

**LEXINGTON LAKES  
CONDOMINIUM ASSOCIATION, INC.**

***Financial Statements***

***For the year ended  
December 31, 2018***

**HAFER**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Lexington Lakes Condominium Association, Inc.

We have audited the accompanying financial statements of Lexington Lakes Condominium Association, Inc. ("the Association"), which comprise the balance sheet as of December 31, 2018, and the related statement 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.

### 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

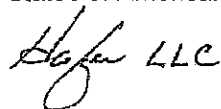
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lexington Lakes Condominium Association, Inc. as of December 31, 2018, 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.



Palm Beach, Florida  
February 26, 2019

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**December 31, 2018**

	<b>Operating Fund</b>	<b>Working Capital Fund</b>	<b>Replacement Fund</b>	<b>Total Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 116,217	\$ 82,810	\$ 418,860	\$ 617,887
Certificates of deposit (Note 2)	154,009	-	976,655	1,130,664
Assessments receivable, net (Note 4)	8,424	-	-	8,424
Prepaid expenses	175,920	-	-	175,920
Utility deposits	15,727	-	-	15,727
Due (to) from funds (Note 15)	(8,220)	8,220	-	-
<b>Total assets</b>	<b>\$ 462,077</b>	<b>\$ 91,030</b>	<b>\$ 1,395,515</b>	<b>\$ 1,948,622</b>
<b>Liabilities and fund balances</b>				
Accounts payable and accrued expenses	\$ 9,499	\$ -	\$ -	\$ 9,499
Income taxes payable	5,150	-	-	5,150
Insurance payable (Note 9)	61,480	-	-	61,480
Prepaid assessments	25,407	-	-	25,407
Refundable deposits	9,600	-	-	9,600
Deferred settlement proceeds (Note 11)	45,950	-	-	45,950
Deferred cable revenue (Note 12)	6,336	-	-	6,336
Termite note payable (Note 13)	78,106	-	-	78,106
Other liabilities	123	-	-	123
<b>Total liabilities</b>	<b>241,651</b>	<b>-</b>	<b>-</b>	<b>241,651</b>
<b>Fund balances</b>	<b>220,426</b>	<b>91,030</b>	<b>1,395,515</b>	<b>1,706,971</b>
<b>Total liabilities and fund balances</b>	<b>\$ 462,077</b>	<b>\$ 91,030</b>	<b>\$ 1,395,515</b>	<b>\$ 1,948,622</b>

See notes to financial statements.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES**  
*For the year ended December 31, 2018*

	<u>Operating Fund</u>	<u>Working Capital Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>Revenues</b>				
Maintenance assessments	\$ 807,500	\$ -	\$ 222,000	\$ 1,029,500
Settlement proceeds (Note 11)	7,506	-	-	7,506
Rental income	910	-	-	910
Cable revenue (Note 12)	3,168	-	-	3,168
Interest income	4,268	281	18,043	22,592
Other income	8,803	-	-	8,803
	<u>832,155</u>	<u>281</u>	<u>240,043</u>	<u>1,072,479</u>
<b>Expenses</b>				
Building maintenance and repairs	335,655	-	-	335,655
Utilities	333,568	-	-	333,568
Administration	215,758	-	-	215,758
Settlement expenses (Note 11)	7,506	-	-	7,506
Major repairs and replacements	-	1,275	20,096	21,371
	<u>892,487</u>	<u>1,275</u>	<u>20,096</u>	<u>913,858</u>
<b>Excess (deficiency) of revenues over expenses</b>	(60,332)	(994)	219,947	158,621
Fund balances, beginning of year	280,758	70,574	1,175,568	1,526,900
Capital contributions (Note 14)	-	21,450	-	21,450
<b>Fund balances, end of year</b>	<u>\$ 220,426</u>	<u>\$ 91,030</u>	<u>\$ 1,395,515</u>	<u>\$ 1,706,971</u>

See notes to financial statements.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
*For the year ended December 31, 2018*

	<b>Operating Fund</b>	<b>Working Capital Fund</b>	<b>Replacement Fund</b>	<b>Total Funds</b>
<b>Cash flows from operating activities</b>				
Excess (deficiency) of revenues over expenses	\$ (60,332)	\$ (994)	\$ 219,947	\$ 158,621
<b><u>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash (used) provided by operating activities</u></b>				
Provision for bad debt	1,349	-	-	1,349
<b><u>Changes in assets and liabilities:</u></b>				
Assessments receivable	(3,658)	-	-	(3,658)
Prepaid expenses	2,983	-	-	2,983
Accounts payable and accrued expenses	(29,809)	-	-	(29,809)
Income taxes payable	2,943	-	-	2,943
Prepaid assessments	4,690	-	-	4,690
Refundable deposits	(3,730)	-	-	(3,730)
Deferred settlement proceeds	(4,079)	-	-	(4,079)
Deferred cable income	(3,168)	-	-	(3,168)
Net cash (used) provided by operating activities	<u>(92,811)</u>	<u>(994)</u>	<u>219,947</u>	<u>126,142</u>
<b>Cash flows (to) investing activities</b>				
Purchase of certificates of deposit	(3,036)	-	(13,403)	(16,439)
<b>Cash flows from financing activities</b>				
Capital contributions	-	21,450	-	21,450
Proceeds from insurance payable	59,918	-	-	59,918
Payments on insurance payable	(63,724)	-	-	(63,724)
Payments on termite note payable	(14,743)	-	-	(14,743)
Interfund borrowings	3,115	(2,943)	(172)	-
Net cash (used) provided by financing activities	<u>(15,434)</u>	<u>18,507</u>	<u>(172)</u>	<u>2,901</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(111,281)	17,513	206,372	112,604
Cash and cash equivalents, beginning of year	227,498	65,297	212,488	505,283
<b>Cash and cash equivalents, end of year</b>	<u>\$ 116,217</u>	<u>\$ 82,810</u>	<u>\$ 418,860</u>	<u>\$ 617,887</u>

Supplemental disclosures of cash flow information (Note 10)

See notes to financial statements.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2018*

**NOTE 1: Organization**

Lexington Lakes Condominium Association, Inc. ("the Association") was incorporated under the laws of the State of Florida as a not-for-profit corporation on January 24, 2005. The Association is responsible for maintaining and preserving the common property of the Association in accordance with the terms of Florida Statutes §718 and the provisions of the Declaration of Condominium. The Association consists of 264 residential units located in Stuart, Florida.

**NOTE 2: Summary of significant accounting policies**

Fund accounting

The Association prepares its financial statements on the accrual basis of accounting and presents them using fund accounting, using separate funds for operations, working capital and future major repairs and replacements. Disbursements from the operating fund and working capital fund are generally for the day-to-day operations and non-recurring unanticipated expenditures of the Association and are made at the discretion of the Board of Directors. Disbursements from the replacement fund generally are made only for designated purposes.

Interest earned

Interest earned by each fund is allocated to the appropriate fund. Income taxes on the interest earned are paid from the operating fund.

Property and depreciation

Real property and common area acquired from the developer and related improvements to such property are not reflected on the Association financial statements because those properties are owned by the individual unit owners in common, and not by the Association. The Association capitalizes, at cost, personal and real property which it purchases. Capitalized property and equipment are depreciated over the estimated useful lives of the assets using the straight-line and accelerated methods of depreciation.

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. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks including money market funds. Cash equivalents include highly liquid securities, including certificates of deposit, with original maturities of 90 days or less.

Short-term financial instruments

The carrying amount of the Association's financial instruments, which include cash and cash equivalents, assessments receivable, prepaid expenses, accounts payable and accrued expenses, and other assets and liabilities, approximate their fair values due to their short-term maturities.

Certificates of deposit

Certificates of deposit consist of those certificates with original maturities of more than 90 days. The certificates are carried at cost plus any interest earned and reinvested. The Association, at least annually, assesses for any other-than-temporary impairment, and as of the date of these financial statements, the Association does not believe any impairment exists. The certificates have varying maturity dates and varying interest rates. At December 31, 2018, certificates of deposit totaled \$1,130,664.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
*December 31, 2018*

**NOTE 2: Summary of significant accounting policies (continued)**

Utility pass-through

In accordance with FASB ASC 605-45, the Association recognizes utility pass-through assessments using principal agent considerations. The Association is primarily involved in the determination of a specific service, it has the discretion in selecting the suppliers of such services, and it bears the credit risk for the amounts billed for the service; accordingly, management has determined that the Association is the principal, and, accordingly, recognizes all utility pass-through activities using gross reporting.

Subsequent events

Subsequent events have been evaluated through February 26, 2019, the date the financial statements were available to be issued in accordance with FASB ASC 855.

Recently issued accounting guidance, not yet adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases". The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For non-public entities, such as the Association, the new standard is effective for annual periods beginning after December 15, 2019. While the Association expects the adoption of this standard to result in an increase to its reported assets and liabilities, the Association has not yet determined the full impact that the adoption of this standard will have on its financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*". This new guidance will replace most existing U.S. GAAP guidance on this topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, which deferred, by one year, the effective date for the revenue reporting standard. Additionally, in March 2016, the FASB issued ASU No. 2016-08, "*Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*" clarifying the implementation guidance on principal versus agent considerations. Specifically, an entity is required to determine whether the nature of a promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). The determination influences the timing and amount of revenue recognition. For non-public entities, such as the Association, these new ASUs are effective for annual periods beginning after December 15, 2018. Effective January 1, 2019, the Association has adopted the new revenue recognition requirements as required; the Association does not believe the effects will have a material effect on its financial statements.

**NOTE 3: Concentration of credit risk**

The Association maintains its cash and cash equivalents at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. The balances, at times, may exceed this federally insured limit. The Association uses a sweep account to mitigate this risk when necessary.



**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
*December 31, 2018*

**NOTE 4: Owners' assessments and allowance for uncollectible accounts**

Monthly assessments to owners are based upon a share of the budgeted operating expenses and future major repairs and replacements. The Association retains excess operating funds at the end of the year for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from owners. Assessments paid in advance are included on the balance sheet as prepaid maintenance fees. The Association's policy is to retain legal counsel and place liens or foreclose on units of members whose assessments are delinquent. The Association's estimate of the allowance for uncollectible accounts is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of reported amounts.

The Association's assessments receivable at December 31, 2018 were as follows:

Assessments receivable	\$ 11,948
Less: allowance for doubtful accounts	<u>(3,524)</u>
	<u>\$ 8,424</u>

**NOTE 5: Income taxes**

The Association makes a yearly election to be taxed either under Internal Revenue Code ("IRC") §528 as a homeowners' association or under IRC §277 as a regular corporation. For 2018, the Association elected to be taxed under §528. Under this election, the Association is generally taxed only on non-exempt function income, such as interest earnings, at applicable rates. Additionally, from time to time, certain temporary differences may arise between financial and taxable income, the overall effects of which are not material to the financial statements taken as whole. As such, the Association has not recorded deferred income taxes at December 31, 2018. The Association's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of income tax expense. Generally, the Association's federal income tax returns for 2016 - 2018 remain subject to possible examination by the Internal Revenue Service.

**NOTE 6: Litigation**

The Association, from time-to-time, may become party to various legal actions normally associated with condominium associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

**NOTE 7: Insurance contingencies**

In the event of a loss due to a hurricane the Association would be responsible for a deductible of 2% of the total insured value of the property under the provisions of the hurricane loss insurance contract.

**NOTE 8: Other commitments and contingencies**

The Association has contracted with various vendors for various services to maintain the common property related to certain administration and building maintenance and repairs expenses. These contracts are approved, as necessary, by the Board of Directors and have varying expiration dates and renewal terms.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
*December 31, 2018*

**NOTE 9: Insurance payable**

During 2018, the Association financed its insurance premiums with Premium Assignment Corporation. The total amount financed was \$59,918 and is payable in monthly installments of \$6,148 including interest at 5.65% through October 2019. The financing is secured by any unearned premiums or other sums which may become collectible under the terms of the agreement. At December 31, 2018, the outstanding balance, including accrued interest, was \$61,480.

**NOTE 10: Supplemental disclosures of cash flow information**

Cash paid for income taxes	\$ <u>2,207</u>
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Non-cash financing activities during 2018 were as follows:

Cost of insurance coverage acquired via financing agreements	\$ 73,471
Cash paid related to financing agreements (down payments)	<u>(13,553)</u>
Liabilities assumed (Note 9)	<u>\$ 59,918</u>

**NOTE 11: Deferred settlement proceeds**

During 2012, the Association settled a lawsuit with Centex Homes related to alleged construction defects. The Association received \$195,000 in exchange for a release of all past, present, and future claims against Centex. As of December 31, 2017, the Association had expended \$144,971 towards its designated purpose. During 2018, the Association expended \$7,506 for its designated purpose and received insurance proceeds of \$3,427. Therefore, at December 31, 2018, the remaining balance of \$45,950 is recorded as deferred settlement proceeds until expended for its designated purpose.

**NOTE 12: Deferred cable revenue**

On December 1, 2015, the Association entered into a bulk cable contract with a cable provider. As consideration for entering into a five-year contract, the cable provider agreed to pay the Association \$60 per unit, or \$15,480. The Association, in accordance with accounting policies generally accepted in the United States of America, is amortizing the revenue over the life of the contract. Accordingly, for the year ended December 31, 2018, the Association has recognized \$3,168 as cable revenues. At December 31, 2018, the remaining balance of \$6,336 is recorded as deferred cable revenue and will be recognized over the remaining life of the contract.

**NOTE 13: Termite note payable**

During October 2017, the Association entered into a nine-year agreement with Terminix for a preventative dry wood termite treatment and service plan. The cost of the agreement was \$77,700 for the initial five-year term plus four additional years at a cost of \$16,300; the total cost of the agreement was \$94,000. The cost of the agreement was financed using a note payable over a term of 60 monthly installments in the amount of \$2,091. The note bears a fixed interest rate of 12% per annum. For the year ended December 31, 2018, interest expense related to the note was \$10,351. At December 31, 2018, the outstanding balance is \$78,106.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
*December 31, 2018*

**NOTE 13: Termite note payable (continued)**

The minimum principal maturities are as follows:

2019	\$	16,613
2020		18,720
2021		21,094
2022		21,679
	<u>\$</u>	<u>78,106</u>

*Amortization of termite costs*

In conjunction with the aforementioned note payable, the Association recorded prepaid termite expense in the amount of \$94,000, which is being amortized over the life of the agreement. As of December 31, 2018, the Association expended \$11,314, and the remaining unamortized balance of \$82,686 is recorded in prepaid expenses in the accompanying *Balance Sheet*.

**NOTE 14: Capital contributions**

During 2018, the Association assessed, and recorded, capital contributions related to the transfer of units in the amount of \$21,450; this may be in violation of FS §718.112(f).

**NOTE 15: Due (to) from funds / interfund borrowings**

At December 31, 2018, the Association's operating fund owes its working capital fund \$8,220.

**NOTE 16: Future major repairs and replacements**

The Association's governing documents and FS §718 require that the Association's annual budget include budgeted assessments for future major repairs and replacements (reserves), unless waived in whole or in part by a vote of the owners in accordance with the governing documents and Florida law. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

Reserve funds are accumulated based on estimated current costs of the components of common property. 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 all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

During 2014, the Board of Directors contracted with a reserve specialist to conduct an independent study to estimate the useful lives, the remaining useful lives, and replacement costs of the common property components. The schedule included in the required supplementary information on future major repairs and replacements are based upon this study.

During 2014, the Association voted to begin funding the reserves on the pooling method in 2015. Furthermore, during 2017, the Association voted to pool its existing component reserves into the pooled reserve component.

For the year ended December 31, 2018, the Association fully funded reserves in the amount of \$222,000. For the year ended December 31, 2019, the Association is fully funding reserves in the amount of \$222,000.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
*December 31, 2018*

**NOTE 16: Future major repairs and replacements (continued)**

Components of the replacement fund are as follows:

	<u>Balance 01/01/18</u>	<u>Additions</u>	<u>Interest Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Balance 12/31/18</u>
Pooled reserves	\$ 1,175,568	\$ 222,000	\$ 18,043	\$ 20,096	\$ -	\$ 1,395,515

Details of expenses:

Irrigation	\$ 1,618
Paving	12,958
Roof	<u>5,520</u>
	<u>\$ 20,096</u>

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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Lexington Lakes Condominium Association, Inc.

### Report on the Financial Statements

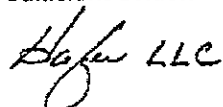
We have audited the financial statements of Lexington Lakes Condominium Association, Inc. ("the Association") as of and for the year ended December 31, 2018, and our report thereon dated February 26, 2019, which expressed an unmodified opinion on those financial statements, appears on Page 1.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses compared to budget on Pages 12 and 13, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 our opinion, the 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, we do not express an opinion or provide assurance on it.

### Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on Page 14 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Palm Beach, Florida  
February 26, 2019

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET**  
*For the year ended December 31, 2018*

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Building operations and maintenance</b>			
Backflow inspections	\$ 203	\$ 400	\$ 197
Building maintenance and supply	18,729	6,000	(12,729)
Camera repairs	1,704	2,000	296
Capital expenditures	-	549	549
Christmas lights and decorations	1,866	3,800	1,934
Contingency	2,300	-	(2,300)
Extinguishers and hydrants	911	855	(56)
Fido baggies	765	708	(57)
Fountain	2,613	500	(2,113)
Gate maintenance and repairs	2,150	1,500	(650)
Golf cart maintenance	409	750	341
Hoover pump system repairs	2,015	2,114	99
Irrigation contract	6,829	6,240	(589)
Irrigation supplies and repairs	4,811	5,860	1,049
Janitorial service	19,515	16,536	(2,979)
Janitorial supplies	1,358	500	(858)
Lake maintenance and littoral zone	2,797	3,923	1,126
Landscape maintenance	71,773	70,175	(1,598)
Landscape replacement	9,133	10,000	867
Lighting and electrical	3,210	2,000	(1,210)
Maintenance supplies	186	350	164
Mulch	10,039	4,500	(5,539)
Pest control	20,735	17,520	(3,215)
Pest control - clubhouse	914	500	(414)
Pool maintenance and repairs	5,416	5,000	(416)
Preserve and perimeter maintenance	1,200	1,500	300
Pressure washing	2,500	5,500	3,000
Recreation area maintenance and repairs	338	100	(238)
Roofing and drywall repairs	16,294	14,738	(1,556)
Security guards	80,911	89,000	8,089
Termite bond and interest	20,795	25,359	4,564
Tree trimming	23,236	3,000	(20,236)
	<u>335,655</u>	<u>301,477</u>	<u>(34,178)</u>
<b>Utilities</b>			
Cable TV	122,040	133,728	11,688
Electric	25,337	26,600	1,263
Telephone	6,440	7,600	1,160
Trash collection	36,275	34,500	(1,775)
Water and sewer	143,476	132,500	(10,976)
	<u>\$ 333,568</u>	<u>\$ 334,928</u>	<u>\$ 1,360</u>

See auditors' report on supplementary information.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET (CONT'D)**  
*For the year ended December 31, 2018*

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Administration</b>			
Accounting services	\$ 13,276	\$ 14,015	\$ 739
Audit and tax preparation	4,625	4,350	(275)
Background check expense	3,534	-	(3,534)
Bad debt	1,349	500	(849)
Computer repairs	-	290	290
Copier service	770	600	(170)
Corporate annual fee	61	62	1
Domain name	95	108	13
Fees to division	2,112	1,356	(756)
Income tax expense	5,150	-	(5,150)
Insurance	89,731	85,000	(4,731)
Legal and professional	6,045	3,000	(3,045)
Management - other	7,322	5,108	(2,214)
Management fees	75,344	66,387	(8,957)
Miscellaneous	1,494	500	(994)
Office supplies	2,014	700	(1,314)
Postage	1,206	500	(706)
Recreational activities	50	100	50
Subscription, education and renewals	142	-	(142)
Website maintenance	1,438	500	(938)
	<u>215,758</u>	<u>183,076</u>	<u>(32,682)</u>
 Total budgeted expenses	 884,981	 <u>\$ 819,481</u>	 <u>\$ (65,500)</u>
 Settlement expenses (Note 11)	 <u>7,506</u>		
 <b>Total expenses</b>	 <u><b>\$ 892,487</b></u>		

See auditors' report on supplementary information.

**LEXINGTON LAKES CONDOMINIUM ASSOCIATION, INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)**  
*December 31, 2018*

The following schedule is based upon a study conducted by an independent consultant in 2014 to estimate the remaining useful lives and replacement costs of the components of common property. The schedule provides information about components of common property.

<u>Component</u>	<u>Estimated Useful Life (years)</u>	<u>Estimated Remaining Life (years)</u>	<u>Estimated Replacement Cost</u>	<u>Fund Balances 12/31/18</u>	<u>Approved Budgeted Funding 12/31/19</u>
Roof	25	12	\$ 2,588,614	\$ -	\$ -
Painting	5-7	3	1,853,424	-	-
Pressure washing	3-5	-	189,348	-	-
Paving	15-25	7	484,129	-	-
Pool and equipment	8-30	0-14	69,627	-	-
Common area interiors	5-20	0-9	121,448	-	-
Site improvements	1-25	1-24	726,638	-	-
Exterior building	1-25	3-22	433,455	-	-
Pooled reserves	-	-	-	<u>1,395,515</u>	<u>222,000</u>
			<u>\$ 6,466,683</u>	<u>\$ 1,395,515</u>	<u>\$ 222,000</u>

See auditors' report on supplementary information.