

**SOUTH ISLAND PLANTATION ASSOCIATION, INC.
GEORGETOWN COUNTY, SOUTH CAROLINA**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2015

**SOUTH ISLAND PLANTATION ASSOCIATION, INC.
GEORGETOWN COUNTY, SOUTH CAROLINA**

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Andrew C. Thompson, CPA

Certified Public Accountant and Auditor

REPORT OF INDEPENDENT AUDITORS

**To the Board of Directors and Members
South Island Plantation Association, Inc.
Georgetown County, South Carolina**



We have audited the accompanying financial statements of South Island Plantation Association, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, and changes in fund balances, 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 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 South Island Plantation Association, Inc. as of December 31, 2015, 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.

Myrtle Beach, South Carolina
May 9, 2016

Andrew C. Thompson, CPA

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

BALANCE SHEET
December 31, 2015

ASSETS	Operating Fund	Reserve Fund	2015 Total
Cash (Notes 2 and 5)	\$ 114,736	\$ 124,638	\$ 239,374
Cash - security deposits (Note 2)	450	-	450
Member assessments receivable, net of allowance (Note 3)	5,530	-	5,530
Prepaid insurance	1,325	-	1,325
TOTAL ASSETS	\$ 122,041	\$ 124,638	\$ 246,679
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 5,022	\$ -	\$ 5,022
Prepaid security deposits and community center usage fees	450	-	450
Prepaid member assessments (Note 3)	14,646	-	14,646
TOTAL LIABILITIES	20,118	-	20,118
FUND BALANCES (Note 5)	101,923	124,638	226,561
TOTAL LIABILITIES AND FUND BALANCES	\$ 122,041	\$ 124,638	\$ 246,679

SEE REPORT OF INDEPENDENT AUDITORS

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015

	Operating Fund	Reserve Fund	2015 Total
REVENUES			
Assessments (Note 3):			
Regular	\$ 166,880	\$ 34,000	\$ 200,880
Administrative fees	50	-	50
Clubhouse fees	6,270	-	6,270
Fines, late charges, and legal fees	13,884	-	13,884
Interest income	79	264	343
Miscellaneous income	442	-	442
TOTAL REVENUES	187,605	34,264	221,869
EXPENSES			
Pool maintenance			
Pool contract	10,800	-	10,800
Pool supplies, furniture, and equipment, and expenses	13,471	-	13,471
Total pool maintenance expenses	24,271	-	24,271
Clubhouse expenses			
Clubhouse operations and operations	19,980	-	19,980
Total clubhouse expenses	19,980	-	19,980
Landscaping maintenance			
Landscape maintenance contract	22,820	-	22,820
Landscape maintenance/supplies, and expenses	12,006	-	12,006
Bushhogging expenses	2,550	-	2,550
Storm damage repairs	1,700	-	1,700
Total landscaping maintenance expenses	39,076	-	39,076
Facility maintenance			
General maintenance and material	708	-	708
Trash removal	924	-	924
Interior pest control and termite treatment	2,003	-	2,003
Total facility maintenance expenses	3,635	-	3,635
Major repairs and replacements	-	55,979	55,979

(continued)

SEE REPORT OF INDEPENDENT AUDITORS

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2015

(continued)

	Operating Fund	Reserve Fund	2015 Total
EXPENSES (Continued)			
General and administrative			
Office supplies and administrative expenses	\$ 5,099	\$ -	\$ 5,099
Legal and accounting	7,199	-	7,199
Management services	21,672	-	21,672
Insurance	20,669	-	20,669
Income and property taxes	933	-	933
Website expenses	525	-	525
ARB service fees	490	-	490
Bad debt expense (recovery) (Note 3)	(35,752)	-	(35,752)
Total general and administrative expenses	20,835	-	20,835
Utilities, net			
Electricity	6,620	-	6,620
Telephone	1,012	-	1,012
Water and sewer	1,613	-	1,613
Total utilities expenses, net	9,245	-	9,245
Security			
Street lights and guard house electrical	4,456	-	4,456
Security gates	1,297	-	1,297
Total Security Expenses	5,753	-	5,753
TOTAL EXPENSES	122,795	55,979	178,774
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	64,810	(21,715)	43,095
Beginning fund balances	37,113	146,353	183,466
ENDING FUND BALANCES	\$ 101,923	\$ 124,638	\$ 226,561

SEE REPORT OF INDEPENDENT AUDITORS

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2015

	Operating Fund	Reserve Fund	2015 Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 64,810	\$ (21,715)	\$ 43,095
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Member assessments receivable	1,110	-	1,110
Prepaid insurance	2,338	-	2,338
Increase (decrease) in:			
Accounts payable and accrued expenses	2,437	-	2,437
Prepaid security deposits and community center usage fees	(5,450)	-	(5,450)
Prepaid member assessments	3,075	-	3,075
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	68,320	(21,715)	46,605
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NET INCREASE (DECREASE) IN CASH	68,320	(21,715)	46,605
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CASH, AT BEGINNING OF YEAR	46,866	146,353	193,219
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CASH, AT END OF YEAR	\$ 115,186	\$ 124,638	\$ 239,824
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SUPPLEMENTAL DISCLOSURE:			
Income taxes paid	\$ -	\$ -	\$ -
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Cash Summary			
Operating - undesignated cash	\$ 114,736	\$ -	\$ 114,736
Cash - security deposits	450	-	450
Reserve Cash	-	124,638	124,638
Total Cash Balances	115,186	124,638	\$ 239,824

SEE REPORT OF INDEPENDENT AUDITORS

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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South Island Plantation Association, Inc., is a statutory not for profit association incorporated and existing under the laws of the State of South Carolina. The Association is responsible for maintaining and preserving common property, enforcing rules for mutual benefit, and providing other common services to Association members. The Association consists of one hundred eighty-six residential lots, and is located in Georgetown County, South Carolina. The Association began its operations in 2005.

The following is a summary of the more significant accounting policies used in the preparation and presentation of the accompanying financial statements of the Association.

Basis of Accounting:

The financial statements were prepared under accounting principles generally accepted within the United States of America, utilizing the accrual basis of accounting with revenues being recognized when they are billed or due and expenses being recognized when the expense is incurred.

The Association's governing documents provide certain guidelines for managing its financial activities. To ensure observance of limitations and restrictions on financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in specific funds established according to their nature and purpose. The Association's funds are separated between operating funds and funds for future major repairs and replacements (reserve fund). Operating disbursements are made generally at the discretion of the Board of Directors and the Association's property management company. Replacement funds have been set aside for a specific purpose and are to be disbursed accordingly.

Common Property:

Real property owned by individual unit owners in common and improvements made by the Association to such property are not capitalized in the financial statements. All expenditures for real property common elements and improvements are reflected as an expense in the period incurred. Common property elements not recognized as assets in the financial statements consist primarily of access roads and parking areas, club house and swimming pool facility, and other landscape and common areas.

(continued)

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Doubtful Accounts:

The Association, as determined necessary and on an annual basis, establishes an allowance for potentially uncollectible member assessments receivable based on historical collection experience and management's evaluation of the collectability of outstanding balances due.

Use of 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.

Contingencies:

During the course of its operations, the Association is subject to various legal actions normally associated with homeowners associations, such as the collection of delinquent assessments, and covenant compliance matters. The aggregate effect of these matters, and the potential outcome, in management's opinion, would not be material to the financial statements taken as a whole.

NOTE 2. CASH AND CREDIT RISK CONCENTRATIONS

Cash consists of balances on deposit, including interest-bearing deposits, with a financial institution. The balances on deposit at the financial institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). There were no uninsured balances at December 31, 2015. The Association manages credit risk concentrations, if any, by placing deposits only with nationally recognized, highly reputable financial institutions.

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. ASSESSMENTS AND FEES CHARGED TO UNIT OWNERS

Regular Assessments:

Regular monthly assessments charged to each owner were \$90 in 2015.

The Association's policy is to retain legal counsel and place liens on lots of members whose assessments are seventy-five (75) days delinquent. As of December 31, 2015 the Association had recorded an allowance for doubtful accounts in the amount of \$76,212 for probable uncollectible accounts. The annual budget and owners' assessments are determined by the Board of Directors to provide for current operating expenditures and required replacement funds. The Association retains excess operating funds at the end of each year, if any, for use in the subsequent year.

NOTE 4. INCOME TAXES

Under the provisions of the Internal Revenue Code, the Association is allowed to elect each year to file as an eligible Section 528 homeowners association, thereby excluding exempt function income from taxation, or file as an ordinary taxable corporation. For the years ended December 31, 2015, the Association elected to file as an eligible homeowners Association in order to minimize income taxes. The provision for income taxes for 2015 relates primarily to interest income. The Association has no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded.

The Association has analyzed its various federal and state income tax filing positions and believes that no accrual for tax liabilities relating to uncertain tax positions are required at December 31, 2015. Therefore, no reserves for uncertain income tax positions have been recorded. During 2015, there were no increases or decreases in unrecognized tax benefits for current or prior years and no significant increases or decreases in unrecognized tax benefits are expected to occur within the next 12 months. The periods that remain open to examination under federal statute are 2012 through 2015.

(continued)

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide that the Association accumulate funds for future major repairs and replacements of the specific components of common property, including personal property. As of December 31, 2015, the Association had accumulated replacement fund balances of \$124,638. This amount is held in a separate account and is generally not available for operating purposes. It is the Association's policy that interest earned on these separate cash balances is generally allocated to the replacement fund.

The Board of Directors conducted an internal study during 2015 to estimate the remaining useful lives and the replacement costs of common property components. The Association is funding for such future major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously designated for future major repairs and replacements. Because actual expenditures may vary from estimated future expenditures, and the variations may be material, amounts designated for future major repairs and replacements may not be adequate to meet all future needs for major replacements and repairs. If additional funds are needed, the Association has the right, subject to appropriate approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2016, the date the financial statements were available to be issued, and has concluded that no significant subsequent events meet the criteria of professional accounting standards to be recognized, or not recognized but disclosed, in the financial statements.

(continued)

Andrew C. Thompson, CPA

Certified Public Accountant and Auditor

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

**To the Board of Directors and Members
South Island Plantation Association, Inc.
Georgetown County, South Carolina**



We have audited the accompanying financial statements of South Island Plantation Association, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements. Our opinion on supplementary information is presented below.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of budget to actual revenues and expenses – operating fund - for the year ending December 31, 2015 appearing on pages 11 – 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information schedule on future major repairs and replacements, appearing on page 13 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.

Myrtle Beach, South Carolina
May 9, 2016

Andrew C. Thompson, CPA

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENT OF BUDGET TO ACTUAL REVENUES AND EXPENSES - OPERATING FUND

For the Year Ended December 31, 2015

	Actual	<i>(unaudited)</i> Budget	Variance
REVENUES			
Assessments (Note 3):			
Regular	\$ 166,880	\$ 166,800	\$ 80
Administrative fees	50	-	50
Clubhouse fees	6,270	7,000	(730)
Fines and late charges, and legal fees	13,884	-	13,884
Interest income	79	-	79
Miscellaneous income	442	-	442
TOTAL REVENUES	187,605	173,800	13,805
EXPENSES			
Pool maintenance			
Pool contract	10,800	10,800	-
Pool supplies, equipment and maintenance	13,471	6,660	6,811
Total pool maintenance expenses	24,271	17,460	6,811
Clubhouse maintenance			
Clubhouse operations	19,980	9,124	10,856
Total clubhouse maintenance expenses	19,980	9,124	10,856
Landscaping maintenance			
Landscape maintenance contract	22,820	20,550	2,270
Landscape maintenance supplies	12,006	7,593	4,413
Bushhogging expenses	2,550	5,100	(2,550)
Storm damage repairs	1,700	1,000	700
Total landscaping maintenance expenses	39,076	34,243	4,833
Facility maintenance			
General maintenance and material	708	-	708
Trash removal	924	840	84
Interior pest control and termite treatment	2,003	2,015	(12)
Total facility maintenance expenses	3,635	2,855	780

SEE REPORT OF INDEPENDENT AUDITORS

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENT OF BUDGET TO ACTUAL REVENUES AND EXPENSES - OPERATING FUND

For the Year Ended December 31, 2015

(continued)

	Actual	(unaudited) Budget	Variance
EXPENSES (continued)			
General and administrative			
Office supplies and expenses	5,099	6,350	(1,251)
Legal and accounting	7,199	5,825	1,374
Management services	21,672	21,672	-
Insurance	20,669	25,010	(4,341)
Income and property taxes	933	-	933
Website expenses	525	-	525
ARB professional fees	490	-	490
Bad debt expense (Note 3)	(35,752)	30,000	(65,752)
Total general and administrative expenses	20,835	88,857	(68,022)
Utilities			
Electricity	6,620	9,635	(3,015)
Telephone	1,012	720	292
Water and sewer	1,613	2,466	(853)
Total utilities expenses	9,245	12,821	(3,576)
Security			
Street lights and guard house electrical	4,456	7,546	(3,090)
Security gates	1,297	894	403
Total Security Expenses	5,753	8,440	(2,687)
TOTAL EXPENSES	122,795	173,800	(51,005)
EXCESS OF REVENUES OVER EXPENSES	64,810	-	64,810

SEE REPORT OF INDEPENDENT AUDITORS

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2015
(Unaudited)

The Association's Board of Directors conducted an internal study during 2015 to estimate the remaining useful lives and replacement costs of common property components. Replacement costs were based on the estimated costs to repair or replace the common property components at the time of the study.

Significant information from the study is presented below.

Estimated replacement costs do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Fund Balance December 31, 2015</u>
Roadways	8	\$ 607,211	\$ 77,147
Sidewalks	5	36,000	5,821
Clubhouse roof	8	18,000	2,287
Gazebos	6	28,000	4,150
Pool deck finish	2	9,000	2,001
Pool equipment	-	2,500	741
Pool liner	2	9,000	2,001
Pool furniture	-	2,500	741
Retaining wall	13	9,000	843
Bulkhead	13	141,760	13,271
Guard rail	8	5,000	635
Fencing	-	15,000	4,447
Painting	-	25,000	7,411
Pond dredging	8	24,720	3,142
		<u>\$ 932,691</u>	<u>\$ 124,638</u>

SEE REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION