3,865	-	3,865	373
Reserve expenditures - Note B	-	378,917	378,917	485,518
Income tax expense(revenue)	(341)	-	(341)	(1,911)
TOTAL EXPENDITURES	1,854,442	378,917	2,233,359	2,249,452
REVENUE IN EXCESS (DEFICIT) OF EXPENDITURES	63,502	61,730	125,232	61,074
BEGINNING FUND BALANCE	832,795	781,326	1,614,121	1,536,938
FUND BALANCE TRANSFERS*	28,748	-	28,748	16,109
*fixed assets purchases transfers from Reserves to Operating				
ENDING FUND BALANCE	\$ 925,045	\$ 843,056	\$ 1,768,101	\$ 1,614,121

See independent auditor's report and notes to financial statements.

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS, NO. 1, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>----- 2015 -----</u>			<u>2014</u>
	<u>OPERATING</u> <u>FUND</u>	<u>RESERVE</u> <u>FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
CASH FLOW FROM OPERATING ACTIVITIES				
Excess (deficit) of revenue over expenses	\$ 63,502	\$ 61,730	\$ 125,232	\$ 61,074
Adjustment to reconcile excess of expenditures over revenue to net cash provided by operating activities:				
Depreciation expense	47,557	-	47,557	51,345
Loss (gain) on fixed asset disposal	5,314	-	5,314	417
(Increase) Decrease in				
Assessments and notes receivable-net	(17,643)	-	(17,643)	(23,274)
Other receivables	978	-	978	545
Prepaid expenses	(93,882)	-	(93,882)	9,144
Investment in securities - Note G	3,260	-	3,260	(1,264)
Utility deposits	-	-	-	-
Increase (Decrease) in				
Accounts payable and accrued expenses	23,213	(5,660)	17,553	(111,840)
Prepaid assessments	(304,458)	-	(304,458)	405,638
Other comprehensive	(4,740)	-	(4,740)	1,264
Net cash provided (used) by operating activities	<u>(276,899)</u>	<u>56,070</u>	<u>(220,829)</u>	<u>393,049</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase and transfer of fixed assets	(28,748)	-	(28,748)	(16,109)
Proceeds from sales of assets	-	-	-	1,700
Investments in foreclosures (net)	(5,000)	-	(5,000)	(19,490)
Fund balance transfers	28,748	-	28,748	16,109
Noncash equivalent investment income (CDs)	-	-	-	39
Net cash provided (used) by investing activities	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>(17,751)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on demand notes payable	-	-	-	-
Net cash provided(used)by financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	(281,899)	56,070	(225,829)	375,298
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>957,430</u>	<u>789,572</u>	<u>1,747,002</u>	<u>1,371,704</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 675,531</u>	<u>\$ 845,642</u>	<u>\$ 1,521,173</u>	<u>\$ 1,747,002</u>
SUPPLEMENTAL DISCLOSURES				
Income taxes paid				\$ -
Interest expense paid				\$ -

See independent auditor's report and notes to financial statements.

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS, NO. 1, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Grenelefe Association of Condominium Owners No. 1, Inc., ("The Association"), a multi-condominium, is incorporated in the State of Florida on April 3, 1974. The Association is responsible for the operation and maintenance of the common property within the development including 220 acres of landscaping. The development consists of 781 residential units as part of 116 separate buildings and 34 lakelofts located in Polk County, Florida. The Association also provides, for a nominal fee, heating ventilation and air conditioning (HVAC) services and laundry services.

Financial Statements

The accompanying financial statements were prepared pursuant to the requirements of Florida Statutes and generally accepted accounting principles in the United States of America.

Fund Accounting

The Association presents its financial statements on the accrual basis using fund accounting. The financial statements are therefore segregated into funds based upon different funding policies established for operating and capital expenditures.

The Operating Fund reflects the maintenance assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures from this fund are limited to those connected with daily operations.

The Reserve Fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenditures from this fund are designated to those items for which assessments were specifically collected. Interest earned on reserve funds remains in the Reserve Fund and is allocated to the components based on their respective balances.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Real and Common Area Property

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. Real and common area property acquired from the developer is not capitalized in the Association's financial statements, as it is owned by the individual unit owners in common and not by the Association. As a result, improvements made to the real property and common areas are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - (Cont'd)

Prior Year Reclassification

Amounts from the previous years may have been combined or restated for comparison purposes.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Risk

The Association maintains cash balances at several banks. Deposits at banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2015, the Association had uninsured balances of \$208 with Wells Fargo Bank.

Fund Transfers

As reserve fund cash is disbursed for Board approved capital expenditures, the assets are capitalized in the operating fund and the related reserve fund balances are transferred to the operating fund in accordance with industry practice.

NOTE B - RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, as well as Florida Statutes, require funds to be accumulated for the future major repairs and replacements. The funds are segregated and are generally not available for expenditures for normal operations.

In September, 2011, The Association's Property Manager estimated the remaining useful lives and current replacement costs of common property components. Estimates were based on professional judgment, which may include contractor estimates for major components. The Association is funding for major repairs and replacements over the remaining useful lives, and considering amounts previously accumulated in the reserve fund.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the reserve 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.

Interest earned on reserve funds is allocated to the individual replacement funds based upon their relative value to the total.

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS, NO.1, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS (Continued)

The following table presents significant information about the components of common property:

COMPONENT	BALANCE 01/01/15	FUNDING DURING YEAR	INTEREST & OTHER INCOME	TRANSFERS AND PRIOR YEAR ADJ	CURRENT CHARGES TO FUND	FUND TRANSFER Note A	BALANCE 12/31/15
<u>Capital</u>							
Multi-unit building	\$ 268,770	\$ 50,000	\$ 1,132		\$ (122,139)		\$ 197,763
Lakeloft building	38,415	10,500	162		(2,242)		46,835
Laundry room equip	38,062	26,000	159			-	64,221
Multi-unit roof	115,406	170,000	486		(48,728)	-	237,164
Parking lot	82,412	78,735	347		(82,755)	-	78,739
Landscaping	46,924	12,000	198		(23,167)	-	35,955
Equipment	47,711	20,000	204		(28,751)	-	39,164
	<u>637,700</u>	<u>367,235</u>			<u>(307,782)</u>		<u>699,841</u>
<u>Non capital</u>							-
Insurance fund	140,938	-	21				140,959
Building Painting	-	71,135			(71,135)		-
Unallocated interest	2,688	-	2,256	(2,688)		-	2,256
TOTALS	<u>\$ 781,326</u>	<u>\$ 438,370</u>	<u>\$ 2,277</u>	<u>\$ (2,688)</u>	<u>\$ (378,917)</u>	<u>\$ -</u>	<u>\$ 843,056</u>

NOTE C - MEMBER ASSESSMENTS

Association members are subjected to 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. It is The Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments that have been deemed to be uncollectible as of the report date have been charged to bad debts. Components of accounts receivable are as follows for 2015:

Accounts receivable	72,844
Less: allowance for doubtful	(4,265)
Net	<u>\$ 68,579</u>

NOTE D - NOTE RECEIVABLE (SETTLEMENT AGREEMENT)

The Association entered into a settlement agreement with Treehouse, LLC on August 15, 2011 in the amount of \$117,000 for all sums claimed by the Association through September 30, 2011. Repayment terms include \$3,000 monthly payments for 39 months and Treehouse, LLC was required to remain current on assessments. Treehouse LLC defaulted on the note in 2012, filing for bankruptcy. The Association was awarded 3.34% of the amount owed, to be paid in five equal payments over a period of five years. The balance as of December 31, 2015 is \$1,552.

NOTE E - FORECLOSED PROPERTIES

The Association acquired properties in a transaction for deed in lieu of foreclosure. Expenses associated with the properties are being capitalized and listed as "other investments" in these financial statements.

The units consist of 3552 Camelot Drive and 2035 Corner Lake Drive.

	Cost Basis
Camelot Drive	\$ 10,642
Corner Lake Dr	\$ 15,870

The Association traded the foreclosed property known as 418/419 Cypress Drive for their current office location known as 912/913 Tennis Way in an agreement dated Sept. 1, 2015.

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS, NO. 1, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - FEDERAL INCOME TAXES

Condominium associations may elect to be taxed as regular corporations or as homeowner's associations. With either election, The Association is generally taxed only on its non-membership income, such as interest earnings.

Components of Federal income tax expense:

	<u>2015</u>
Federal income tax expense(revenue)	(907)
Deferred income tax expense(revenue)	<u>(341)</u>
Total federal income tax expense(revenue)	<u>(1,248)</u>

Under Federal and State income tax laws, an entity's tax returns are subject to examination by the applicable authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the latter of the three years after the initial due date of the return or three years after the return is filed. At December 31, 2015 the Association's tax years remaining subject to examination are 2012-2015.

NOTE G - FURNITURE AND EQUIPMENT

The cost of furniture and equipment as of December 31, 2015, consists of the following:

Office Building	\$ 38,034
Maintenance equipment	203,125
Laundry equipment	183,200
Office equipment	<u>11,810</u>
Total	436,169
Less accumulated depreciation	<u>(300,105)</u>
Net furniture and equipment	<u>\$ 136,064</u>

Depreciation is provided on a straight-line basis over the estimated useful lives ranging from three to seven (3-7) years. Depreciation expense for the year is \$47,557.

It is the Association's policy to expense assets with no "scrap" value at the end of their depreciable life and have a purchase price of less than \$1,000.

NOTE H - LONG-TERM CONTRACTS

The Association has entered into long-term service contracts for pest control, refuse, telephone and internet, copier, and uniforms.

The Association is self managed.

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - INVESTMENT IN SECURITIES

Statement on Financial Accounting Standards No. 115 requires unrealized holding gains and losses on securities available for sale to be disclosed as a part of comprehensive income in the fund balance section of the balance sheet. The unrealized holding gains and losses are as follows:

	<u>2015</u>	<u>2014</u>
Market value of securities held for sale	<u>\$ 20,736</u>	<u>\$ 23,996</u>
Unrealized holding gain (loss)	<u>\$ 9,868</u>	<u>\$ 13,128</u>

NOTE J - RELATED PARTY TRANSACTIONS

Grenelefe Resort, LLC ("The Resort") owns 432 of the 781 residential units and has 509 of the 913 votes. The Resort pays quarterly assessments on all the units owned. The total assessments paid by The Resort were \$1,273,243 in 2015.

The Resort also has 4 of the 9 seats on the board of directors.

Grenelefe Resort Utility, Inc. ("The Utility") provides water and sewer service to the common areas. The Utility and The Resort are both owned by Central Florida Investments, Inc. (CFI). The total expense to operations for water and sewer service was \$87,103 and \$106,956 for 2015 and 2014, respectively. Accounts payable and accrued expenses to The Utility were \$5,890 and \$10,492 for 2015 and 2014, respectively.

Travel expenses and other expenses incurred by the Board of Directors for attendance at meetings is reimbursed according to the policy set by the Board of Directors. Directors' and board meeting expenses totaled \$9,186 and \$9,611 for the years ending December 31, 2015 and 2014, respectively. Included in the Board of Directors expenses is compensation paid to the President, totaling \$3,600 for 2015.

NOTE K - CONTINGENCIES AND LOSSES

The Association documents require insurance proceeds to be placed in a separate account. There were no insurance proceeds escrowed for 2015.

Casualty repairs were \$6,633 during 2015.

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE L - CONCENTRATION OF RISK

The Association receives assessment revenue from Grenelefe Resorts, LLC (The Resort), which represents an amount of approximately 55% of The Association's total revenue. Although management believes there is no near term indications of loss, this amount could be detrimental to the Association's operations.

NOTE M - LITIGATION

The Association was party to litigation during 2015 with settlement amounts immaterial to these financial statements. Amounts were covered by insurance proceeds, less deductibles.

NOTE N - UNRELATED BUSINESS INCOME/(LOSS) (Unrelated to tax exempt purpose)

The Association provides services for members' and long term renters' convenience. Such services are unrelated to the Association's tax exempt purpose. Income and related expenses are as follows for 2015:

	<u>Revenue</u>	<u>Expenses</u> <u>(includes Interest and Depreciation)</u>	<u>Net income(loss)</u>
Laundry machines	\$ 100,706	\$ 109,652	\$ (8,946)
HVAC services	\$ 52,943	\$ 19,103	\$ 33,840
Interior pest control	\$ 21,635	\$ 21,526	\$ 109
Storage rental and other	\$ 6,491	\$ -	\$ 6,491
Total	<u>\$ 181,775</u>	<u>\$ 150,281</u>	<u>\$ 31,494</u>

NOTE O - OTHER ITEM

The Association is exempt for the separate unit recordkeeping requirements for a multi-condominium CIRA (Common Interest Realty Association) due to "grandfather" rules for CIRAS' filing their initial condominium declaration prior to January 1, 1977.

NOTE P - SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition of disclosure in the financial statements through September 15, 2016, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

SUPPLEMENTARY INFORMATION

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS #1, INC.

FUTURE MAJOR REPAIRS AND REPLACEMENTS- Schedule 1
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

In September, 2011, The Association's General Manager estimated the remaining useful lives and current replacement costs of common property components. Estimates were based on professional judgment, which may include contractor estimates for major components. Estimated current replacements costs do not take into account the effects of inflation between the date of the estimate and the date that the components will require repair or replacement.

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

		YEAR 2020 RECOMMENDED	ACTUAL	
	ESTIMATED REMAINING USEFUL LIFE	ESTIMATED FULLY FUNDED BALANCE	BALANCE PER BOOKS:	
			12/31/15	12/31/14
Reserve Study 2011 Full Funding		\$ 2,107,652		
Balance per books:				
Multi-unit building	0-36		\$ 197,763	\$ 268,770
Lakeloft building	0-29		46,835	38,415
Laundry room equipment	0-20		64,221	38,062
Multi-unit roof	13-27		237,164	115,406
Parking lot	0-27		78,739	82,412
Landscaping	0-18		35,955	46,924
Equipment	0-36		39,164	47,711
Insurance fund	N/A		140,959	140,898
Unallocated interest	N/A		2,256	2,688
TOTAL			\$ 843,056	\$ 781,286

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 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.

See independent auditor's report and notes to financial statements.

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS #1, INC.OPERATING AND RESERVES FUNDS BUDGET VERSES ACTUAL -
SCHEDULE 2
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>AUDITED ACTUAL</u>	<u>COMPILED BUDGET</u>	<u>COMPILED FAVORABLE UNFAVORABLE</u>
REVENUES			
Assessments	\$ 2,304,268	\$ 2,303,800	\$ 468
Prior Years Overages (discounted)	-	91,000	91,000
HVAC net income(loss) - Note N	33,840	198	(33,642)
Laundry net income(loss) - Note G, Note N	(8,946)	(16,195)	(7,249)
Interior pest control fees net income(loss) - Note N	109	(180)	(289)
Storage rental net income(loss) - Note N	6,491	5,800	(691)
Other exempt function income	16,432	920	(15,512)
Interest and dividends	3,429	709	(2,720)
Gain(loss) on fixed asset and investments	(5,314)	-	5,314
Maintenance fee finance charges	8,282	4,800	(3,482)
TOTAL REVENUE	<u>\$ 2,358,591</u>	<u>2,390,852</u>	<u>\$ 32,261</u>
EXPENSES			
Reserve expenditures - Note B	\$ 378,917	\$ 397,849	\$ 18,932
Payroll expense	580,062	628,562	48,500
Insurance	344,653	356,314	11,661
Management salaries and temporaries	175,266	180,000	4,734
Employee benefits	113,275	142,470	29,195
Utilities	88,212	102,967	14,755
HVAC expenses	23,473	1,918	(21,555)
Bad debt and allowances	22,291	20,000	(2,291)
Grounds maintenance and supplies	61,156	47,403	(13,753)
Trash removal	64,350	65,348	998
Payroll taxes	48,828	65,168	16,340
Casualty repairs not exceeding deductible	6,634	10,000	3,366
Repairs and maintenance	113,197	137,400	24,203
Office and other	40,449	41,344	895
Vehicle expenses	55,371	59,600	4,229
Legal	10,833	11,000	167
Depreciation	21,386	17,934	(3,452)
Tree Care	16,608	16,000	(608)
Accounting and audit	16,800	16,000	(800)
Irrigation repair	18,633	25,000	6,367
Uniforms, tools and equipment	15,782	28,415	12,633
Director and board meeting expenses	9,186	10,100	914
Licenses, permits and taxes	4,473	3,611	(862)
Fire protection	3,865	3,500	(365)
Federal Tax	(341)	2,949	3,290
TOTAL EXPENDITURES	<u>\$ 2,233,359</u>	<u>\$ 2,390,852</u>	<u>\$ 157,493</u>
REVENUE IN EXCESS (DEFICIT) OF EXPENDITURES	<u>\$ 125,232</u>	<u>\$ -</u>	<u>\$ (125,232)</u>