

- **Reporting Requirements:** Vote **(FOR)** to **waive** the Financial Statement requirement per Florida Statutes. (Waive 2009 Compilation)

An association with total annual revenues of at least \$100,000 or more, but less than \$200,000 shall prepare compiled financial statements. In a compilation, an accountant will prepare financial statements using fund accounting based on information provided by management. An accountant considers whether the financial statements are appropriate in form and free from obvious material errors. The accountant does not audit the financial statements, so no opinion is expressed. Generally, the cost to prepare is \$650 - \$950 depending on activity (loans, special assessments, etc.)

The board of directors recommends the membership vote **(FOR)** to **waive** the compilation for 2009. Keep in mind; the compilation can only be waived 3 consecutive years. In the year 2011, the association will be required to pay for a compilation of the financial statements.

- **Roll Over Excess Funds:** Vote **(FOR)** to roll over any excess operating funds in the 2009 calendar year into the 2010 budget, as a constructive return of capital to the membership consistent with IRS rulings 70-604.

If an Association has a common surplus (association income exceeds expenses), this surplus may be subject to income tax. However, this surplus is not subject to tax if the Association uses the tax provision of Revenue Ruling 70-604. To use this provision, a majority of the members must vote annually to make a vote to defer tax under Revenue Ruling 70-604 by applying excess membership income (common surplus) to the following year's assessment. The IRS has held that the 70-604 vote must be made by the members, and not the board of directors, and the vote must be documented in the minutes.

If the membership votes **in favor** of rolling over excess operating funds, the surplus can be distributed into the association's reserve accounts for future use.

- **Waive Reserves:** Vote in favor **(FOR)** to waive fully funding the reserve requirements as stipulated on the attached 2010 proposed budget.

In simplest terms, the association is technically never truly fully funded. If the association was to replace the building after 80 years, the cost associated in rebuilding would be in the millions. Should the association reserve this cost, the maintenance fees would more than double per month.

The board of directors recommends that you **vote (FOR)** to waive fully funding the reserves.

We hope this explanation will make it clearer as to what you are voting on. Should you have more questions and still uncertain, please don't hesitate to contact our office.

**Sincerely,**

**Pierre Thiemann, LCAM / Property Manager**