

COMMENTS ON FINANCIAL RESULTS AS OF THE END OF APRIL 2009 (6 MONTHS)

Owners, please find attached the financial results as of April 30, 2009. We now have completed half of our budgetary year 2008/2009. This statement indicates significant changes in our forecast, as we have improved our situation on what we can control. There is, however, a major setback on one budget item, but we take into account for numerous decisions made at the Board meeting that took place on April 11, 2009. Please review the draft of the minutes on our web site. The forecast for the total year does compensate when compared to the full year's budget, which is more meaningful and is a better management tool to ensure that total budgetary objectives will be achieved.

HIGHLIGHTS

A SUBSTANTIAL REDUCTION IN OUR INSURANCE COST OFFSET BY A SURPRISE TREMENDOUS INCREASE IN OUR WATER AND SEWAGE COST.

On the positive side, we have completed the negotiation of our insurance program for the next 12 months, with a coverage period running from May 1, 2009 to May 1, 2010. The savings over the next 12 months is \$100,330.00 of which \$50,165.00 can be recorded during the current fiscal year, and it is reflected in our current forecast. You have to remember that at the April 11 meeting we did talk about a potential \$70,000.00 saving, but we did continue to negotiate till April 21 and come up with not only a program that is lower cost-wise, but does include improvement in the deductible and in the way the policies are now set up.

We now have one policy that covers not only hurricane damage, but covers regular building insurance coverage. The deductible remains at \$5,000.00 for non-hurricane incidents and at 5% of each building value for hurricane damage. The big change is on that aspect. Before, we were at risk of having to pay two deductibles if there were two hurricanes in the same policy period, meaning two assessments. For the owners that were at Waterside in 2004/2005 this came very close to being a reality during that time frame.

In order to reduce our cost increase projected for the General Liability insurance, we did combine everything that had to do with material damage under the building insurance coverage, leaving only the real general responsibility with personal claims. We have to remember that we are faces with one claim from someone who tripped over one of our sidewalks.

The cost breakdown of our insurance policy is as follows:

Property: \$154,502.00	Insurer: American Coastal
General Liability: \$16,529.00	Insurer: Philadelphia Insurance Co.
Umbrella: \$7,000.00	Insurer: Federal

Our new insurer established its business plan in 2008, and was referred to Waterside by Mr. Robert Bandel our broker. American Coastal's current underwriting is "Best of Class" Florida Garden Style Condominiums. "Best of Class" underwriting places an emphasis on positive secondary wind risks such as roof shape, bracing, hurricane straps where needed, and age of the roof covering. Thankfully

Waterside does qualify to be covered by that company which is admitted in the State of Florida. This is the good news.

Now the bad news. On May 18, 2009 we received our first revised bill from the City of Boynton for our water and sewage, and the increase is a killer. Your President was at Waterside during that week, and did review the billing from the City of Boynton. We were expecting a reduction in the total bill, as most of the snowbirds are now back at their main residences, so we were surprised the cost went up. We called the Town of Hypoluxo and they were not aware of a cost increase. We called the City of Boynton, who told us that the increase was 26%. Yes, only 26%, but when reviewing the bill of the increase, it is more for Waterside, and here are the details.

	CURRENT	NEW	% INCREASE
WATER MONTHLY FIXED FEE	\$6.05	\$13.46	122.5%
SEWAGE MONTHLY FIXED FEE	\$15.04	\$20.68	37.5%
WATER USAGE PER 1 MG UP TO 9000G	\$1.59	\$1.90	19.5%
WATER USAGE PER 1 MG FROM 10M TO 30MG	\$2.84	\$3.40	19.5%
SEWAGE PER 1 MG NO LIMIT	\$2.29	\$2.48	8.3%

This will negatively impact Waterside, since we were benefitting from the fact that our snowbirds do not use water for over 6 months per year. Now, with the substantial fixed fee increase there is no way we can offset such an increase. The minimum fixed fee per year that was close to \$10,000.00 a month is now over \$16,880.00, or an increase of 61.9%. Just for the fixed portion we will now need to pay over \$ 202,560.00 per year. In addition, if we used an average of 2,000 gallons per unit per month, we would also pay a total cost of \$36,100.00 per year for the next 12 months, for a total cost of \$238,660.00. This represents a cost of \$48.27 per month per unit compared to our current budget of \$33.05 per month per unit, or a total increase of over 46%. This is now the largest expense for Waterside, over and above our insurance and all other components of our cost structure. This is a cost center with very limited control. We cannot control the fixed portion of the cost and we still require the cooperation of all owners and renters for the variable portion.

We have two buildings where the consumption is astronomical. In one case, in just the first 14 days since the last meter reading, 34,000 gallons of water were consumed, and the two other units in that building are vacant; the water lines are closed so there were no inside leaks. The cost for water and sewage per month for that single remaining unit is \$ 295.66 (\$13.46+20.68+9X1.90+21X3.40+20X4.52+18X4.59). The total monthly fee is \$290.00. Notices will be sent to those owners concerned and we will continue to monitor.

GENERAL COMMENTS

As of the end of March, from an estimate of surplus of revenue-over-expense of \$ 77,342 we now forecast a surplus of revenue-over-expenses of \$43,052. This report provides an explanation of the entire special situations that have taken place since the last report.

On the revenue side we have reduced our revenue expectation on “estoppels” as we estimate that 10 units will be sold this year. So far we have 7 recorded sales and 3 more are currently being finalized. Other revenue items compensate for the shortfall in the estoppels revenue; we expect our revenue to be favorable to budget by \$3,070. Even if we have increased our revenue from screening, we do remain conservative, as our revenue tends to fluctuate on a seasonal basis.

In regard to the expenses, most of the variance comes from one-time transactions. This month we recorded two major impacts: the first one being a reduction in our insurance cost that should produce a positive impact of about \$50,165 this year, and the same amount for next year. We have also decided to postpone the installation of the new camera till completion of the land acquisition, as it will be easier to install a new camera when we will be the owners of the land on Miner Road.

We do forecast to be below budget in the following areas:

- **Propane gas:** will be below budget as we managed to install the new heat pumps in a more expeditious way than originally planned.
- **Wi-Fi:** will be below budget as mentioned at various Board meetings, as we have decided not to go ahead with the project for the current year, or at least until we find a solution to the cost of the project. Only the Club House current service cost is charged to this account. These funds, after approval, will be used to pay for the purchase of the land.
- **Security guards:** we now forecast to be below budget for the total year. It does appear that we are benefitting from lesser costs of repairs to our gate or a more expeditious way to get them fixed when needs do occur. This then results in a lesser need for extra guard time. We now have changed our gate opening schedule for the summer months. On Saturday and Sunday the full gate will now be closed, and this may impact our maintenance cost.
- **Insurance:** See explanation in the HIGHLIGHTS section of this report.
- **Landscaping:** we have separated the landscaping contract from the fertilization contract. In order to compare to the budget we need to add the two. Savings resulted from a contract re-negotiation for the fertilization and weed control.
- **New trees & Bushes:** will end up below budget due to bidding formality and the great help and contribution received from our volunteers. We managed to do more than the original plan at a lesser cost, and from comments received, it does appear to be appreciated by the vast majority of our owners. We will have planted over 600 new trees and bushes during the current fiscal year. It is for sure a record year, thanks to the owners who have on their own invested substantial amount of money to improve their surroundings, and many more are

planning to do so next fall. Over the summer we will do minor projects, we just did the main entrance flower beds and the flowers at the entrance fountain.

- **Interest cost:** the current trend in interest rate reduction is also producing a positive impact and our need to borrow is also lower. The reduction in insurance cost does contribute to the reduction in interest cost. Our new insurance program will be paid over a 6-month period, so by year-end no more borrowing will be necessary for insurance premiums.

We currently estimate that we will be over budget in the following cost center:

- **Legal:** we have increased our legal expenses as we will require expertise with the contract negotiation of the land purchase. We did also spend \$2,400.00 and are planning to spend more on our foreclosures, as the process by the banks is very slow and does penalize the Association. We can find buyers for those units, but banks are not responsive even if they are vacant.
- **Screening:** this increase in cost is related to the number of requests to Resident Data. Our revenue is up and our screening expense follows the trend.
- **Miscellaneous administrative expense:** Your Board is contributing to some activities of its owners. It did cost \$500.00 for the reception event for our owners at the annual meeting and a further \$1,000.00 was for the “thank you day” to our volunteers.
- **Street maintenance:** the forecast shows an overage of \$16,850. This is the result of the April Board meeting decision to go ahead with the special project of asphalt repair. A contract for \$21,000 was awarded and also added an extra \$380.00 to fix some sidewalk edges (19 of them). Thanks to Gaby for monitoring this contract. He was there daily and we are pleased with the contractor that did the job. This should help Waterside with the life expectancy of our streets and postpone major investment.
- **Sprinklers:** we did conduct a major overhaul of our system and also bought a new tool (\$4,000.00) that is greatly helping our maintenance staff to locate and fix a given problem. The winter was probably the driest on record in Florida and we did manage to maintain our grounds in a decent condition. It did rain from May 18 on for many days, and this did improve our well situation. The water bed was below 20 feet and the small pumps had to be shut down. We have now modified our hours of operation for the sprinklers, from two times a week for 20 minutes, to once a week for 40 minutes. We are now testing two times a week with a 40-minute sprinkler function each time.
- **Tree trimmings:** we do estimate that we will exceed our trimming budget. The second stage needs to be conducted before the hurricane season.
- **Building maintenance:** we will exceed the budget for the current year. These are major expenses that cannot be postponed. We did have to repair a lot of damage created by water

infiltration. At the April Board meeting your Board also approved an expense of \$3,800.00 for the repair of the arches C and D type of units. This project was completed in early May.

- **Shuffle Board Canopy**: this improvement was planned over a 2-year period, and your Board decided to do it all during the current fiscal exercise.
- **Entrance sign and fountain**: will exceed budget, mainly due to engineering certificates required to obtain a permit and the fact that both signs were installed this year, which will produce a savings from next year's expected expenses.
- **Flag poles**: we have invested \$3,800 to install three new flag poles at the entrance. This project is now also completed.

THE LAND PURCHASE

We are making headway on this project. The Town has now executed the two certificates, so this party is now out of the picture. The acquisition needs to go to an auction with a minimum bid of between \$46,200 and \$47,400. We are drafting the agreement between the Town of Hypoluxo, and if we are not the successful bidder, the Town will reimburse Waterside of its actual legal costs if the successful bidder does pay more than the sum of minimum bid and our legal costs. We will have to tear down the remaining property and will conduct a Phase 1 environmental study before completing the transaction with the Town. We are also discussing with the Town how this "vacant land" will be treated for tax purposes following our acquisition; for sure the tax bill will be less than the current one. As soon as possible we will fence the area, extend our sprinkler line and plant a new edge, after we will work the site with the help of our volunteers.

The time to vote on this ended May 13, 2009. On that day we received 359 votes in favor and 4 against for a level of participation of 88.3% and 87.3% in favor. Your Board wants to thank all owners who did vote. From the minutes of the Town meeting it is mentioned: "Mr. Eisenberg said the Town is to be commended for protecting the citizens because the property was an eyesore and a health and safety risk." The relation with the Town is excellent. Most of the council members did tour our complex and they expressed their appreciation to the visible improvements that contribute to the Town's own effort.

The public auction should take place over the summer months and we will keep you posted.

RECEIVABLE

We went from a balance of \$ 62,910.00 at the end of November to \$64,860.00 at the end of December, and to \$ 66,675.00 at the end of January. We were finally in better shape by the end of February as we went down to \$63,365.00 and we ended up at \$66,610.00 at the end of March, and to \$72,560 at the end of April. This is totally unacceptable. It creates a burden on all of our good payers. The "hard cases" -- the seven owners who are delinquent and under foreclosure that does not make any payments toward their dues -- will continue to negatively impact our performance in the

receivable area. The foreclosure process is a cumbersome process and does take a lot of time. Let's hope we do see some court action soon. This is penalizing Waterside and its owners. Each case was reviewed with legal counsel and we are targeting the banks for their non-action in many cases.

The total number of delinquent owners that were 44 at the end of November is now down to its normal level of 21. We have 11 units under foreclosure; four of them are making payments toward their dues. We now have 3 legal cases; as we follow the process, if non-payment goes beyond 60 days it is transferred to legal for collection and the owner is charged with the legal cost of such action.

CONCLUSION

After six months into our fiscal year (which does not make the full fiscal year since the hurricane season only starts in June) the current projections were encouraging until we received the new cost for water and sewage from the City of Boynton. Your Board will continue to closely monitor the evolution of expenses. The projected seal coating of our streets was also approved but no formal commitment will be made before we have clear indication of the hurricane season trend and risks and we will now have to take into consideration the water and sewage impact. The expected cost for the seal coating was \$30,000.

This Association is on solid financial ground and will continue to do so. It will also continue to create value for his owners.

This report will be mailed to the owners that have not provided an email address to Waterside in an effort not only to communicate with our owners on the performance after six months, but also to add to our list of 300 owners that did provide an email address to the office. If you received this report by mail and you have an email address, please send an email to watersidevillage.com so we can add your name to our distribution list. Please be sure to include unit number.

On behalf of the Board of Directors

Andre C. Mongrain, President

May 25, 2009

SIX MONTHS FINANCIAL RESULT AS OF END OF APRIL 2009

<u>DESCRIPTION</u>	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>TOTAL YEAR FORECAST</u>	<u>08/09 FINAL BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY COST</u>
<u>REVENUE</u>				290		
NSF FEE	150	0	150	0	150	
100 ASSESSMENTS **	650,320	652,640	1,302,000	1,305,280	-3,280	290.00
102 LATE FEE INCOME	4,160	500	5,000	1,000	4,000	
103 INTEREST INCOME	259	3,500	5,500	7,000	-1,500	
104 ESTOPPEL FEE	1,050	1,350	1,500	2,700	-1,200	
106 ACCESS/GATE CARDS	0	250	200	500	-300	
107 TRANSFER/SCREENING FEE	21,100	11,000	25,000	22,000	3,000	
108 MISCELLANEOUS INCOME	3,288	650	3,500	1,300	2,200	
TOTAL REVENUE	680,327	669,890	1,342,850	1,339,780	3,070	
<u>EXPENSES</u>						
<u>UTILITIES</u>						
200 ELECTRIC	25,651	26,500	52,000	53,000	-1,000	10.75
201 WATER & SEWER	82,250	81,500	190,000	163,000	27,000	33.05
202 GARBAGE & RECYCLING	15,529	15,500	31,000	31,000	0	6.29
203 PROPANE GAS	339	3,500	1,000	7,000	-6,000	1.42
204 CABLE T.V.	37,453	31,000	63,000	62,000	1,000	12.57
205 TELEPHONE	4,142	3,600	7,500	7,200	300	1.46
205.1 WIFI	1,076	12,500	2,000	25,000	-23,000	5.06
	166,440	174,100	346,500	348,200	-1,700	70.60

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
ADMINISTRATIVE						
300 PAYROLL-ADMINISTRATIVE	54,775	54,500	109,000	109,000	0	22.10
301 PAYROLL-MAINTENANCE	29,842	29,650	59,300	59,300	0	12.02
302 PAYROLL TAXES	8,090	6,650	14,500	13,300	1,200	2.70
302.1 EMPLOYEE BENEFITS	4,738	5,600	10,200	11,200	-1,000	2.27
303 PAYROLL SERVICE FEES	1,796	1,800	3,600	3,600	0	0.73
304 SECURITY GUARDS	23,794	26,250	49,000	52,500	-3,500	10.64
305 ACCOUNTING	12,534	12,750	25,500	25,500	0	5.17
305.1 BANK FEES	952	300	1,200	600	600	0.12
305.2 BAD DEBT	-761	13,750	27,500	27,500	0	5.58
306 AUDITING	4,200	2,250	4,500	4,500	0	0.91
307 LEGAL	6,886	4,500	11,000	9,000	2,000	1.82
308 PROPERTY TAX	1,941	1,050	2,100	2,100	0	0.43
309 INCOME TAX	-61	350	700	700	0	0.13
310 INSURANCE	138,796	141,500	232,835	283,000	-50,165	57.38
311 OFFICE SUPPLIES	2,163	2,750	4,500	5,500	-1,000	1.12
312 POSTAGE & SHIPPING	1,670	1,875	3,750	3,750	0	0.76
313 LICENSES	1,709	1,250	2,200	2,500	-300	0.51
314 TRAVEL & MILEAGE	235	175	350	350	0	0.07
315 MEETINGS & EDUCATION	0	250	250	500	-250	0.10
316 SCREENING	5,383	2,750	6,500	5,500	1,000	1.12
317 ALARM SYSTEM	239	250	500	500	0	0.10
318 COMPUTER REPAIR/SERVICE	0	1,000	1,000	2,000	-1,000	0.42
319 COPIER	1,866	1,900	3,800	3,800	0	0.76
320 MISCELLANEOUS ADMIN.EXP.	5,738	1,250	6,500	2,500	4,000	0.51
320.1 WEBSITE IMPROVEMENT	2,500	3,750	6,000	7,500	-1,500	1.52
	309,025	318,100	586,285	636,200	-49,915	128.99

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
MAINTENANCE						
400 GASOLINE	167	375	600	750	-150	0.15
401 SPRINKLERS	12,429	4,500	15,000	9,000	6,000	1.82
402 PEST CONTROL	10,621	12,000	24,000	24,000	0	4.87
402.6 MISC. MAINT.EXP.	350	250	700	500	200	0.10
403 LANDSCAPING	60,978	66,000	110,000	132,000	-22,000	26.76
FERTILIZATION & WEED CON.	5,415	0	16,000	0	16,000	
404 TREE TRIMING	3,150	3,500	11,000	7,000	4,000	1.42
404.1 NEW TREES & BUSHES	13,084	12,500	17,000	25,000	-8,000	5.07
405 BUILDING MAINTENANCE	18,684	10,000	23,000	20,000	3,000	4.05
406 GROUNDS MAINTENANCE	8,430	3,500	8,000	7,000	1,000	1.42
407 SECURITY GATE EXPENSE	1,958	3,000	4,000	6,000	-2,000	1.22
408 CAMERA & VIDEO EXP.	0	6,000	1,000	12,000	-11,000	2.43
409 PLUMBING EXP.	718	500	1,000	1,000	0	0.20
410 ELECTRICAL EXP.	4,659	3,000	6,500	6,000	500	1.22
411 POOL SUPPLIES & REPAIR	9,132	5,000	12,000	10,000	2,000	2.03
412 STREET MAINTENANCE	5,344	5,000	26,850	10,000	16,850	2.03
413 UNIFORMS	0	130	260	260	0	0.05
414 GOLF CARTS	31	1,000	1,000	2,000	-1,000	0.41
415 LOCKSMITH	474	200	600	400	200	0.08
416 FIRE SAFETY	159	2,750	5,500	5,500	0	1.12
417 JANITORIAL SUPPLIES	1,904	1,200	3,000	2,400	600	0.49
419 POSTAL STATION	524	1,500	2,000	3,000	-1,000	0.61
420 PAINTING PROGRAM	15,000	6,500	15,000	13,000	2,000	2.63
421 STREET LIGHT	0	2,500	2,800	5,000	-2,200	1.01
422 SHUFFLE BOARD CANOPY	10,130	2,500	10,130	5,000	5,130	1.01
423 FLAG POST	1,831	0	3,700	0	3,700	
424 TENNIS COURT	16,056	7,500	16,056	15,000	1,056	3.06
425 POOL CHAIRS/TABLES	5,787	3,250	6,000	6,500	-500	1.31
426 ENTRANCE SIGNS/FOUNTAIN	11,902	2,500	11,902	5,000	6,902	1.01
	218,917	166,655	354,598	333,310	21,288	67.58

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
450 CONTINGENCY	-4,655	5,027	7,415	12,070	-4,655	2.45
476 INTEREST EXPENSE	2,667	4,168	5,000	10,000	-5,000	2.03
	-1,987	9,195	12,415	22,070	-9,655	4.48
<u>GRAND TOTAL EXPENSES</u>	692,393	558,241	1,299,798	1,339,780	-39,982	271.65
<u>REVENUE OVER EXPENSES</u>	-12,068	0	43,052	0	-43,052	0

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<u>RESERVES</u>						
ROOFS	12,500	12,500	25,000	25,000	0	5.07
PAINTING	1,200	1,200	2,400	2,400	0	0.49
ASPHALT	12,500	12,500	25,000	25,000	0	5.07
POOLS	6,300	6,300	12,600	12,600	0	2.55
AWNINGS	10,000	10,000	20,000	20,000	0	4.06
SPRINKLERS	5,000	5,000	10,000	10,000	0	2.02
WORKING CAPITAL	15,000	15,000	30,000	30,000	0	6.08
	62,500	62,500	125,000	125,000	0	25.34