

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2017

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

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KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

**BALANCE SHEET
DECEMBER 31, 2017**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS			
CASH			
Cash and cash equivalents	\$ 41,065	\$ 186,435	\$ 227,500
ACCOUNTS RECEIVABLE			
Owners' delinquent maintenance assessments - net of allowance for doubtful accounts of \$17,279	10,307	-	10,307
OTHER ASSETS			
Prepaid expenses	7,472	-	7,472
Utility deposits	1,115	-	1,115
TOTAL ASSETS	<u>\$ 59,959</u>	<u>\$ 186,435</u>	<u>\$ 246,394</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,574	\$ -	\$ 2,574
Prepaid maintenance assessments	11,786	-	11,786
Clubhouse funds	98	-	98
Flag pole donations	47	-	47
Interfund (receivable)/payable	-	-	-
	14,505	-	14,505
FUND BALANCES	<u>45,454</u>	<u>186,435</u>	<u>231,889</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,959</u>	<u>\$ 186,435</u>	<u>\$ 246,394</u>

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Reserve Fund	Total
REVENUES			
Regular assessments	\$ 214,001	\$ 44,513	\$ 258,514
Interest income	31	1,375	1,406
Late fee income	4,076	-	4,076
Total revenues	<u>218,108</u>	<u>45,888</u>	<u>263,996</u>
EXPENSES			
General & administrative operating expenses	205,810	-	205,810
Bad debt expense	2,931	-	2,931
Reserve expenses	-	7,614	7,614
Total expenses	<u>208,741</u>	<u>7,614</u>	<u>216,355</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	9,367	38,274	47,641
INTERFUND TRANSFERS	-	-	-
BEGINNING FUND BALANCES	<u>36,087</u>	<u>148,161</u>	<u>184,248</u>
ENDING FUND BALANCES	<u>\$ 45,454</u>	<u>\$ 186,435</u>	<u>\$ 231,889</u>

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Reserve Fund	Total
CASH PROVIDED (USED) BY OPERATIONS			
Excess (deficit) of revenues over expenses	\$ 9,367	\$ 38,274	\$ 47,641
Non-cash items affecting net income:			
Bad debt expense	2,931	-	2,931
Adjustment to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(11,727)	-	(11,727)
Prepaid expense	(346)	-	(346)
Increase/(decrease) in:			
Accounts payable	(956)	-	(956)
Prepaid assessments	7,203	-	7,203
Clubhouse funds	(39)	-	(39)
Flag pole donations	47	-	47
TOTAL CASH PROVIDED (USED) BY OPERATIONS	6,480	38,274	44,754
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund (receivable)/payable	-	-	-
NET INCREASE (DECREASE) IN CASH	6,480	38,274	44,754
TOTAL CASH, beginning of year	34,585	148,161	182,746
TOTAL CASH, end of year	\$ 41,065	\$ 186,435	\$ 227,500
Income taxes paid in 2017:	\$ -	\$ -	

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 become 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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017, 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 of \$17,279 was deemed necessary.

The owners' monthly maintenance installments in effect during the period covered by this review were \$129.00.

NOTE 4 - INCOME TAXES

The Association filed its federal income tax return for 2017 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, 2017, 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, 2017, tax returns for the calendar years of 2014 through 2016 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.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

For 2017, the Association voted to fully fund Reserves.

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	\$ 122,749	\$ 17,899	\$ -	\$ -	\$ 140,648
Common Area Reserve	25,412	27,989	(7,614)	-	45,787
Total	<u>\$ 148,161</u>	<u>\$ 45,888</u>	<u>\$ (7,614)</u>	<u>\$ -</u>	<u>\$ 186,435</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 August 1, 2018, 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 become 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.

SUPPLEMENTARY INFORMATION

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Unaudited)

DECEMBER 31, 2017

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.

For 2018, the Association voted to fully fund Reserves.

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	2018 Full Funding Requirement	Components of Fund Balance 12/31/2017
Painting Reserves	9	\$ 275,000	\$ 40,080	\$ 140,648
Common Area Reserve	1 - 24	252,749	24,048	45,787
Total		<u>\$ 527,749</u>	<u>\$ 64,128</u>	<u>\$ 186,435</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 2017.

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

SUPPLEMENTARY FINANCIAL INFORMATION
SCHEDULE OF GENERAL & ADMINISTRATIVE OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

GENERAL & ADMINISTRATIVE OPERATING EXPENSES

Lawn Maintenance Contract	\$	119,676
Additional Ground Maintenance		1,691
Irrigation Maintenance		3,049
Electric		5,633
Water/Sewer Expense		2,409
Pool Contract		8,605
Pool/Solar Maintenance		4,058
Pool/Spa Permits		290
Pool/Spa Heating		3,703
Building Maintenance		1,635
Common Area Maintenance		111
Janitorial		7,971
Telephone		1,640
Cable Service		509
Pest Control		450
Management Fees		18,202
Office Expense		7,435
Accounting/Tax Preparation		1,375
Legal & Professional Fees		6,298
Annual Corporate Report		61
Insurance		7,668
Internet Service		595
Gate Electric		261
Gate Entry Telephone		1,410
Gate Maintenance		1,075
TOTAL	\$	205,810

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, 2017

	Actual	Budgeted	Over/(Under)
INCOME			
Assessment/Maintenance Fees	\$ 214,001	\$ 214,003	\$ (2)
Late Fee Income	4,076	-	4,076
Interest Income	31	-	31
TOTAL INCOME	<u>218,108</u>	<u>214,003</u>	<u>4,105</u>
EXPENSE			
Lawn Maintenance Contract	119,676	123,156	(3,480)
Additional Ground Maintenance	1,691	8,000	(6,309)
Irrigation Maintenance	3,049	4,000	(951)
Electric	5,633	6,315	(682)
Water/Sewer Expense	2,409	1,500	909
Pool Contract	8,605	7,350	1,255
Pool/Solar Maintenance	4,058	4,000	58
Pool/Spa Permits	290	300	(10)
Pool/Spa Heating	3,703	3,100	603
Building Maintenance	1,635	3,500	(1,865)
Common Area Maintenance	111	1,000	(889)
Janitorial	7,971	8,200	(229)
Telephone	1,640	1,500	140
Cable Service	509	912	(403)
Pest Control	450	300	150
Management Fees	18,202	17,400	802
Office Expense	7,435	4,500	2,935
Accounting/Tax Preparation	1,375	1,400	(25)
Legal & Professional Fees	6,298	5,000	1,298
Annual Corporate Report	61	60	1
Insurance	7,668	7,750	(82)
Internet Service	595	600	(5)
Bad Debt	2,931	1,560	1,371
Gate Electric	261	300	(39)
Gate Entry Telephone	1,410	800	610
Gate Maintenance	1,075	1,500	(425)
TOTAL EXPENSE	<u>208,741</u>	<u>214,003</u>	<u>(5,262)</u>
NET TOTAL	<u>\$ 9,367</u>	<u>\$ -</u>	<u>\$ 9,367</u>