

**Key Vista Villas Homeowners
Association, Inc.**

Reviewed Financial Statements

**For the Year Ending
December 31, 2013**



PAGE, WOOLLEY, & COMPANY



KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

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ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Key Vista Villas Homeowners Association, Inc.
Holiday, Florida

We have reviewed the accompanying balance sheet of Key Vista Villas Homeowners Association, Inc. (a Florida not-for-profit corporation) as of December 31, 2013 and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The Association 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying supplementary information on future major repairs and replacements is not a required part of the basic financial statements but is supplementary information required by the Financial Accounting Standards Board. We have compiled the supplementary information from information that is the representation of the Association, without audit or review. Accordingly, we do not express an opinion or provide any assurance on the supplementary information.

The information included in the accompanying supplementary schedules on General and Administrative Operating Expenses and Actual to Budget Comparison-Operating Fund are not a required part of the basic financial statements, but are presented for the purposes of additional analysis. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to these schedules.

Page, Woolley & Company

Safety Harbor, Florida

April 28, 2014

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

BALANCE SHEET

December 31, 2013

	Operating Fund	Reserve Fund	Total
ASSETS			
CASH			
Cash and cash equivalents	\$ 46,748	\$ 100,026	\$ 146,774
Certificates of deposit	-	201,506	201,506
ACCOUNTS RECEIVABLE			
Owners' delinquent maintenance assessments - net of allowance for doubtful accounts of \$34,452	1,669	-	1,669
OTHER ASSETS			
Prepaid expenses	8,295	-	8,295
Utility deposits	1,115	-	1,115
TOTAL ASSETS	<u>\$ 57,827</u>	<u>\$ 301,532</u>	<u>\$ 359,359</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,801	\$ -	\$ 1,801
Prepaid maintenance assessments	11,285	-	11,285
Clubhouse funds	315	-	315
Interfund (receivable)/payable	-	-	-
	13,401	-	13,401
FUND BALANCES	<u>44,426</u>	<u>301,532</u>	<u>345,958</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 57,827</u>	<u>\$ 301,532</u>	<u>\$ 359,359</u>

See accompanying notes and independent accountant's review report.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Operating Fund	Reserve Fund	Total
REVENUES			
Regular assessments	\$ 191,299	\$ 67,217	\$ 258,516
Interest income	22	1,766	1,788
Other income	6,019	-	6,019
Total revenues	<u>197,340</u>	<u>68,983</u>	<u>266,323</u>
EXPENSES			
General & administrative operating expenses	175,794	-	175,794
Bad debt expense	11,000	-	11,000
Reserve expenses	-	18,991	18,991
Total expenses	<u>186,794</u>	<u>18,991</u>	<u>205,785</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	10,546	49,992	60,538
INTERFUND TRANSFERS	(2,740)	2,740	-
BEGINNING FUND BALANCES	<u>36,620</u>	<u>248,800</u>	<u>285,420</u>
ENDING FUND BALANCES	<u>\$ 44,426</u>	<u>\$ 301,532</u>	<u>\$ 345,958</u>

See accompanying notes and independent accountant's review report.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Operating Fund	Reserve Fund	Total
CASH PROVIDED (USED) BY OPERATIONS			
Excess (deficit) of revenues			
over expenses	\$ 10,546	\$ 49,992	\$ 60,538
Adjustment to reconcile excess			
of revenues over expenses to			
net cash provided by			
operating activities:			
Bad debt	11,000	-	11,000
(Increase)/decrease in:			
Assessments receivable	6,174	-	6,174
Prepaid expense	475	-	475
Increase/(decrease) in:			
Accounts payable	921	-	921
Prepaid assessments	282	-	282
Clubhouse funds	-	-	-
TOTAL CASH PROVIDED (USED)			
 BY OPERATIONS	29,398	49,992	79,390
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/decrease in certificate of deposit	-	(1,506)	(1,506)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund payable (receivable)	(2,740)	2,740	-
NET INCREASE (DECREASE) IN CASH	26,658	51,226	77,884
TOTAL CASH, beginning of year	20,090	48,800	68,890
TOTAL CASH, end of year	\$ 46,748	\$ 100,026	\$ 146,774
Income taxes paid in 2013:	\$ -	\$ -	

See accompanying notes and independent accountant's review report.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 1 - NATURE OF ORGANIZATION

Key Vista Villas Homeowners Association, Inc. is a homeowners association (a not-for-profit corporation) incorporated in the State of Florida on July 18, 2000. The Association is responsible for the administration, operation and maintenance of the common areas of the Key Vista Villas Homeowners Association. The common property includes the clubhouse, pool, parking lot, trees, lawns, and shrubs. Key Vista Villas Homeowners Association, Inc. consists of 167 residential units located in Holiday, Florida. Disposition of the common area elements requires consent of the members. All policy decisions, including the annual budget, are formulated by the Board of Directors. Major decisions are referred to the general membership before action is taken.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Association's significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Presentation

The accompanying financial statements include the assets, liabilities, fund balances, revenue, and expenses as determined using the accrual basis of accounting. Income is thereby recognized in the period in which the right to receive such income is established, not necessarily when it is received, and expenses are recognized in the period in which they are incurred, not necessarily when they are paid.

Fund Accounting

The Association's governing documents provide certain guidelines for carrying out its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

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

Member Assessments

Association members are subject to annual assessments, payable monthly, to provide funds for the Association's operating and replacement reserve funds. The annual assessments are determined by the Board of Directors. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are ninety days or more delinquent. Interest is charged on past due accounts in accordance with the Association's covenants. The excess of assessments over expenses of operations at year end, if any, is retained by the Association for use in the next year.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Association places its cash with high credit quality financial institutions, and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

See independent accountant's review report

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership, with the exception of real property directly associated with the units. Common personal property and equipment are stated at cost. As of December 31, 2013, no personal property has been capitalized.

NOTE 3 - OWNERS' MAINTENANCE ASSESSMENTS

Association members are assessed annually to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Delinquent accounts are considered collectible until such time that the Board of Directors has exhausted the collection process and in the opinion of legal counsel, all or a portion of the balance is deemed uncollectible. For the current fiscal year, it was the opinion of the board of directors that an allowance for uncollectible accounts was deemed necessary, and \$11,000 was recorded as a bad debt expense.

The owners' monthly maintenance installments in effect during the period covered by this review were \$129.

NOTE 4 - INCOME TAXES

The Association filed its federal income tax return for 2013 as a homeowners association under Section 528 of the Internal Revenue Code. Under Section 528, income from unit assessments is not taxable to the association and expenses related to providing the services required of the association are not deductible ("exempt function" income and expense). Generally all other income not received by pro rata assessments of the association members net of any expenses directly related to the generation of such income is fully taxable to the extent such net income exceeds \$100 ("non-exempt function" income and expenses). Homeowner associations filing under Section 528 are exempt from State of Florida corporate income taxes. For the year ended December 31, 2013, the Association owed no federal income taxes. An Association's income tax returns are subject to examination by the Internal Revenue Service for the period ending three years after the return is filed. As of December 31, 2013, tax returns for the calendar years of 2010 through 2012 remained subject to examination.

NOTE 5 - COMMITMENTS

The Association has entered into various agreements with vendors to maintain the common property. These agreements are of differing expiration dates and renewal terms.

See independent accountant's review report.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6 - RESERVE FUND

The Association's governing documents require that funds be accumulated for future major repairs and replacements. These accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The board is funding for major repairs and replacements over the remaining useful lives of the components, based on estimates of future replacement costs, and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investments income may vary from estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

Current reserve activity is as follows:

<u>Components</u>	<u>Beginning Balance</u>	<u>Amount Funded</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Ending Balance</u>
Painting Reserves	\$ 211,030	\$ 52,331	\$ -	\$ 2,192	\$ 265,553
Common Area Reserve	37,770	14,886	(18,991)	548	34,213
Unallocated Interest Reserve	-	1,766	-	-	1,766
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Total	<u>\$ 248,800</u>	<u>\$ 68,983</u>	<u>\$ (18,991)</u>	<u>\$ 2,740</u>	<u>\$ 301,532</u>

In 2013, the Association voted to transfer \$2,740 of excess Operating Funds to the Paint Reserve Fund. This is shown on these financial statements as an Interfund Transfer on the income statement.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the value of such assets and liabilities.

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 28, 2014, which is the date the financial statements were available to be issued.

NOTE 9 – CONCENTRATION OF CREDIT RISK

The Association's primary source of income is assessments paid by owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are ninety days or more delinquent. Interest is charged on past due accounts in accordance with the Association's covenants. Should the collection of 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 which have priority. Market value may be influenced by the real estate market in Holiday, Florida.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

SUPPLEMENTARY INFORMATION

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Unaudited)

DECEMBER 31, 2013

The board of directors has estimated the remaining useful lives and the replacement costs of the components of the common property. The estimates were based on future estimated replacement costs.

The following table is based on these estimated values, and presents significant information about the components of the common property.

<u>Components</u>	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	2014 Full Funding Requirement	Components of Fund Balance 12/31/2013
Painting Reserves	2	\$ 347,299	\$ 40,873	\$ 265,553
Common Area Reserve	4	110,670	14,886	34,213
Unallocated Interest Reserve	-	-	-	1,766
Total		<u>\$ 457,969</u>	<u>\$ 55,759</u>	<u>\$ 301,532</u>

A professional study to determine the adequacy of the current funding program for replacement and deferred maintenance of the Association's common areas was not conducted in 2013.

See independent accountant's review report.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

SUPPLEMENTARY FINANCIAL INFORMATION
SCHEDULE OF GENERAL & ADMINISTRATIVE OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

GENERAL & ADMINISTRATIVE OPERATING EXPENSES

Lawn Maintenance Contract	\$	90,405
Additional Lawn work		6,137
Irrigation Maintenance		10,935
Electric		6,000
Water/Sewer Expense		3,107
Pool Contract		6,400
Pool/Spa Maintenance		1,495
Pool/Spa Permits		305
Pool/Spa Heating		2,547
Building Maintenance		5,225
Common Area Maintenance		3,603
Telephone		1,496
Pest Control		450
Management Fees		16,577
Office Expense		4,556
Accounting/Tax Preparation		1,475
Legal & Professional Fees		2,826
Bank Charges		24
Annual Corporate Report		61
Insurance		10,175
Internet Service		594
Gate Electric		341
Gate Entry Telephone		698
Gate Maintenance		362
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TOTAL	\$	175,794
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See independent accountant's review report.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
 Holiday, Florida

SUPPLEMENTARY FINANCIAL INFORMATION
SCHEDULE OF ACTUAL TO BUDGETED EXPENSE COMPARISON - OPERATING FUND
 (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2013

	Actual	Budgeted	Over/(Under)
INCOME			
Assessment/Maintenance Fees	\$ 191,299	\$ 192,078	\$ (779)
Late Charges Income	6,019	-	6,019
Interest Income	22	-	22
TOTAL INCOME	<u>197,340</u>	<u>192,078</u>	<u>5,262</u>
EXPENSE			
Lawn Maintenance Contract	90,405	99,360	(8,955)
Additional Lawn Work	6,137	10,000	(3,863)
Irrigation Maintenance	10,935	4,500	6,435
Electric	6,000	6,000	-
Water/Sewer Expense	3,107	2,000	1,107
Pool Contract	6,400	6,000	400
Pool/Spa Maintenance	1,495	1,000	495
Pool/Spa Permits	305	280	25
Pool/Spa Heating	2,547	4,800	(2,253)
Building Maintenance	5,225	6,000	(775)
Common Area Maintenance	3,603	1,800	1,803
Telephone	1,496	1,380	116
Pest Control	450	300	150
Management Fees	16,577	16,584	(7)
Office Expense	4,556	3,600	956
Accounting/Tax Preparation	1,475	1,400	75
Legal & Professional Fees	2,826	3,000	(174)
Bank Charges	24	24	-
Annual Corporate Report	61	60	1
Insurance	10,175	10,250	(75)
Internet Service	594	800	(206)
Bad Debt	11,000	11,000	-
Gate Electric	341	300	41
Gate Entry Telephone	698	640	58
Gate Maintenance	362	1,000	(638)
TOTAL EXPENSE	<u>186,794</u>	<u>192,078</u>	<u>(5,284)</u>
NET TOTAL	<u>\$ 10,546</u>	<u>\$ -</u>	<u>\$ (10,546)</u>

See independent accountant's review report.