

CASA DEL SOL CONDOMINIUM
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

CASA DEL SOL CONDOMINIUM

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Revenues, Expenses and Changes in Fund Balances	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 8
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Supplementary Information	9
Schedules of Operating Fund Revenues and Expenses - Budget and Actual	10
Supplementary Information on Future Major Repairs and Replacements	11



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INDEPENDENT AUDITORS' REPORT

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We have audited the accompanying balance sheet of Casa Del Sol Condominium, as of December 31, 2008, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Condominium's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

MEMBERS OF:

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Del Sol Condominium as of December 31, 2008, 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.

PKS & Company, PA
CERTIFIED PUBLIC ACCOUNTANTS

March 10, 2009

CASA DEL SOL CONDOMINIUM

BALANCE SHEETS

DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash	\$ 336,418	\$ 6,454	\$ 342,872	\$ 16,931
Assessments receivable	657	219,572	220,229	1,893
Prepaid expenses	27,608		27,608	11,525
Prepaid income taxes	11		11	33
Due from members	450		450	450
Due from other funds		325,593	325,593	11,315
TOTAL ASSETS	\$ 365,144	\$ 551,619	\$ 916,763	\$ 42,147
LIABILITIES				
Accounts payable	\$ 573	\$	\$ 573	\$
Prepaid assessments	10,627		10,627	10,821
Deferred special assessments		528,314	528,314	
Due to members	4,127		4,127	
Due to other funds	325,593		325,593	11,315
TOTAL LIABILITIES	340,920	528,314	869,234	22,136
FUND BALANCES	24,224	23,305	47,529	20,011
TOTAL LIABILITIES AND FUND BALANCES	\$ 365,144	\$ 551,619	\$ 916,763	\$ 42,147

The accompanying notes are an integral part of these financial statements.

CASA DEL SOL CONDOMINIUM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total
REVENUES				
Member assessments	\$ 101,334	\$ 11,070	\$ 112,404	\$ 122,509
Special assessments		449,486	449,486	161,220
Interest, late fees, and other revenue	773	17	790	3,613
TOTAL REVENUES	102,107	460,573	562,680	287,342
EXPENSES				
General and administrative	15,096		15,096	25,557
Insurance	55,141		55,141	55,608
Maintenance and repair	10,513	449,486	459,999	40,266
Utilities	4,926		4,926	4,317
TOTAL EXPENSES	85,676	449,486	535,162	125,748
Net revenues over expenses	16,431	11,087	27,518	161,594
Fund balances (deficits), beginning of year	7,793	12,218	20,011	(141,583)
Fund balances, end of year	<u>\$ 24,224</u>	<u>\$ 23,305</u>	<u>\$ 47,529</u>	<u>\$ 20,011</u>

The accompanying notes are an integral part of these financial statements.

CASA DEL SOL CONDOMINIUM

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net revenues over expenses	\$ 16,431	\$ 11,087	\$ 27,518	\$ 161,594
(Increase) decrease				
Assessments receivable	1,236	(219,572)	(218,336)	22,044
Prepaid expenses	(16,083)		(16,083)	(1,644)
Prepaid income taxes	22		22	
Due from members				(450)
Increase (decrease)				
Accounts payable	573		573	
Prepaid assessments	(194)		(194)	3,510
Deferred special assessments		528,314	528,314	
Due to members	4,127		4,127	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,112</u>	<u>319,829</u>	<u>325,941</u>	<u>185,054</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund borrowings	314,278	(314,278)		
Repayment of line of credit				(220,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>314,278</u>	<u>(314,278)</u>		<u>(220,000)</u>
Net increase (decrease) in cash	320,390	5,551	325,941	(34,946)
Cash at beginning of year	<u>16,028</u>	<u>903</u>	<u>16,931</u>	<u>51,877</u>
Cash at end of year	<u>\$ 336,418</u>	<u>\$ 6,454</u>	<u>\$ 342,872</u>	<u>\$ 16,931</u>
SUPPLEMENTARY INFORMATION				
Interest expense paid	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,969</u>

The accompanying notes are an integral part of these financial statements.

CASA DEL SOL CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

ORGANIZATION

The Association was organized in the State of Maryland in September 1977. The Association is responsible for the operation and maintenance of the common property of Casa Del Sol Condominium. Casa Del Sol Condominium consists of 57 residential units and is located in Ocean City, Maryland.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements are presented using the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

Fund Accounting - In accordance with industry standards and practices, the Association has segregated its activities into two funds: the operating fund and the replacement fund.

Operating Fund - provides working capital for operations, contingencies, and replacements where specific funds have not been designated. If the operating fund is inadequate to meet funding requirements for any reason, the board of directors may levy at any time a further assessment.

Replacement Fund - provides funds for replacement of the common elements and equipment of the Association and for operating expenses of a non-recurring nature.

Total Columns on Combined Statement - Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Cash Equivalents - Investments with an original maturity of three months or less that are not restricted from immediate withdrawal and do not require a substantial penalty for early withdrawal are considered cash equivalents.

Property and Equipment - Real property and common areas acquired by the original owners from the developer are not capitalized on the Association financial statements, as they are owned by the individual owners and not the Association. Common areas are restricted to use by Association members, their tenants, and guests. Replacements and improvements to the real property and common areas are not capitalized, as the improvements would also belong to the owners and not the Association.

CASA DEL SOL CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNINSURED DEPOSITS

As of October 3, 2008, the FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor, through December 31, 2009. As of December 31, 2008, the Association's deposit at one local bank exceeded \$250,000 by approximately \$43,659.

MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenses, capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. An allowance for doubtful accounts may be set up for those receivables where management still believes collectability is in question. Any excess assessments at year-end are retained by the Association for use in future years.

DUE FROM MEMBERS

Due from members represents reimbursement due from three owners for window staining repairs that were paid by the Association during 2007.

DUE TO MEMBERS

Due to members represents reimbursements, approved by the board, due to unit owners for installation of windows and doors during the renovation project.

PREPAID ASSESSMENTS

Prepaid assessments include the subsequent year's assessments paid prior to the current year-end.

CASA DEL SOL CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

INCOME TAXES

The Association qualifies as a tax-exempt homeowners association under Internal Revenue Code Section 528 for the year ended December 31, 2008. 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, is taxed at 30% by the federal government.

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents give discretion to the board of directors to accumulate funds for future major repairs and replacements. Accumulated funds, which aggregate \$6,454 at December 31, 2008, are held in separate accounts and are generally not available for operating purposes. Total contributions for the year ended December 31, 2008, were \$11,070. It is the policy of the Association that interest earned in the replacement fund remains in the replacement fund as an additional contribution.

The Association engaged an independent engineer who conducted a study in 2009, to estimate the remaining useful lives and the replacement costs of common property components. The estimates were based on current estimated replacement costs. The table included in the unaudited supplementary information is based on the study.

Funds are being accumulated in the replacement based on estimated future needs for repairs and replacements of common property components. However, the Association has elected to only partially adopt the funding requirements based on the study. Because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs and major repairs and replacements. If additional funds are needed, however, the board of directors has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

SPECIAL ASSESSMENT

The Association passed a special assessment of \$991,800 during the year ended December 31, 2008, for front side renovations. Also passed was a \$400 discount for owners paying the entire special assessment by October 31, 2008. For the year ended December 31, 2008, discounts totaled \$14,000. Approximately \$449,486 of the repairs were made during the year ended December 31, 2008. The remaining balance of approximately \$528,314 has been reported as deferred revenue and will be recognized as revenue when the related expenses are incurred.

CASA DEL SOL CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

COMMITMENTS

The Association entered into an agreement with Mann Properties to manage the operations of the condominium. The agreement calls for an annual fee of \$9,500.

RELATED PARTY

The Association does business with a repairs and maintenance company in which the owner of the business is also the owner of a unit within the Association. For the year ended December 31, 2008, the Association transacted business in the amount of \$27,685, with the repairs and maintenance company. Included in this amount is \$6,204 in actual payments and \$21,481 to pay the unit owner's 2008 and 2009 quarterly dues and special assessment.

The Association does business with a website administrator in which the owner of the business is also the owner of a unit within the Association. For the year ended December 31, 2008, the Association transacted business in the amount of \$229 with the company.

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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Our report on our audit of the basic financial statements of Casa Del Sol Condominium for 2008 appears on page one. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating fund revenues and expenses - budget and actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information on future major repairs and replacements is not a required part of the basic financial statements, but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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March 10, 2009

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

CASA DEL SOL CONDOMINIUM

SCHEDULES OF OPERATING FUND REVENUES AND EXPENSES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008		2007
	Budget	Actual	Actual
REVENUES			
Member assessments	\$ 101,440	\$ 101,334	\$ 112,509
Interest, late fees, and other revenue		773	3,610
TOTAL REVENUES	101,440	102,107	116,119
EXPENSES			
General and administrative			
Management fees	9,040	9,040	8,610
Accounting fee	2,700	3,000	2,600
Legal fee	750		
Administrative	3,400	2,970	4,799
Meeting expense	1,800	86	579
	<u>17,690</u>	<u>15,096</u>	<u>16,588</u>
Insurance			
Package	53,700	50,886	52,107
Flood	4,700	4,255	3,501
	<u>58,400</u>	<u>55,141</u>	<u>55,608</u>
Maintenance and repair			
Building maintenance	6,500	4,520	7,100
Major repairs and maintenance	1,800		24,051
Operating supplies	1,000	110	110
Fire equipment/inspections	1,400	2,394	776
Exterminating	1,800	1,862	1,779
Custodial	8,000	1,627	6,371
	<u>20,500</u>	<u>10,513</u>	<u>40,187</u>
Utilities			
Electric	3,300	4,090	3,116
Water and sewer	1,500	836	1,201
	<u>4,800</u>	<u>4,926</u>	<u>4,317</u>
Income tax	50		
TOTAL EXPENSES	101,440	85,676	116,700
Net revenues over (under) expenses	\$	\$ 16,431	\$ (581)

See accountants' report on supplementary information.