

**SUN CITY CENTER WEST MASTER
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION**

MARCH 31, 2016





INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sun City Center West Master Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Sun City Center West Master Association, Inc., which comprise the balance sheet as of March 31, 2016, and the related statements of revenues, expenses, and changes in fund balance 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 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, 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 Sun City Center West Master Association, Inc. as of March 31, 2016, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 12 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.

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.

Accell Audit & Compliance, PA

Tampa, Florida
July 14, 2016

SUN CITY CENTER WEST MASTER ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2016

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 161,139	\$ 1,215,844	\$ 1,376,983
Prepaid expenses	9,230	-	9,230
Utility deposits	65,775	-	65,775
Total assets	\$ 236,144	\$ 1,215,844	\$ 1,451,988
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 63,447	\$ -	\$ 63,447
FUND BALANCES	172,697	1,215,844	1,388,541
Total liabilities and fund balances	\$ 236,144	\$ 1,215,844	\$ 1,451,988

See accompanying independent auditors' report and notes to the financial statements.

**SUN CITY CENTER WEST MASTER ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2016**

	Operating Fund	Replacement Fund	Total
REVENUES			
Membership assessments	\$ 1,360,782	\$ 972,896	\$ 2,333,678
Interest income	1,966	2,113	4,079
Other income	20	-	20
	<u>1,362,768</u>	<u>975,009</u>	<u>2,337,777</u>
EXPENSES			
Repairs & maintenance	361,494	226,189	587,683
Utilities	415,945	-	415,945
Landscaping	321,235	-	321,235
Insurance	136,810	-	136,810
Management fees	116,760	-	116,760
Professional fees	47,744	-	47,744
Lake maintenance	43,511	-	43,511
Administration	9,575	-	9,575
	<u>1,453,074</u>	<u>226,189</u>	<u>1,679,263</u>
EXCESS OF REVENUES OVER EXPENSES	(90,306)	748,820	658,514
Fund Balances - beginning of year	<u>263,003</u>	<u>467,024</u>	<u>730,027</u>
FUND BALANCES - END OF YEAR	<u>\$ 172,697</u>	<u>\$ 1,215,844</u>	<u>\$ 1,388,541</u>

See accompanying independent auditors' report and notes to the financial statements.

SUN CITY CENTER WEST MASTER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ (90,306)	\$ 748,820	\$ 658,514
Change in:			
Assessments receivable	154	-	154
Prepaid expenses	(5,826)	-	(5,826)
Utility deposits	(125)	-	(125)
Accounts payable and accrued expenses	35,494	-	35,494
Prepaid assessments	(31)	-	(31)
Interfund balance	60,499	(60,499)	-
Net cash from operating activities	(141)	688,321	688,180
NET CHANGE IN CASH AND CASH EQUIVALENTS	(141)	688,321	688,180
Cash and cash equivalents - beginning of year	161,280	527,523	688,803
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 161,139	\$ 1,215,844	\$ 1,376,983

See accompanying independent auditors' report and notes to the financial statements.

SUN CITY CENTER WEST MASTER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1 NATURE OF ORGANIZATION

Sun City Center West Master Association, Inc., (the "Master Association") was incorporated on May 29, 1973 as a corporation, not-for-profit, under the terms and provisions of Chapter 617, Florida Statutes. The Master Association is responsible for operating and maintaining the common property of the Sun City Center West project located in Hillsborough County, Florida. For Associations (the "Member Associations") located within the Sun City Center West project, membership to the Master Association is automatic. As of March 31, 2016, there were 114 Member Associations.

The Master Association transferred control from Minto Communities, Inc. (the "Developer") on September 1, 2015. The first resident controlled Board of Directors approved an operating budget for fiscal year end March 31, 2017. The first election of the five-member Board of Directors took place on November 18, 2015.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements of the Master Association are prepared on the accrual basis of accounting, which recognizes revenue when earned, regardless of when received, and expenses when incurred, regardless of when paid.

The Master 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 financial statements have been prepared 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 Master Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Liquidity

Assets are presented in the accompanying balance sheet according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Master Association considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

SUN CITY CENTER WEST MASTER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

Commonly Owned Assets

Real property and common areas acquired from the developer and related to improvements to such property are not recorded in the Master Association's financial statements because those properties are owned by the Member Associations.

Interest Earned

The Board's policy is to allocate interest earned to the operating and replacement fund in proportion to the interest bearing deposits of each fund.

Donated Services

The Board and its officers serve without compensation. The value of such services is not recorded in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 3 MEMBERSHIP ASSESSMENTS

Member Associations are assessed monthly based on their pro-rata share of the number of units within the Master Association. For the year ended March 31, 2016, each Member Association unit was assessed approximately \$35 monthly. Of these assessments, approximately \$15 was designated for the Replacement Fund. As of March 31, 2016, the Member Associations had a combined total of 5,595 units.

The annual budget and assessments to Member Associations are determined by the Board. The Master Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

NOTE 4 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Master Association's governing documents provide certain guidelines for governing its financial activities. The Master Association maintains an Operating Fund available for general operations and a Replacement Fund designated for future major repairs and replacements. Replacement funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

SUN CITY CENTER WEST MASTER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

In November 2015, management performed an informal study to estimate the remaining useful lives and the replacement costs of the components of common property using the Pooling Method of funding future major repairs and replacements. At this time, the Board has not conducted an independent formal study of all the common property components which results may differ. The table included in the Supplementary information on Future Major Repairs and Replacements is based on the informal study.

Actual expenditures may vary from the estimated future expenditures, 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 Master Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

The following is a table of the current year's activity in the Replacement Fund, by component:

	April 1, 2015	Additions	Charges	Transfers	March 31, 2016
Pooled reserves	\$ 466,510	\$ 972,896	\$ (226,189)	\$ 514	\$ 1,213,731
Interest	514	2,113	-	(514)	2,113
	<u>\$ 467,024</u>	<u>\$ 975,009</u>	<u>\$ (226,189)</u>	<u>\$ -</u>	<u>\$ 1,215,844</u>

NOTE 5 ASSESSMENTS RECEIVABLE

The Master Association's policy is to retain legal counsel and pursue Member Associations whose assessments are seriously delinquent. As of March 31, 2016, the Master Association's assessments receivable had a balance of \$0. It is the opinion of the Board that the assessment receivable is fully collectible.

NOTE 6 FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, Fair Value Measurements and Disclosures, the Master Association assessed the guidelines for measuring fair value. These guidelines provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. FASB ASC 820 establishes three levels of fair value hierarchy that are described below:

SUN CITY CENTER WEST MASTER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Master Association has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in inactive markets. Inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data are also included. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Master Association's investments measured at fair value on a recurring basis were as follows as of March 31, 2016:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Money market	\$ 944,476	\$ -	\$ -	\$ 944,476

NOTE 7 INCOME TAXES

Homeowner's associations may be taxed either as homeowners' associations or as regular corporations. The Master Association has elected to be taxed as a homeowners' association. As a homeowners' association, nonexempt function income, such as interest earnings, is taxed at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. The Master Association has evaluated its tax position and concluded that the Master Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification. With few exceptions, the Master Association is no longer subject to income tax examinations by the U.S. federal or state tax authorities up to three years after taxes are filed.

NOTE 8 LINE OF CREDIT

The Association renewed a line of credit with a financial institution on August 10, 2015 in the amount of \$500,000. The line of credit matures on August 10, 2016 and bears interest at a rate equal to the Wall Street Journal Prime

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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

rate plus 1.00%, but not less than 4.25% per annum. The rate was 4.50% at March 31, 2016. The line of credit is secured by regular and special assessments of the Association. There were no amounts drawn on the line of credit as of March 31, 2016.

NOTE 9 CONCENTRATION OF CREDIT RISK

The Master Association maintains bank accounts with balances which, at times, may exceed federally insured limits. As of March 31, 2016, the Master Association had balances which exceeded the federally insured limits. However, the Association has deposits in institutions that provide excess deposit insurance. The Master Association has not experienced any losses on such accounts, and believes it is not exposed to any significant risk on bank deposit accounts.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Master Association may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. The Master Association has entered into several contractual agreements, generally cancelable on 30 days written notice, with outside vendors and service providers to maintain the building and grounds and to help with the Master Association's administration.

NOTE 11 SUBSEQUENT EVENTS

The Master Association approved two major contracts with vendors in May 2016. These contracts included baseline controllers for upper loop stations for approximately \$250,000 and upgraded irrigation supply systems communications equipment for approximately \$127,000.

SUPPLEMENTARY INFORMATION

**SUN CITY CENTER WEST MASTER ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS (UNAUDITED)
MARCH 31, 2016**

In November 2015, management performed an informal study to estimate the remaining useful lives and the replacement costs of components of the common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the time of this study using the Pooling Method. The required funding amount in the table below is provided by the informal study:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Future Replacement Costs</u>	<u>April 1, 2016 Reserve Funding</u>	<u>April 1, 2016 - March 31 2017 Funding Required and Approved</u>
Signs and lights	7 - 21	\$ 524,979		
Buildings	0 - 22	72,120		
Drainage	0 - 15	5,362,000		
Fence	0 - 12	73,749		
Bridge	1 - 22	172,618		
Irrigation	1 - 10	650,806		
Landscaping	1	10,000		
Roads	1 - 24	9,201,030		
		<u>\$ 16,067,302</u>	<u>\$ 1,215,844</u>	<u>\$ 952,208</u>