



Gerstle, Rosen & Goldenberg, P.A.
Certified Public Accountants

Mark R. Gerstle, C.P.A.

Robert N. Rosen, C.P.A.

Brian K. Goldenberg, Partner

March 12, 2010

Board of Directors
Carleton Oaks Homeowners Association, Inc.

Dear Board Members:

As a result of our audit of the financial statements of Carleton Oaks Homeowners Association, Inc. for the year ended December 31, 2009, we are bringing the following matters to your attention:

1. It is recommended that Associations engage a reserve study specialist to have an independent replacement fund analysis to determine the useful lives of the replacement fund components and their associated replacement costs. This study should be updated annually in order for the proper budgeting to occur.
2. The Association should consider setting up a line of credit with their bank for emergency purposes.

We welcome the opportunity to discuss the above.

Very truly yours,

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Certified Public Accountants

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INSTRUCTIONS

ACCOUNTING ENTRIES AND OTHER SUPPORTING DOCUMENTS

DATE: April 14, 2010

RE: Carleton Oaks Homeowners Association, Inc.

1. ADJUSTING JOURNAL ENTRIES

- a. If you have closed for the year, all adjustments to revenue, expenses and prior period adjustments should be put to the respective fund balance.
- b. Ensure that prior period adjustments are closed to fund balance at year end.
- c. Under normal circumstances accruals should be reversed against current expenses.

2. WORKING TRIAL BALANCE

- a. The working trial balance reflects a summary of the year end adjustments to post after closing (i.e. balance sheet accounts only).

Please call the office if you have any questions.

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CARLETON OAKS HOMEOWNERS ASSOCIATION, INC.

ADJUSTING JOURNAL ENTRIES

December 31, 2009

	CLIENT ACCOUNT NUMBER	DEBIT	CREDIT
1			
ALLOWANCE FOR UNCOLLECTIBLE	1510	\$9,500.00	
BAD DEBT RECOVERY	40**		\$9,500.00
TO DECREASE ALLOWANCE			
2			
SECURITY	7480	255.60	
LEGAL FEES	7160	300.00	
OFFICE EXPENSE	7265	106.50	
AUDIT FEE 2009	7460	3,400.00	
A/P	NEW		4,062.10
TO ACCRUE A/P			
		\$13,562.10	\$13,562.10

CARLETON OAKS HOMEOWNERS ASSOCIATION, INC.

WORKING TRIAL BALANCE

December 31, 2009

ACCOUNT TITLE	CLIENT ACCOUNT NUMBER	CLIENT T/B		ADJUSTMENTS		CPA F/S	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
BALANCE SHEET				-	-		
ASSETS				-	-		
1ST UNITED BANK OPERATING	1007	131,047.88		-	-	131,047.88	
PETTY CASH	1025	300.00		-	-	300.00	
ANCHOR BANK - RESERVE	1120	113,361.96		-	-	113,361.96	
ANCHOR BANK CD 3/10/12 2.0%	1150	120,599.84		-	-	120,599.84	
ACCOUNTS RECEIVABLE	1501	25,079.64		-	-	25,079.64	
ALLOWANCE FOR UNCOLLECTIBLE	1510		20,000.00	9,500.00	-		10,500.00
PREPAID INSURANCE	1610	5,799.23		-	-	5,799.23	
REFUNDABLE DEPOSITS	1900	2,235.75		-	-	2,235.75	
				-	-		
				-	-		
LIABILITIES AND FUND BALANCE				-	-		
ACCOUNTS PAYABLE	2001			-	4,062.10		4,062.10
PREPAID OWNER ASSESSMENTS	2301		35,388.55	-	-		35,388.55
				-	-		
RESERVES - UNALLOCATED	3010		216,121.15	-	-		216,121.15
RESERVES - INTEREST	3050		17,840.65	-	-		17,840.65
				-	-		
CONTRIB. CAPITAL - OWNERS	3980		56,367.47	-	-		56,367.47
				-	-		
FUND BALANCE	3999		9,333.93	-	-		9,333.93
CURRENT YEAR INCOME / LOSS	-----		43,372.55	-	5,437.90		48,810.45

CARLETON OAKS HOMEOWNERS ASSOCIATION, INC.

WORKING TRIAL BALANCE

December 31, 2009

ACCOUNT TITLE	CLIENT ACCOUNT NUMBER	CLIENT T/B		ADJUSTMENTS		CPA F/S	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
<u>INCOME STATEMENT</u>							
REVENUES							
Maintenance Fees	4001		454,831.72	-	-		454,831.72
Reserve Income	4002		35,499.96	-	-		35,499.96
Late Fee Income	4015		1,337.88	-	-		1,337.88
Misc. Owner Income	4020		1,615.45	-	-		1,615.45
Pool Keys	4025		80.00	-	-		80.00
Gate/Care/Remote	4030		310.00	-	-		310.00
Owner Interest Income	4035		190.00	-	-		190.00
Application Fees	4040		1,200.00	-	-		1,200.00
Interest Income	4045		672.21	-	-		672.21
Interest Income Reserves	4050		3,765.48	-	-		3,765.48
Bad Debt Recovery	40**			-	9,500.00		9,500.00
Misc. Income	4055		363.00	-	-		363.00
EXPENSES							
Management Fees	7010	17,352.08		-	-	17,352.08	
Accounting	7011	6,277.92		-	-	6,277.92	
Legal Fees	7160	8,249.70		300.00	-	8,549.70	
Postage/Printing	7260	1,965.82		-	-	1,965.82	
Office Expenses	7265	1,471.39		106.50	-	1,577.89	
Insurance	7280	8,522.50		-	-	8,522.50	
Federal Income Tax	7400	0.00		-	-	0.00	
Licensing Fees & Taxes	7450	250.00		-	-	250.00	
Audit Services	7460	0.00		3,400.00	-	3,400.00	
Committee Expense	7475	0.00		-	-	0.00	
Security	7480	1,107.60		255.60	-	1,363.20	
Bad Debts	9909	0.00		-	-	0.00	
Landscape Maintenance	7520	160,260.00		-	-	160,260.00	

**CARLETON OAKS HOMEOWNERS
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2009



Gerstle, Rosen & Goldenberg, P.A.
Certified Public Accountants

Mark R. Gerstle, C.P.A.

Robert N. Rosen, C.P.A.

Brian K. Goldenberg, Partner

INDEPENDENT AUDITORS' REPORT

Board of Directors and Unit Owners
Carleton Oaks Homeowners Association, Inc.

Dear Members:

We have audited the accompanying balance sheet for Carleton Oaks Homeowners Association, Inc., as of December 31, 2009, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association. 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 Carleton Oaks 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 of America.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement the basic financial statements. The Association has not presented this supplementary information.

The supplementary information on the detailed statement of operating revenues and expenses - budget comparison is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Certified Public Accountants
Boca Raton, Florida

March 12, 2010

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**CARLETON OAKS HOMEOWNERS
ASSOCIATION, INC.**

BALANCE SHEET

December 31, 2009

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 131,348	\$ 233,962	\$ 365,310
Maintenance Fee Receivable	25,080		25,080
Allowance for Uncollectible	(10,500)		(10,500)
Prepaid Insurance	5,799		5,799
Refundable Deposits	2,236		2,236
TOTAL ASSETS	\$ 153,963	\$ 233,962	\$ 387,925
LIABILITIES			
Accounts Payable	\$ 4,062	\$	\$ 4,062
Prepaid Maintenance Fees	35,389		35,389
TOTAL LIABILITIES	39,451		39,451
MEMBERS' EQUITY			
Working Capital	56,368		56,368
Fund Balance	58,144	233,962	292,106
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 153,963	\$ 233,962	\$ 387,925

The accompanying notes are an integral part of this financial statement.

**CARLETON OAKS HOMEOWNERS
ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES**

Year Ended December 31, 2009

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Maintenance Fees	\$ 454,832	\$ 35,500	\$ 490,332
Application Fees	1,200		1,200
Interest Income	672	3,963	4,635
Late Fees	1,338		1,338
Gate and Pool Keys	390		390
Misc. Owner Income	1,615		1,615
Bad Debt Recovery	9,500		9,500
Owner Interest Income	190		190
Miscellaneous Income	363		363
TOTAL REVENUES	<u>470,100</u>	<u>39,463</u>	<u>509,563</u>
EXPENSES			
(See Supplementary Information)			
General & Administrative	49,259		49,259
Maintenance	292,604		292,604
Utilities	79,427		79,427
TOTAL EXPENSES	<u>421,290</u>		<u>421,290</u>
EXCESS REVENUES (EXPENSES)	48,810	39,463	88,273
FUND BALANCE - BEGINNING	<u>9,334</u>	<u>194,499</u>	<u>203,833</u>
FUND BALANCE - ENDING	<u>\$ 58,144</u>	<u>\$ 233,962</u>	<u>\$ 292,106</u>

The accompanying notes are an integral part of this financial statement.

**CARLETON OAKS HOMEOWNERS
ASSOCIATION, INC.**

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

	OPERATING FUND	REPLACEMEN T FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS REVENUES (EXPENSES)	\$ 48,810	\$ 39,463	\$ 88,273
ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
 PROVIDED BY (USED IN) OPERATING ACTIVITIES			
DECREASE (INCREASE) IN ASSETS:			
Unit Owner Receivable	(14,074)		(14,074)
Prepaid Insurance	815		815
Insurance Refund Receivable	3,429		3,429
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payable	696		696
Damage Deposits	(1,500)		(1,500)
Prepaid Maintenance Fees	2,867		2,867
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	41,043	39,463	80,506
CASH FLOWS FROM INVESTING ACTIVITIES:			
Working Capital	2,303		2,303
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,303		2,303
NET INCREASE (DECREASE) IN CASH	43,346	39,463	82,809
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	88,002	194,499	282,501
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 131,348	\$ 233,962	\$ 365,310

The accompanying notes are an integral part of this financial statement.

**CARLETON OAKS HOMEOWNERS
ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

I. ORGANIZATION

Carleton Oaks Homeowners Association, Inc. is a not-for-profit, non stock corporation organized pursuant to Chapter 720 of the Florida Statutes. The Association was formed to maintain and protect the common areas, and consists of 142 units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association uses the accrual method of accounting, i.e., revenues are recognized as earned and expenses are recorded in the period in which they are incurred.

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.

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

Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For presentation purposes, the Association consolidates checking, certificates of deposit and money market accounts.

Capitalization and Depreciation Policy

Real property and common area acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. Although they are owned by the Association, the Board of Directors cannot dispose of the property, and the property does not generate any sufficient cash flow. Generally, personal property purchased by the Association is expensed.

Subsequent Events

The subsequent events have been evaluated March 12, 2010 the date the financial statements were available to be issued.

**CARLETON OAKS HOMEOWNERS
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2009

3. MAINTENANCE ASSESSMENTS

The Association Declaration provides that each owner is chargeable for their proportionate share of common expenses based upon the budget adopted. The Association has lien rights in the event of delinquent assessments, which can be exercised through foreclosure proceedings. The Association provides an allowance for losses on receivables based on a review of the current status of existing receivables, where applicable.

4. REPLACEMENT FUNDS

The current year approved budget includes provisions for reserves for capital improvements and deferred maintenance. The funds are being accumulated based on estimates of future needs for repairs and replacements of common property components. Information about the estimates of future costs of major repairs and replacements, as required by the American Institute of Certified Public Accountants, has not been presented. The Association has not conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. 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 Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The balance at December 31, 2009, consists of the following:

	BALANCE 12/31/08	INTEREST/ ASSESSMENTS	EXPENDITURES	BALANCE 12/31/2009
Unallocated	\$180,621	\$35,500		\$216,121
Interest	13,878	3,963		17,841
TOTAL	\$194,499	\$39,463	\$0	\$233,962

The Association does not allocate interest earned on the replacements fund to specific replacement components as earned, but does so periodically depending on projected requirements.

**CARLETON OAKS HOMEOWNERS
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2009

5. INCOME TAXES

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. The other method enables the Association to elect to exclude from taxation "exempt function income," which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates.

The Association filed its 2009 federal income tax return on Form 1120H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

6. COMMITMENTS

The Association has various contract services to maintain the common property including cable, management services, lawn maintenance, pool service, tennis court maintenance, pest control and lake maintenance. These contracts have different expiration dates and renewal terms.

7. WORKING CAPITAL CONTRIBUTIONS

The Association has elected to collect a working capital contribution from new owners in the Association at closing equal to two (2) months maintenance fees pursuant to the current budget. During 2009 the working capital contribution was \$2,302, and is included in the Members' Equity section on the Balance Sheet.

SUPPLEMENTARY INFORMATION

**CARLETON OAKS
HOMEOWNERS ASSOCIATION, INC.**

SUPPLEMENTARY INFORMATION

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON**

Year Ended December 31, 2009

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u>REVENUES:</u>			
Maintenance Fees	\$454,832	\$454,831	\$1
Late Fee Income	1,338	0	1,338
Misc. Owner Income	1,615	0	1,615
Pool Keys	80	0	80
Gate/Care/Remote	310	0	310
Owner Interest Income	190	0	190
Application Fees	1,200	0	1,200
Bad Debt Recovery	9,500	0	9,500
Interest Income	672	0	672
Misc. Income	363	0	363
Total Revenues	<u>470,100</u>	<u>454,831</u>	<u>\$15,269</u>
<u>EXPENSES:</u>			
<u>GENERAL & ADMINISTRATIVE</u>			
Management Fees	17,352	10,416	(6,936)
Accounting	6,278	6,278	0
Legal Fees	8,550	5,150	(3,400)
Postage/Printing	1,966	3,502	1,536
Office Expenses	1,577	1,500	(77)
Insurance	8,522	8,200	(322)
Federal Income Tax	0	100	100
Licensing Fees & Taxes	250	450	200
Audit Services	3,400	3,500	100
Committee Expense	0	100	100
Security	1,364	1,032	(332)
Bad Debts	0	18,859	18,859
TOTAL GENERAL & ADMINISTRATIVE	<u>49,259</u>	<u>59,087</u>	<u>9,828</u>

See independent auditors' report.

**CARLETON OAKS
HOMEOWNERS ASSOCIATION, INC.**

SUPPLEMENTARY INFORMATION

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON**

Year Ended December 31, 2009

<u>EXPENSES(Continued):</u>	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u>MAINTENANCE</u>			
Landscape Maintenance	160,260	160,260	0
Landscape Replacement	15,389	10,000	(5,389)
Fertilizer/Pest Control	7,190	11,225	4,035
Pool Maintenance	3,810	3,600	(210)
Pool Repair	2,295	1,000	(1,295)
Pool Heater	9,862	5,000	(4,862)
Mulch	19,710	25,000	5,290
Tree Pruning (Palms)	10,980	14,000	3,020
Janitorial	26,382	23,296	(3,086)
Pressure Cleaning Walks/Swale	6,835	7,870	1,035
Lake Maintenance	3,720	3,720	0
Irrigation	3,646	35,000	31,354
Irrigation Pump Maintenance	1,396	2,500	1,104
Gate Maintenance	1,368	3,500	2,132
Property Line Fence Maintenance	2,581	1,000	(1,581)
Tennis Court Maintenance	7,245	1,500	(5,745)
Misc Maintenance & Repairs	9,935	8,000	(1,935)
TOTAL MAINTENANCE	292,604	316,471	23,867
<u>UTILITIES</u>			
Electricity	20,690	20,600	(90)
Water & Sewer	799	618	(181)
Cable	57,213	57,205	(8)
Telephone	725	850	125
TOTAL UTILITIES	79,427	79,273	(154)
 Total Operating Expenses	 421,290	 454,831	 33,541
 Excess Operating Revenues (Expenses)	 \$48,810	 \$0	 \$48,810

See independent auditors' report.