

**EAGLE DUNES
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2009

**JOSEPH R.
MICHALAK, LLC**
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eagle Dunes Homeowners Association, Inc.

We have audited the accompanying balance sheet of Eagle Dunes Homeowners Association, Inc. as of December 31, 2009, and the related statements of revenue, expenditures, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Association'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagle Dunes Homeowners Association, Inc. as of December 31, 2009, 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.

The supplementary information on future major repairs and replacements on page 9 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management of Eagle Dunes Homeowners Association, Inc., without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

J. Michalak, LLC

Joseph R. Michalak, LLC
Certified Public Accountant

Maitland, Florida
March 24, 2010

EAGLE DUNES HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2009

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash, including interest-bearing deposits	\$ 42,490	\$ 249,390	\$ 291,880
Assessments receivable net of allowance (Note 3)	97,190	-	97,190
Prepaid expenses	7,150	-	7,150
Deposit	200	-	200
TOTAL ASSETS	<u>\$ 147,030</u>	<u>\$ 249,390</u>	<u>\$ 396,420</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 39,630	\$ -	\$ 39,630
Assessments received in advance	48,000	-	48,000
TOTAL LIABILITIES	<u>87,630</u>	<u>-</u>	<u>87,630</u>
FUND BALANCE:	<u>59,400</u>	<u>249,390</u>	<u>308,790</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 147,030</u>	<u>\$ 249,390</u>	<u>\$ 396,420</u>

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

EAGLE DUNES HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended December 31, 2009

	OPERATING FUND	REPLACEMENT FUND	TOTALS
REVENUE:			
Assessments	\$ 781,190	\$ 80,750	\$ 861,940
Interest	200	3,370	3,570
Other	32,730	-	32,730
Initial fees	750	-	750
	814,870	84,120	898,990
EXPENDITURES:			
Street sweeping	5,280	-	5,280
Building repair and maintenance	16,640	-	16,640
Entry gate	15,240	-	15,240
Cable service	170,950	-	170,950
Utilities	62,150	-	62,150
Contract grounds maintenance	141,610	-	141,610
Irrigation repair	6,770	-	6,770
Other grounds maintenance	420	-	420
Pool maintenance	11,380	-	11,380
Other pool and clubhouse costs	26,160	-	26,160
Janitorial	14,400	-	14,400
Contract management fee	55,760	-	55,760
Security	50,130	-	50,130
Office and other	13,860	-	13,860
Legal and accounting	12,340	-	12,340
Insurance	16,440	-	16,440
Bad debt	128,870	-	128,870
	748,400	-	748,400
TOTAL EXPENDITURES	748,400	-	748,400
REVENUE IN EXCESS OF EXPENDITURES	66,470	84,120	150,590
FUND BALANCE – Beginning of year	< 71,410 >	229,610	158,200
EQUITY TRANSFER BETWEEN FUNDS	64,340	< 64,340 >	-
FUND BALANCE – End of year	\$ 59,400	\$ 249,390	\$ 308,790

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

EAGLE DUNES HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

	OPERATING FUND	REPLACEMENT FUND
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenue in excess of expenditures	\$ 66,470	\$ 84,120
Adjustment to reconcile excess of revenue over expenditures to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	8,280	-
Prepaid expenses	1,300	-
Due from operating fund	-	64,340
Deposit	< 50 >	-
Increase (decrease) in:		
Accounts payable and accrued expenses	< 59,950 >	-
Assessments received in advance	3,950	-
Due to replacement fund	< 64,340 >	-
NET CASH PROVIDED (USED) BY OPERATIONS	< 44,340 >	148,460
CASH AT BEGINNING OF YEAR	22,490	165,270
EQUITY TRANSFER BETWEEN FUNDS	64,340	< 64,340 >
CASH AT END OF YEAR	\$ 42,490	\$ 249,390

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

EAGLE DUNES HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Eagle Dunes Homeowners Association, Inc. is incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 678 residential units located in Lake County, Florida.

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 replacement fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenditures from this fund are restricted to those items for which assessments were specifically collected.

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

Real and common area property owned by the Association is not recorded in the Association's financial statements as it was acquired in a nonmonetary transaction from the developer and the fair value of the assets cannot be reasonably determined. As a result, improvements made to the real property and common areas are not capitalized.

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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

EAGLE DUNES HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS

The Association is funding for major repairs and replacements based on estimated current replacement costs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

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

COMPONENT	BALANCE 1/1/2009	FUNDING DURING YEAR	INTEREST INCOME	EQUITY TRANSFER BETWEEN FUNDS	EXPENSES DURING YEAR	BALANCE 12/31/2009
Road overlay	\$ 24,740	\$ 9,990	\$ 420	\$ < 4,340 >	\$ -	\$ 30,810
Building painting	90,830	28,420	1,180	< 32,530 >	-	87,900
Building roofs	67,810	24,980	1,040	< 16,800 >	-	77,030
Pool surface	6,800	2,290	90	< 2,100 >	-	7,080
Tot lot	8,140	3,000	120	< 2,020 >	-	9,240
Fitness equipment	8,140	2,980	130	< 2,020 >	-	9,230
Clubhouse roofs	3,500	1,200	50	< 1,050 >	-	3,700
Clubhouse painting	3,500	1,190	50	< 1,050 >	-	3,690
Irrigation pumps	10,580	3,980	180	< 2,430 >	-	12,310
Tennis court	1,020	500	20	-	-	1,540
Deck refurbishment	4,550	2,220	90	-	-	6,860
	<u>\$ 229,610</u>	<u>\$ 80,750</u>	<u>\$ 3,370</u>	<u>\$ < 64,340 ></u>	<u>\$ -0-</u>	<u>\$ 249,390</u>

EAGLE DUNES HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 3: MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenditures, 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 which have been deemed to be uncollectible as of the report date have been charged to bad debts.

NOTE 4: INCOME TAXES

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

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to administer the Association. These contracts have different expiration dates and renewal terms.

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date that the financial statements were issued.

NOTE 6: CONCENTRATIONS OF RISK

The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2009, the uninsured portion of cash balances was \$41,880.

SUPPLEMENTARY INFORMATION

EAGLE DUNES HOMEOWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)

December 31, 2009

The Association's Board has estimated the remaining useful lives and the replacement costs of components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components. Estimated current replacement costs have not been revised and 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:

COMPONENT	ESTIMATED REMAINING USEFUL LIFE (YEARS)	ESTIMATED CURRENT REPLACEMENT COST	REPAIRS/REPLACEMENTS DECEMBER 31, 2009
Road overlay	15	\$ 180,000	\$ 30,810
Building painting	1	114,300	87,900
Building roofs	11	350,000	77,030
Pool surface	1	9,200	7,080
Tot lot	6	27,000	9,240
Fitness equipment	1	12,000	9,230
Clubhouse roofs	11	16,800	3,700
Clubhouse painting	1	4,800	3,690
Irrigation pumps	1	16,000	12,310
Tennis court	6	4,500	1,540
Deck refurbishment	1	8,900	6,860
TOTALS		<u>\$ 743,500</u>	<u>\$ 249,390</u>