



**Carillon Beach Association, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2022**



	<b>Page</b>
<b>REPORT</b>	
Independent Auditor’s Report .....	1
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet.....	4
Statement of Revenue and Expenses .....	5
Statement of Changes in Fund Balance .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements .....	9
<b>Supplementary Information</b>	
Schedule of Operating Fund Revenue and Expenses – Budget and Actual.....	18
Supplementary Information on Future Major Repairs and Replacements (Unaudited) .....	19

## **Independent Auditor's Report**

Board of Directors  
Carillon Beach Association, Inc.  
Panama City Beach, Florida

### **Opinion**

We have audited the accompanying financial statements of Carillon Beach Association, Inc. (Association), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues and expenses, changes in fund balance, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carillon Beach Association, Inc. as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Carillon Beach Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter – Correction of an Error**

As discussed in Note 13 to the financial statements, certain errors resulting in an understatement of \$9,451 of operating fund balance at December 31, 2021 were discovered by management of the Association subsequent to December 31, 2021. Accordingly, adjustments have been made to the beginning fund balance as of January 1, 2022 to correct the errors. Our opinion is not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Carillon Beach Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Carillon Beach Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Carillon Beach Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenues and expenses – budget and actual on page 18 is presented for the purpose 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. The 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 on future major repairs and replacements on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Panama City Beach, Florida  
May 2, 2024

**Carillon Beach Association, Inc.**  
**Balance Sheet**

<i>December 31, 2022</i>	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 287,991	\$ 1,111,371	\$ 1,399,362
Certificates of deposit	-	106,607	106,607
Assessments receivable, net	40,606	-	40,606
Prepaid expenses	52,839	-	52,839
Other receivables, net	29,677	-	29,677
Internal balances	(129,938)	129,938	-
Property and equipment, net	27,889	-	27,889
Utility deposits	5,582	-	5,582
<b>Total assets</b>	<b>\$ 314,646</b>	<b>\$ 1,347,916</b>	<b>\$ 1,662,562</b>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 237,567	\$ -	\$ 237,567
Performance obligation	-	1,347,916	1,347,916
Prepaid assessments	59,703	-	59,703
<b>Total liabilities</b>	<b>297,270</b>	<b>1,347,916</b>	<b>1,645,186</b>
<b>Fund balance</b>			
Accumulated excess of revenue over expenses	17,376	-	17,376
<b>Total fund balance</b>	<b>17,376</b>	<b>-</b>	<b>17,376</b>
<b>Total liabilities and fund balance</b>	<b>\$ 314,646</b>	<b>\$ 1,347,916</b>	<b>\$ 1,662,562</b>

*The accompanying notes are an integral part of these financial statements.*

**Carillon Beach Association, Inc.**  
**Statement of Revenues and Expenses**

<i>Year ended December 31, 2022</i>	Operating Fund	Replacement Fund	Total
<b>Revenue</b>			
Regular assessments	\$ 1,343,699	\$ 43,562	\$ 1,387,261
Design review fees	22,796	-	22,796
Interest income	49	1,721	1,770
Beach service	69,000	-	69,000
Rent	24,230	-	24,230
Admin fees	32,421	-	32,421
Golf cart rental	46,410	-	46,410
Miscellaneous	7,793	-	7,793
<b>Total revenue</b>	<b>1,546,398</b>	<b>45,283</b>	<b>1,591,681</b>
<b>Expenses</b>			
Administrative	209,146	-	209,146
Compliance officer/consultants	19,200	-	19,200
Depreciation	8,888	-	8,888
Insurance	57,591	-	57,591
Gatehouse	98,864	-	98,864
Loss on disposal of assets	709	-	709
Maintenance and repairs	1,017,497	46,557	1,064,054
Miscellaneous	3,350	-	3,350
Roving security	128,495	-	128,495
Utilities	123,916	-	123,916
Wages and benefits	196,251	-	196,251
<b>Total expenses</b>	<b>1,863,907</b>	<b>46,557</b>	<b>1,910,464</b>
<b>Excess (deficit) of revenue over (under) expenses</b>	<b>\$ (317,509)</b>	<b>\$ (1,274)</b>	<b>\$ (318,783)</b>

*The accompanying notes are an integral part of these financial statements.*

**Carillon Beach Association, Inc.**  
**Statement of Changes in Fund Balance**

<i>Year ended December 31, 2022</i>	Operating Fund	Replacement Fund	Total
<b>Fund balance</b>			
Accumulated excess of revenue over expenses, beginning of year - as originally reported	\$ 281,707	\$ 1,274	\$ 282,981
Restatement adjustment	9,451	-	9,451
Accumulated excess of revenues over expenses, beginning of year - restated	291,158	1,274	292,432
Excess (deficit) of revenue over (under) expenses	(317,509)	(1,274)	(318,783)
Capital contributions	43,727	-	43,727
Accumulated excess of revenue over expenses, end of year	17,376	-	17,376
<b>Total fund balance</b>	<b>\$ 17,376</b>	<b>\$ -</b>	<b>\$ 17,376</b>

*The accompanying notes are an integral part of these financial statements.*



**Carillon Beach Association, Inc.**  
**Statement of Cash Flows**

<i>Year ended December 31, 2022</i>	Operating Fund	Replacement Fund	Total
<b>Cash flows from operating activities</b>			
Amounts collected from owners and others	\$ 1,525,581	\$ 204,000	\$ 1,729,581
Interest received	49	1,721	1,770
Cash paid to employees	(196,251)	-	(196,251)
Cash paid to suppliers and others	(1,627,983)	(46,557)	(1,674,540)
<b>Net cash provided (used) by operating activities</b>	<b>(298,604)</b>	<b>159,164</b>	<b>(139,440)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of certificates of deposit	-	106,541	106,541
Purchases of certificates of deposit	-	(106,607)	(106,607)
Purchases of property and equipment	(14,000)	-	(14,000)
<b>Net cash provided (used) by investing activities</b>	<b>(14,000)</b>	<b>(66)</b>	<b>(14,066)</b>
<b>Cash flows from financing activities</b>			
Net interfund receipts (payments)	96,012	(96,012)	-
Capital contributions	43,727	-	43,727
<b>Net cash provided (used) by financing activities</b>	<b>139,739</b>	<b>(96,012)</b>	<b>43,727</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(172,865)</b>	<b>63,086</b>	<b>(109,779)</b>
Cash and cash equivalents at beginning of year, restated	460,856	1,048,285	1,509,141
<b>Cash and cash equivalents at end of year</b>	<b>\$ 287,991</b>	<b>\$ 1,111,371</b>	<b>\$ 1,399,362</b>

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**Carillon Beach Association, Inc.**  
**Statement of Cash Flows (Continued)**

<i>Year ended December 31, 2022</i>	Operating Fund	Replacement Fund	Total
<b>Reconciliation of excess (deficit) of revenue over (under) expenses to net cash provided (used) by operating activities</b>			
Excess (deficit) of revenue over (under) expenses	\$ (317,509)	\$ (1,274)	\$ (318,783)
Adjustments to reconcile excess (deficit) of revenue over (under) expenses to net cash provided (used) by operating activities			
Bad debts	5,612	-	5,612
Depreciation	8,888	-	8,888
Loss on disposal of property and equipment	709	-	709
(Increase) decrease in assets			
Assessments receivable, net	6,690	-	6,690
Prepaid expenses	126	-	126
Other receivables, net	(19,397)	-	(19,397)
Increase in liabilities			
Accounts payable and accrued expenses	30,659	-	30,659
Performance obligation	-	160,438	160,438
Prepaid assessments	(14,382)	-	(14,382)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (298,604)</b>	<b>\$ 159,164</b>	<b>\$ (139,440)</b>

*The accompanying notes are an integral part of these financial statements.*

## Carillon Beach Association, Inc. Notes to Financial Statements

### **NOTE 1: DESCRIPTION OF THE ORGANIZATION**

Carillon Beach Association, Inc., a Florida not-for-profit corporation, was formed in 1991. Membership in the Association consists of the lot owners of the homeowners' association. The Association's common property is located on approximately 104 acres on the Gulf of Mexico in Panama City Beach, Florida. The Association has 412 members.

The Association was organized for the purpose of maintaining and protecting the elements of common property of Carillon Beach, including parking areas, sidewalks, swimming pools, green areas, beach walkovers, and buildings. During 2022, the original developer of the Association donated additional common property consisting of the lake within the Association and neighboring wetlands. Disposition of common area property requires unanimous consent of the members.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Decisions are referred to the general Association membership before action is taken, when so required by the governing documents of the Association.

The Association is self-managed.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASU).

#### ***Estimates***

The preparation of GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Funds***

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenses resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statutes. The financial statements segregate the accounting for such funds as either operating or replacement funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

**Carillon Beach Association, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The operating fund is used to account for financial resources available for the general operation of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors and the Association's manager.

The replacement fund is generally used to accumulate financial resources for future nonroutine maintenance and acquisition of certain equipment. Interest income is allocated to the operating and replacement funds in proportion to the interest earned in each fund.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

***Assessments Receivable and Allowance for Doubtful Accounts***

Assessments receivable from owners are reported as the outstanding balance due from owners, net of an allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. At December 31, 2022, an allowance of \$0 has been established.

Other receivables are related to amounts due to the Association from organizations other than owners. At December 31, 2022, they are considered to be entirely collectible. So, there is no allowance for doubtful accounts necessary.

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses on the balance sheet. These items will be expensed over the applicable usage period.

***Capitalization and Depreciation***

Real property acquired by the Association is capitalized when it is used to generate significant cash flows from members on the basis of usage or from nonmembers or can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expense. Real property that has not been capitalized is identified in Note 1.

Personal property acquired by the Association is capitalized at cost. It is depreciated over its estimated useful life using the straight-line method, which is generally five to seven years.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Contract Assets and Liabilities***

Contract assets represents revenue recognized in excess of amounts billed. No such amounts are reported on the balance sheet as of December 31, 2022. Contract liabilities represents revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the balance sheet as prepaid assessments and performance obligation liabilities.

***Revenue Recognition***

The Association recognizes revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

***Recently Adopted Accounting Guidance***

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Association adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2021 (the beginning of the earliest comparative period presented) using a modified retrospective approach, with certain practical expedients available.

There was no adjustment determined necessary as a result of the adoption of the new lease accounting guidance, as it was determined the Association had no long term leases in effect as of January 1, 2022.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 2, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Carillon Beach Association, Inc.**  
**Notes to Financial Statements**

**NOTE 3: OWNERS' ASSESSMENTS**

Revenues and expenses are allocated to the owners based on the ratio of each membership to the total number of memberships. The rate for a full membership in 2022 was \$4,300. Budgeted regular assessments for the year ended December 31, 2022 totaled \$1,343,699. Assessments for future maintenance requirements totaled \$150,000.

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the statement of revenues and expenses.

*Year ended December 31, 2022*

	Operating Fund	Replacement Fund	Total
Budgeted regular assessments	\$ 1,343,699	\$ 150,000	\$ 1,493,699
Less increases to performance obligation	-	(106,438)	(106,438)
Total assessments	\$ 1,343,699	\$ 43,562	\$ 1,387,261

**NOTE 4: CAPITAL CONTRIBUTIONS**

Per the Declaration of Covenants, each new owner shall pay a one-time fee for working capital in the amount of 50% of the total general assessment applicable to such unit for the year in which the purchase occurs. For the year ended December 31, 2022, capital contributions totaled \$43,727 as shown on the accompanying statement of revenue, expenses and changes in fund balance.

**NOTE 5: REVENUE RECOGNITION**

As disclosed in note 2 to the financial statements, the Association's customers consist of its members, which are lot owners within the development. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the lot owners.

***Performance Obligation***

The Association's revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of replacement fund assessments, which are being recognized at a point in time. As of December 31, 2022, the Association has reported a performance obligation liability totaling \$1,347,916, relating to the future

**Carillon Beach Association, Inc.**  
**Notes to Financial Statements**

**NOTE 5: REVENUE RECOGNITION (Continued)**

major repair and replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the replacement fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

***Significant Judgments***

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association’s efforts towards the satisfaction of a performance obligation. For operating fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when replacement fund expenses are incurred.

***Disaggregated Revenue***

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors.

*Year ended December 31, 2022*

***Recognized over time***

Operating fund assessments	\$ 1,343,699
Other income	32,023

***Recognized at a point in time***

Replacement fund assessments	43,562
Design review fees	22,796
Beach service income	69,000
Admin fees	32,421
Golf cart rental	46,410

***Not subject to ASC Topic 606***

Interest income	1,770
-----------------	-------

---

Total revenue	\$ 1,591,681
---------------	--------------

---

**Carillon Beach Association, Inc.**  
**Notes to Financial Statements**

**NOTE 5: REVENUE RECOGNITION (Continued)**

The following table presents information about assessments receivable, contract assets, and contract liabilities.

*Year ended December 31, 2022*

Assessments receivable, net - beginning balance	\$	52,908
Assessments receivable, net - ending balance		40,606
Other receivables, net - beginning balance		10,280
Other receivables, net - ending balance		29,677
Contract assets (no beginning or ending balance)		-
Contract liabilities		
Prepaid assessments - beginning balance		74,085
Prepaid assessments - ending balance		59,703
Performance obligation liability - beginning balance, as restated		1,187,478
Performance obligation liability - ending balance		1,347,916

**NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's Board of Directors has elected to designate funds to be accumulated for future major repairs and replacements. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments.

The Association conducted a study in 2020 by a certified construction consultant to estimate the remaining useful lives and replacement costs of the major components of common property. The Board of Directors annually reviews this information as part of its budget process the major components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the replacement fund. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs.

THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN THE ASSOCIATION'S GOVERNING DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE THEY CALCULATED IN ACCORDANCE WITH THAT STATUTE.

The Association used \$129,938 from the replacement fund for operations during 2022. The Board intends to repay the entire amount during 2023 and therefore, reflected the \$129,938 as an interfund receivable and payable.



**Carillon Beach Association, Inc.**  
**Notes to Financial Statements**

**NOTE 7: INCOME TAXES**

The Association elected to file its tax return for 2022 as a regular corporation on Form 1120. As such, the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from nonmembership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2022, the Association had a net nonmembership loss of \$29,773. The Association has a total net nonmembership loss carryforward totaling \$32,792, which can be carried forward to offset a portion of future net nonmembership income annually.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in (operating) expense. For the year ended December 31, 2022, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2020.

**NOTE 8: CREDIT RISK**

The Association assesses regular and special (when necessary) assessments to its members. Unpaid assessments accrue late charges of one percent per month after thirty days. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual properties. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Panama City Beach, Florida.

The Association places its cash and certificates of deposit with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit of \$250,000. At December 31, 2022, there were no amounts uninsured.

**Carillon Beach Association, Inc.**  
**Notes to Financial Statements**

**NOTE 9: PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2022, consists of the following:

Furniture and equipment	\$ 123,777
Less accumulated depreciation	(95,888)
<hr/>	
Property and equipment, net	\$ 27,889
<hr/>	

Depreciation expense for 2022 was \$8,888.

**NOTE 10: CONTINGENCY**

The insurance policy for windstorm coverage was renewed February 26, 2022. The deductible amount for named hurricane storms is approximately \$95,869, which represents 3% of the insured value of the common areas.

**NOTE 11: COMMITMENT**

*Office Lease*

In October 2022, the Association entered into an agreement to lease office space for a five year period beginning on January 1, 2023 for a total estimated cost of \$296,438.

*Maintenance Contract*

During 2020, the Association entered into a maintenance agreement with a local vendor to continue to use their services for a five-year period with potential 1.5% increases in the fee per year. Total expense for the agreement was \$409,000 for the year ended December 31, 2022, including added taxes and fees. The future minimum annual payments, excluding taxes and fees, under the agreement for the years ended December 31, 2023 through 2024 is a minimum of \$409,000 with potential 1.5% increases in the future.

**NOTE 12: RELATED PARTY**

Carillon Beach Institute, Inc. (CBI) is a not-for-profit organization that owns parcels of real property situated within the boundaries of the Association property. It is governed by the same board of directors as that of the Association.

**Carillon Beach Association, Inc.**  
**Notes to Financial Statements**

**NOTE 12: RELATED PARTY (Continued)**

In 2007 the Association leased real property, located within the boundaries of the Association's property, owned by CBI, under terms of a ten year lease agreement for \$1 per year. The lease was not renewed when it expired in 2017. The Association continues to use the property owned by CBI. At the date of issuance of these financial statements, there has not been a formal arrangement to continue the lease. As of December 31, 2022, there were no amounts owed to or due from CBI related to this lease.

**Note 13: PRIOR PERIOD ADJUSTMENT**

During 2023 the Association discovered that it had incorrectly reported design review fees as part of the replacement fund instead of the operating fund at December 31, 2022. This resulted in a \$20,326 overstatement of the performance obligation of the replacement fund and a \$20,326 understatement of cash in the operating fund. Also, in a separate issue, the Association identified expenses of the operating fund totaling \$10,875 that should have been accrued at December 31, 2022 and were not. An adjustment was made to correct those amounts which resulted in an increase in beginning operating fund balance of \$9,451 with no net effect to beginning replacement fund balance. The following table reports the changes made.

<i>December 31, 2022</i>	Operating Fund	Replacement Fund	Total
Fund balance, as originally reported	\$ 281,707	\$ 1,274	\$ 282,981
Reclassification of cash balance between funds	20,326	(20,326)	-
Overstatement of performance obligation	-	20,326	20,326
Understatement of accounts payable	(10,875)	-	(10,875)
Restatement adjustment	9,451	-	9,451
Fund balance, as restated	291,158	1,274	292,432

## **Supplementary Information**

**Carillon Beach Association, Inc.**  
**Schedule of Operating Fund Revenues and Expenses –**  
**Budget and Actual**

<i>Year ended December 31, 2022</i>	Actual	Budget (Unaudited)	Variance (Unaudited)
<b>Revenue</b>			
Regular assessments	\$ 1,343,699	\$ 1,353,610	\$ (9,911)
Design review fees	22,796	-	22,796
Interest income	49	30	19
Beach service	69,000	70,000	(1,000)
Rent	24,230	16,500	7,730
Construction fees	-	24,000	(24,000)
Admin fees	32,421	35,600	(3,179)
Golf cart rental	46,410	38,000	8,410
Miscellaneous	7,793	2,700	5,093
<b>Total revenue</b>	<b>1,546,398</b>	<b>1,540,440</b>	<b>5,958</b>
<b>Expenses</b>			
Administrative	209,146	172,050	(37,096)
Depreciation	8,888	-	(8,888)
Compliance officer/consultants	19,200	19,500	300
Federal income taxes	-	2,500	2,500
Insurance	57,591	46,750	(10,841)
Gatehouse	98,864	112,350	13,486
Loss on disposal of assets	709	-	(709)
Maintenance and repairs	1,017,497	906,460	(111,037)
Miscellaneous	3,350	27,000	23,650
Roving security	128,495	102,500	(25,995)
Utilities	123,916	136,100	12,184
Wages and benefits	196,251	160,000	(36,251)
<b>Total expenses</b>	<b>1,863,907</b>	<b>1,685,210</b>	<b>(178,697)</b>
<b>Excess (deficit) of revenue over (under) expenses</b>	<b>\$ (317,509)</b>	<b>\$ (144,770)</b>	<b>\$ (172,739)</b>

*See independent auditor's report.*

**Carillon Beach Association, Inc.  
Supplementary Information on Future Major Repairs and  
Replacements (Unaudited)**

<b>Component</b>	Estimated Remaining Useful Life (years)	Current Estimated Replacement Cost
Sites and grounds	1 - 18	\$ 1,450,445
Guardhouse	1 - 13	42,550
Post office	1 - 13	33,425
Lake Carillon pool	1 - 16	117,516
Beach club pool	1 - 16	164,916
Bellview pool	1 - 16	250,927
Walkovers	1 - 16	573,375
Total		\$ 2,633,154

*See independent auditor's report.*