

COMMUNITY ASSOCIATION MANAGERS

To: Woodlands South Condominium Association
 Ms. Dawn Dekker, Mr. David Pitcock, Mr. Philip Katz, Mr. Robert Lipmyer, Mr. Michael Parkinson

From: Herriman & Associates, Inc.
 Management Agent

Date: January 11, 2011

Re: December 2010 Financial Report

Attached is the financial report for December 2010 for Woodlands South Condominium Association.

The enclosed "Income Statement" report for the current month shows a negative variance in Total Net Income/(Loss) for the current month in the amount of \$11,334.08 and a positive variance for the year-to-date period in the amount of \$1,054,059.41. "Total Net Income/(Loss)" is a combination of net income from both operations and reserves.

For the current month, significant variances occurred in the following accounts:

<i>Acct#</i>	<i>Account Title</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Explanation</i>
06070	Communication s	\$1,200.00	\$200.00	(\$1,000.00)	Website maintenance Expense for 2011.
06590	Building Repairs	\$4,285.00	\$1,400.00	(\$2,885.00)	Over-budget expense of \$3,750 is BOD approved plumbing repair.
08530	Snow Removal	\$7,446.50	\$6,080.00	(\$1,366.50)	2010 Budget amount based on 2010 contract. December increase falls under 2011 service agreement. Additional expense relates to removal of ice and snow to lessen ice dam damage.

For the year-to-date period, significant variances occurred in the following accounts:

<i>Acct#</i>	<i>Account Title</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Explanation</i>
06145	Insurance- Property/Liability	\$46,896.41	\$45,100.00	(\$1,796.41)	
06590	Building Repairs	\$29,740.42	\$20,000.00	(\$9,740.42)	This overbudget line item includes 2010 painting project wood replacement and major roof damage
06625	Concrete	\$41,333.00	\$20,000.00	(\$21,333.00)	Note that only safety issues meeting Board requirements were corrected.
06725	Exterminator	\$5,791.00	\$2,000.00	(\$3,791.00)	
06795	Gutters/Roofs	\$11,318.06	\$8,000.00	(\$3,318.06)	
07345	Landscape Improvements	\$9,792.00	\$3,000.00	(\$6,792.00)	Primarily Board approved Shrub Replacement Project
07415	Mulch	\$14,520.00	\$12,000.00	(\$2,520.00)	Approved over-budget expense
07455	Pond Maintenance	\$10,240.00	\$7,500.00	(\$2,740.00)	Add'l non-budgeted expense to clean pond filters for maintenance obligations.
07530	Snow Removal	\$32,189.80	\$30,400.00	(\$1,789.80)	2010 Budget amount based on 2010 contract. December increase falls under 2011 service agreement. Additional expense relates to removal of ice and snow to lessen ice dam damage.

07565	Sprinkler Maintenance	\$18,615.22	\$11,200.00	(\$7,415.22)
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The above highlights do not reflect Litigation Reserve Expenses, all of which are non-budgeted expenses totaling \$12,002.97. When compared to total expenses less litigation items, the report reflects a positive variance for current budget period of \$668.89.

Copy of this financial report was sent to 3 Finance Committee Members: Ms. Joyce Liddle, Ms. Elaine Goon and Mr. John Ryan.

Your Association's governing documents require that the Association's funds be maintained in accounts that are federally insured. Given the current conditions in the financial services industry, Management encourages a review of this matter with respect to the Association's current investment portfolio. Management is prepared to facilitate any necessary resultant changes in the portfolio.

As of December 31, 2010, Total Operating Equity was \$84,641.88 and Total Reserves Equity was \$1,404,408.10.

The Delinquency Report is distributed only on request.
The Cash Disbursement Report is distributed to all board members.
The Investment Report is distributed to all board members.

Copies of the related paid invoices have been sent to the board treasurer.

If you have any comments, questions or suggestions, please do not hesitate to call Mary Ann Prchlik, CMCA, Accounting Manager or Helene E. Haratsaris, CMCA, AMS, at 734-459-5440.

Thank you.

January 11, 2011

To Whom It May Concern:

The balance sheet of Woodlands South Condominium Association as of December 31, 2010 and the statement of income and expense ("Income Statement") for the 12 months then ended have been compiled by us.

The balance sheet and statement of income and expense ("Income Statement") have not been audited and, accordingly, there is no opinion rendered as to the fairness of the presentation of the Association's financial position and the results of its operations.

The year-end balance sheet and the annual statement of income and expenses are reviewed by an independent certified public accounting firm. This interim balance sheet and statement of income and expense should be read in conjunction with the auditor's report as of the end of the preceding calendar year.

The Association sets aside funds in order to meet future cash requirements. The Bylaws of the Association require that an adequate reserve fund for maintenance, repairs and replacements of those common elements that must be maintained, repaired and/or replaced on a periodic basis must be established in the budget and must be funded at least annually from the proceeds of the regular monthly assessments. The reserve fund shall, at a minimum, be equal to ten (10) percent of the Association's current annual budget on a noncumulative basis. The funds contained in the reserve fund should be used only for major repairs and replacements of common elements.

Although a study of the Association's future reserves fund requirements has been performed, present funds, as well as present funding projections, may not be adequate to meet all future needs for major repairs and replacements. Funding certain projects in the future will rely on the implementation of additional assessments.

Sincerely,

HERRIMAN & ASSOCIATES, INC.
Management Agent

Understanding Financial Reports Using Modified Accrual Accounting

Modified Accrual Accounting is an accounting method that combines some elements of cash accounting with some elements of accrual accounting. This accounting method is accepted by the American Institute of Certified Public Accountants and provides a good picture of the overall financial condition of the association.

Revenue is recorded when earned or billed, not when received.

This anticipates that everyone will pay their assessments for every month and is the basis upon which the delinquency report is generated.

Expenses are generally recorded when incurred, not when paid.

Prior to preparing a month end report for the previous month, all paid and unpaid invoices in the current month are reviewed to determine if any expenses were incurred the previous month. Expenses incurred are thus reported in the month when incurred, not necessarily in the month when actually paid. There are exceptions, such as utility bills, some of which are billed several months in arrears.

It may be confusing to see records of paid bills in the check register and yet see no corresponding entry in the current month's expenses for those checks. It may be helpful to review both the current month's report along with the previous month's report.

It may also be helpful to review all entries listed on the general ledger. It depicts all transactions to all accounts, including all expense accounts. The account balances detailed in the general ledger are then used to create the balance sheet and income statement. For example, a particular expense account balance for the current month may be comprised of an expense paid in the current month together with an expense accrued in the current month but paid in the next month. This detail appears in the general ledger.

The general Ledger is copied to all directors each month.

WOODLANDS SOUTH CONDOMINIUM ASSOCIATION

Balance Sheet
As of 12/31/10

ASSETS

CURRENT ASSETS:

1110	Cash in Checking-CFCU	\$ 228,350.97
1260	Cash in Savings-Comm Fed C.U.	998.86
1266	Cash in MM-Monroe Bank	67,791.07
1267	Cash in Savings-MBT	72,942.24
1320	CD-Bank of AA-(7/15)	75,000.00
1325	CD-Bank of AA(1.16%;10/29/12)	60,000.00
1340	CD-Monroe B&T(1.5%;10/29/14)	100,250.84
1350	CD-Nat'l City-4.21%APY,8/5/12	62,659.33
1351	CD-New Liberty-1.64%, 2/1/11	105,329.87
1400	CD-First Place(0.9%;4/26/11)	50,000.00
1402	CD-First Place(1.25%;6/25/12)	100,000.00
1404	CD-First Place(1.75%;4/25/13)	100,000.00
1410	CD-TCF Bank(1%;10/3/12)	180,000.00
1412	CD-TCF Bank(9/5/11)	60,000.00
1420	CD-Huntington(1.4%;6/21/12)	99,999.99
1422	CD-Huntington(1.76%;2/21/13)	75,000.00
1424	CD-Huntington(1.76%;2/21/13)	75,000.00
2310	Accounts Receivable-Members	2,821.50
2445	Prepaid Income Tax	712.00

TOTAL ASSETS

\$ 1,516,856.67

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LIABILITIES & EQUITY

CURRENT LIABILITIES:

3010	Accounts Payable	\$ 9,699.10
3020	Accounts Payable-Atty Unit 177	2,472.59
3310	Prepaid Assessments	15,635.00

TOTAL CURRENT LIABILITY

\$ 27,806.69

WOODLANDS SOUTH CONDOMINIUM ASSOCIATION

Balance Sheet
As of 12/31/10

RESERVES EQUITY:

4000	Reserve Fund Equity-General	\$ 255,594.57	
4005	Change in Reserves-YTD	422,472.78	
	TOTAL RESERVES EQUITY		\$ 678,067.35

LITIGATION EQUITY:

4400	Litigation Equity	\$ 726,340.75	
	TOTAL LITIGATION EQUITY		\$ 726,340.75

OPERATING EQUITY:

4505	Prior Years Accum Oper Equity	\$ 39,268.00	
4515	Plus/Less Change in Reserves	(1,148,813.53)	
	Current Year Net Income/(Loss)	1,194,187.41	
	TOTAL OPERATING EQUITY		\$ 84,641.88
	TOTAL LIABILITIES & EQUITY		\$ 1,516,856.67

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WOODLANDS SOUTH CONDOMINIUM ASSOCIATION

INCOME STATEMENT

Period: 12/01/10 to 12/31/10

Account	Description	Current Period			Year-To-Date			Yearly Budget
		Actual	Budget	Variance	Actual	Budget	Variance	
REVENUE:								
05110	Association Dues	56,640.00	56,640.00	.00	679,680.00	679,680.00	.00	679,680.00
05200	Late Fees	50.00	.00	50.00	250.00	.00	250.00	.00
05206	Late Charge Expense	(62.50)	.00	(62.50)	(350.00)	.00	(350.00)	.00
05400	Interest	20.66	25.00	(4.34)	96.96	300.00	(203.04)	300.00
	TOTAL REVENUE	56,648.16	56,665.00	(16.84)	679,676.96	679,980.00	(303.04)	679,980.00
05500	Provision for LTMR	10,120.00	10,120.00	.00	121,440.00	121,440.00	.00	121,440.00
	NET REVENUE FOR OPERATING EXP	46,528.16	46,545.00	(16.84)	558,236.96	558,540.00	(303.04)	558,540.00
EXPENSES:								
ADMINISTRATIVE & INSURANC								
06030	Annual Meeting Expense	.00	500.00	500.00	500.00	1,000.00	500.00	1,000.00
06045	Audit/Review Fees	2,500.00	2,500.00	.00	2,500.00	2,500.00	.00	2,500.00
06060	Bank Service Charges	62.40	83.00	20.60	738.99	1,000.00	261.01	1,000.00
06070	Communications	1,200.00	200.00	(1,000.00)	1,320.00	1,300.00	(20.00)	1,300.00
06090	Copies & Postage	380.48	500.00	119.52	3,303.89	4,500.00	1,196.11	4,500.00
06145	Insurance-Property/Liability	3,597.86	3,608.37	10.51	46,896.41	45,100.00	(1,796.41)	45,100.00
06170	Legal Fees	.00	300.00	300.00	(449.05)	3,000.00	3,449.05	3,000.00
06195	Management Fees	3,379.20	3,379.24	.04	40,550.40	40,550.00	(.40)	40,550.00
06220	Miscellaneous Administrative	10.76	225.00	214.24	619.54	1,500.00	880.46	1,500.00
06445	Taxes-Income	.00	800.00	800.00	200.00	1,600.00	1,400.00	1,600.00
	ADMINISTRATIVE & INSURAN	11,130.70	12,095.61	964.91	96,180.18	102,050.00	5,869.82	102,050.00
BUILDINGS & INFRASTRUCTUR								
06590	Building Repairs	4,285.00	1,400.00	(2,885.00)	29,740.42	20,000.00	(9,740.42)	20,000.00
06625	Concrete	.00	.00	.00	41,333.00	20,000.00	(21,333.00)	20,000.00
06705	Electrical Repairs	.00	.00	.00	570.00	500.00	(70.00)	500.00
06725	Exterminator	285.00	125.00	(160.00)	5,791.00	2,000.00	(3,791.00)	2,000.00
06795	Gutters/Roofs	67.50	200.00	132.50	11,318.06	8,000.00	(3,318.06)	8,000.00
06861	Lighting Maintenance	105.00	.00	(105.00)	910.50	600.00	(310.50)	600.00
	BUILDINGS & INFRASTRUCTU	4,742.50	1,725.00	(3,017.50)	89,662.98	51,100.00	(38,562.98)	51,100.00

WOODLANDS SOUTH CONDOMINIUM ASSOCIATION

INCOME STATEMENT
Period: 12/01/10 to 12/31/10

Account	Description	Current Period			Year-To-Date			Yearly
		Actual	Budget	Variance	Actual	Budget	Variance	Budget
GROUNDS								
07310	Flowers	.00	.00	.00	1,402.00	2,000.00	598.00	2,000.00
07320	Holiday Decoration	1,239.52	2,200.00	960.48	1,239.52	2,200.00	960.48	2,200.00
07345	Landscape Improvements	.00	.00	.00	9,792.00	3,000.00	(6,792.00)	3,000.00
07360	Lawn Aeration/Restoration	.00	1,000.00	1,000.00	11,330.00	13,000.00	1,670.00	13,000.00
07370	Lawn Fertilization	.00	.00	.00	15,758.00	16,000.00	242.00	16,000.00
07375	Landscape Maintenance	.00	.00	.00	70,337.80	71,300.00	962.20	71,300.00
07415	Mulch	.00	.00	.00	14,520.00	12,000.00	(2,520.00)	12,000.00
07450	Plant Replacements	.00	.00	.00	6,769.00	10,000.00	3,231.00	10,000.00
07455	Pond Maintenance	.00	.00	.00	10,240.00	7,500.00	(2,740.00)	7,500.00
07530	Snow Removal	7,446.50	6,080.00	(1,366.50)	32,189.80	30,400.00	(1,789.80)	30,400.00
07532	Ice Melt	6,007.25	5,520.00	(487.25)	28,095.09	27,600.00	(495.09)	27,600.00
07565	Sprinkler Maintenance	.00	.00	.00	18,615.22	11,200.00	(7,415.22)	11,200.00
07610	Tree Spraying	.00	.00	.00	.00	15,000.00	15,000.00	15,000.00
07625	Tree Trimming	.00	.00	.00	2,075.00	4,000.00	1,925.00	4,000.00
	GROUNDS	14,693.27	14,800.00	106.73	222,363.43	225,200.00	2,836.57	225,200.00
UTILITIES								
08260	Electricity	91.68	200.00	108.32	2,819.18	2,500.00	(319.18)	2,500.00
08460	Water & Sewer	12,597.90	15,000.00	2,402.10	101,837.31	110,000.00	8,162.69	110,000.00
	UTILITIES	12,689.58	15,200.00	2,510.42	104,656.49	112,500.00	7,843.51	112,500.00
	TOTAL EXPENSES	43,256.05	43,820.61	564.56	512,863.08	490,850.00	(22,013.08)	490,850.00
	Current Year Net Income/(loss)	3,272.11	2,724.39	547.72	45,373.88	67,690.00	(22,316.12)	67,690.00

WOODLANDS SOUTH CONDOMINIUM ASSOCIATION

INCOME STATEMENT

Period: 12/01/10 to 12/31/10

Account	Description	Current Period			Year-To-Date			Yearly
		Actual	Budget	Variance	Actual	Budget	Variance	Budget
RESERVE FUND INCOME								
08600	Reserve Transfer Income	10,120.00	10,120.00	.00	468,078.02	121,440.00	346,638.02	121,440.00
08610	Reserves Interest	121.17	.00	121.17	1,919.76	.00	1,919.76	.00
	TOTAL RES FUND INCOME	10,241.17	10,120.00	121.17	469,997.78	121,440.00	348,557.78	121,440.00
RESERVE FUND EXPENDITURES								
08855	Painting	.00	.00	.00	47,525.00	49,000.00	1,475.00	49,000.00
	TOTAL RESERVE FUND EXPENDITUR	.00	.00	.00	47,525.00	49,000.00	1,475.00	49,000.00
LITIGATION RESERVES EXPEND & INCOME								
08900	Litigation Income	.00	.00	.00	1,251,500.00	.00	1,251,500.00	.00
08902	Litigation Interest	129.75	.00	129.75	574.92	.00	574.92	.00
08905	Litigation Attorneys	977.00	.00	(977.00)	63,721.44	.00	(63,721.44)	.00
08907	Litigation Consulting	6,433.22	.00	(6,433.22)	54,260.71	.00	(54,260.71)	.00
08910	Garage Lentils	.00	.00	.00	51,642.00	.00	(51,642.00)	.00
08915	Attic Inspections	4,094.50	.00	(4,094.50)	4,094.50	.00	(4,094.50)	.00
08920	Litigation Management	630.00	.00	(630.00)	5,377.50	.00	(5,377.50)	.00
08930	Roofs	.00	1.00	1.00	.00	1.00	1.00	1.00
08940	Windows	.00	1.00	1.00	.00	1.00	1.00	1.00
08945	Transfer to Reserves	.00	.00	.00	346,638.02	.00	(346,638.02)	.00
	TOTAL LITIGAT EXPEND & INCOME	(12,004.97)	(2.00)	(12,002.97)	726,340.75	(2.00)	726,342.75	(2.00)
	NET RES & LITIGATION INCOME	(1,763.80)	10,118.00	(11,881.80)	1,148,813.53	72,438.00	1,076,375.53	72,438.00
	TOTAL NET INCOME	1,508.31	12,842.39	(11,334.08)	1,194,187.41	140,128.00	1,054,059.41	140,128.00