

**MENTONE DEVELOPMENT
OWNERS' ASSOCIATION, INC**

FINANCIAL STATEMENTS and
ACCOUNTANT'S COMPILATION REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010

REDDISH & WHITE
CERTIFIED PUBLIC ACCOUNTANTS

**MENTONE DEVELOPMENT
OWNERS' ASSOCIATION, INC.**

December 31, 2010

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Independent Accountant's Compilation Report

To the Board of Directors of
Mentone Development Owners' Association, Inc.
Gainesville, FL

We have compiled the accompanying balance sheet of Mentone Development Owners' Association, Inc. as of December 31, 2010, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the accompanying supplementary information contained in the Schedule of Reserve for Repairs and Replacements, which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplemental schedule, and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles general accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that there are no material modifications that should be made to the financial statements and supplementary schedule.

The supplementary information about future repairs and replacements of common property on page 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management of Mentone Development Owners' Association, Inc., without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Reddish & White, CPAs

Starke, Florida
May 18, 2011

Mentone Development Owners' Association, Inc.

Balance Sheet
As of December 31, 2010

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 60,491	\$ 58,275	\$ 118,766
Assessments Receivable, Net	15,512	0	15,512
Prepaid and other assets	<u>336</u>	<u>0</u>	<u>336</u>
Total Current Assets	<u>76,339</u>	<u>58,275</u>	<u>134,614</u>
Total Assets	\$ <u><u>76,339</u></u>	\$ <u><u>58,275</u></u>	\$ <u><u>134,614</u></u>
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Prepaid Assessments	\$ <u>19,993</u>	\$ <u>0</u>	\$ <u>19,993</u>
Total current liabilities	<u>19,993</u>	<u>0</u>	<u>19,993</u>
Fund Balances	<u>56,346</u>	<u>58,275</u>	<u>114,621</u>
Total liabilities and Fund Balance	\$ <u><u>76,339</u></u>	\$ <u><u>58,275</u></u>	\$ <u><u>134,614</u></u>

See accountant's report and accompanying notes to the financial statements.

Mentone Development Owners' Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2010

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
REVENUES			
Regular Assessments	\$ 175,956	\$ 0	\$ 175,956
Interest Income	0	159	159
Other Income	<u>8,271</u>	<u>0</u>	<u>8,271</u>
Total Revenues	<u>184,227</u>	<u>159</u>	<u>184,386</u>
EXPENSES			
Insurance	7,893	0	7,893
Maintenance			
Lawn and Landscaping	30,902	0	30,902
Pool Maintenance	10,042	0	10,042
Other	19,863	0	19,863
Pool Renovations	25,445	0	25,445
Professional Fees			
Legal	4,308	0	4,308
Accounting	1,250	0	1,250
Office and administrative	10,100	0	10,100
Bad Debt Expense	585	0	585
Management Fees	31,415	0	31,415
Utilities	15,962	0	15,962
Major Repairs and Replacements	<u>0</u>	<u>11,499</u>	<u>11,499</u>
Total Expenses	<u>157,765</u>	<u>11,499</u>	<u>169,264</u>
Excess (Deficiency) of Revenues over Expenses	26,462	(11,340)	15,122
Fund Balance, Beginning of Year	52,823	46,676	99,499
Transfers	<u>(22,939)</u>	<u>22,939</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 56,346</u>	<u>\$ 58,275</u>	<u>\$ 114,621</u>

See accountant's report and accompanying notes to the financial statements.

Mentone Development Owners' Association, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2010

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
Cash Flows from Operating Activities			
Excess (Deficiency) of Revenues over Expenses	\$ 26,462	\$ (11,340)	\$ 15,122
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by (Used) by Operating Activities			
(Increase) Decrease in Current Assets:			
Assessments Receivable	(6,538)	0	(6,538)
Prepaid and Other Assets	(336)	0	(336)
Increase (Decrease) in Current Liabilities:			
Prepaid Assessments	<u>(504)</u>	<u>0</u>	<u>(504)</u>
Net Cash Provided (Used) By Operating Activities	<u>19,084</u>	<u>(11,340)</u>	<u>7,744</u>
Cash Flows from Financing Activities			
Interfund Transfers	<u>(22,939)</u>	<u>22,939</u>	<u>0</u>
Net Decrease in Cash and Cash Equivalents	(3,855)	11,599	7,744
Cash and Cash Equivalents, Beginning of Year	<u>64,346</u>	<u>46,676</u>	<u>111,022</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>60,491</u></u>	\$ <u><u>58,275</u></u>	\$ <u><u>118,766</u></u>

See accountant's report and accompanying notes to the financial statements.

MENTONE DEVELOPMENT OWNERS' ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 1 - NATURE OF ORGANIZATION

The Mentone Development Owners' Association, Inc. (the Association) was incorporated on July 22, 1996, in the State of Florida. The Association is responsible for the operation, maintenance, management, preservation, and control of certain real property located in Gainesville, Florida which collectively comprises the community area property within the development. The development consists of 341 residential units over a total of approximately 135 acres.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund—This fund is used to account for financial resources available for the general operations of the Association.

Capital Reserve Fund—This fund is used to accumulate financial resources designated for future major repairs and replacements.

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.

Interest Income

Interest income is allocated to the operating and reserve funds in proportion to the interest-bearing deposits of each fund. In addition, the interest income charged members for past due accounts is allocated to the operating fund.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Assessments

Association members are subject to quarterly 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. The Association's policy is to retain legal counsel and consider the placement of liens on the properties of homeowners whose assessments are delinquent. Management expects to collect all of the assessments receivable. Consequently, there is no allowance for doubtful accounts as of December 31, 2010.

Income Taxes

The Association may be taxed either as a homeowners association or as a regular corporation. For the year ended December 31, 2010, the Association was taxed as a residential homeowners association and filed Form 1120-H.

Consequently, membership income is exempt from taxation if certain elections are made. The Association is taxed only on its non membership income, such as interest earnings from reserve accounts offset by any related deductions. The net income from unrelated membership income is taxed at a 30% rate. For the year ended December 31, 2010, the Association no incurred income tax expense.

With few exceptions, the Association is no longer subject to U.S. federal income tax examinations by federal taxing authorities for years before 2007.

The Association has reviewed and evaluated the relevant tax merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Association.

The Association recognizes interest and penalties in administrative expenses. During the year ended December 31, 2010, there were no interest and penalties incurred by the Association.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Property and Equipment

The Association's policy on property and equipment has been to not capitalize the property and equipment. As of December 31, 2010, the property and equipment not capitalized included roadways, sidewalks, greenbelts, swimming pool, furniture, pavilion, tennis court, basketball court, soccer field, and

playground. Members must approve of the disposal of any real property the Association owns.

Subsequent Events

The Association has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through May 18, 2011, the date the financial statements were available to be issued. No subsequent events have been disclosed.

NOTE 3 – CAPITAL RESERVES

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which total \$58,275 as of December 31, 2010, are held in separate accounts and are generally not available for operating purposes. During the year ended December 31, 2010, \$22,939 was transferred from the operating fund to the capital reserve fund.

The funding of the capital reserve was based on a previous informal study performed by the board of directors. 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, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs or replacements until funds are available.

NOTE 4 – CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Association maintains checking, savings, and money market accounts with various local financial institutions. As of December 31, 2010, the cash balances of the Association did not exceed the federal deposit insurance corporation (FDIC) insured limit in any of the financial institutions.

Mentone Development Owners' Association, Inc.

Supplemental Information of Future Major Repairs and Replacements
As of December 31, 2010

The Association's board of directors has estimated the remaining useful lives and the replacement costs of the components of common property based on estimated costs developed when the 2010 budget was prepared. Estimated current replacement costs have not been revised since that time and do not take into account the effects of inflation between that time and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life	Estimated Remaining Life	Estimated Current Replacement Cost	Fund Balance Dec. 31, 2010	2010 Annual Funding Requirement
Landscape Mulch	2	1	\$5,700	\$5,981	\$0
Building Repairs	1	1	750	813	750
Entrance Landscape & Sign	5	3	1,500	1,293	74
Sinkhole Remediation	1	1	6,000	6,000	0
Pecan Park Fence	8	7	4,000	5,425	10,600
Playground	2	1	1,000	1,667	667
Pool Pump	5	3	1,100	1,113	0
Pool Fence	10	7	6,500	2,112	731
Pool Bathroom	5	3	5,000	3,000	1,000
Pool Heater	10	5	10,000	2,588	2,000
Pool Resurfacing	4	2	6,200	0	0
Pool Deck Resurfacing	9	3	20,000	6,931	0
Common Furniture	5	3	4,000	1,638	800
Gate	3	1	500	520	187
Tennis & Basketball Resurfacing	1	1	3,000	4,125	1,125
Pavement Re-stripe	5	3	5,000	3,000	1,000
Pavilion Painting	5	3	2,500	2,187	155
Roof Exterior	8	3	16,000	9,000	3,500
Well Pump	10	9	3,500	(29)	350
			<u>\$102,250</u>	<u>\$57,364</u>	<u>\$22,939</u>

The following represents the activity for the components of the major repairs and replacements for the year ended December 31, 2010:

	Fund Balance Dec. 31, 2009	Additions	Expenditures	Fund Balance Dec. 31, 2010
Landscape Mulch	\$7,060	\$0	(\$1,079)	\$5,981
Building Repairs	63	750	0	813
Entrance Landscape & Sign	1,219	74	0	1,293
Sinkhole Remediation	6,000	0	0	6,000
Pecan Park Fence	500	10,600	(5,675)	5,425
Playground	1,000	667	0	1,667
Pool Pump	1,113	0	0	1,113
Pool Fence	1,381	731	0	2,112
Pool Bathroom	2,000	1,000	0	3,000
Pool Heater	588	2,000	0	2,588
Pool Resurfacing	4,017	0	(4,017)	0
Pool Deck Resurfacing	6,931	0	0	6,931
Common Furniture	838	800	0	1,638
Gate	333	187	0	520
Tennis & Basketball Resurfacing	3,000	1,125	0	4,125
Pavement Re-stripe	2,000	1,000	0	3,000
Pavilion Painting	2,031	156	0	2,187
Roof Exterior	5,500	3,500	0	9,000
Well Pump	350	350	(729)	(29)
Interest	752	158	0	910
	<u>\$46,676</u>	<u>\$23,098</u>	<u>(\$11,500)</u>	<u>\$58,274</u>

See accountant's report and accompanying notes to financial statements.