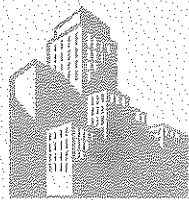


**Key Vista Villas Homeowners
Association, Inc.**

Reviewed Financial Statements

**For the Year Ending
December 31, 2018**



PAGE & COMPANY ■

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2018

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

CONTENTS

| | <u>Page</u> |
|--|----------------|
| INDEPENDENT ACCOUNTANT'S REVIEW REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | 3 - 5 |
| Balance Sheet | |
| Statement of Revenues and Expenses and Changes in Fund Balances | |
| Statement of Cash Flows | |
| NOTES TO FINANCIAL STATEMENTS | 6 - 9 |
| SUPPLEMENTARY FINANCIAL INFORMATION | 10 - 13 |
| Supplementary Information On Future Major Repairs And Replacements | |
| Schedule of General & Administrative Operating Expenses | |
| Schedule of Actual To Budgeted Expense Comparison - Operating Fund | |

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

BALANCE SHEET
DECEMBER 31, 2018

| | Operating Fund | Reserve Fund | Total |
|---|-------------------|-------------------|-------------------|
| ASSETS | | | |
| CASH | | | |
| Cash and cash equivalents | \$ 67,526 | \$ 249,189 | \$ 316,715 |
| ACCOUNTS RECEIVABLE | | | |
| Owners' delinquent maintenance assessments - net of allowance for doubtful accounts of \$5,050 | 483 | - | 483 |
| OTHER ASSETS | | | |
| Prepaid expenses | 7,783 | - | 7,783 |
| Utility deposits | 1,115 | - | 1,115 |
| TOTAL ASSETS | <u>\$ 76,907</u> | <u>\$ 249,189</u> | <u>\$ 326,096</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 2,330 | \$ - | \$ 2,330 |
| Prepaid maintenance assessments | 18,042 | - | 18,042 |
| Clubhouse funds | 78 | - | 78 |
| Flag pole donations | 40 | - | 40 |
| Interfund (receivable)/payable | - | - | - |
| | <u>20,490</u> | <u>-</u> | <u>20,490</u> |
| FUND BALANCES | <u>56,417</u> | <u>249,189</u> | <u>305,606</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 76,907</u> | <u>\$ 249,189</u> | <u>\$ 326,096</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, 2018**

| | Operating Fund | Reserve Fund | Total |
|---|-------------------|-------------------|-------------------|
| REVENUES | | | |
| Regular assessments | \$ 226,452 | \$ 64,128 | \$ 290,580 |
| Interest income | 165 | 2,407 | 2,572 |
| Late fee income | 136 | - | 136 |
| Total revenues | <u>226,753</u> | <u>66,535</u> | <u>293,288</u> |
| EXPENSES | | | |
| General & administrative operating expenses | 204,663 | - | 204,663 |
| Bad debt expense | 4,791 | - | 4,791 |
| Reserve expenses | - | 10,118 | 10,118 |
| Total expenses | <u>209,454</u> | <u>10,118</u> | <u>219,572</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENSES | 17,299 | 56,417 | 73,716 |
| INTERFUND TRANSFERS | (6,337) | 6,337 | - |
| BEGINNING FUND BALANCES | <u>45,455</u> | <u>186,435</u> | <u>231,890</u> |
| ENDING FUND BALANCES | <u>\$ 56,417</u> | <u>\$ 249,189</u> | <u>\$ 305,606</u> |

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.

Holiday, Florida

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Operating Fund | Reserve Fund | Total |
|--|-------------------|-------------------|-------------------|
| CASH PROVIDED (USED) BY OPERATIONS | | | |
| Excess (deficit) of revenues over expenses | \$ 17,299 | \$ 56,417 | \$ 73,716 |
| Non-cash items affecting net income: | | | |
| Bad debt expense | 4,791 | - | 4,791 |
| Adjustment to reconcile excess of revenues over expenses to net cash provided by operating activities: | | | |
| (Increase) decrease in: | | | |
| Assessments receivable | 5,033 | - | 5,033 |
| Prepaid expense | (311) | - | (311) |
| Increase/(decrease) in: | | | |
| Accounts payable | (244) | - | (244) |
| Prepaid assessments | 6,256 | - | 6,256 |
| Clubhouse funds | (20) | - | (20) |
| Flag pole donations | (7) | - | (7) |
| TOTAL CASH PROVIDED (USED) BY OPERATIONS | 32,797 | 56,417 | 89,214 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interfund (receivable)/payable | - | - | - |
| Interfund transfers | (6,337) | 6,337 | - |
| NET INCREASE (DECREASE) IN CASH | 26,460 | 62,754 | 89,214 |
| TOTAL CASH, beginning of year | 41,066 | 186,435 | 227,501 |
| TOTAL CASH, end of year | \$ 67,526 | \$ 249,189 | \$ 316,715 |
| Income taxes paid in 2018: | \$ - | \$ - | |

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018, 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 \$5,050 was deemed necessary.

The owners' monthly maintenance installments in effect during the period covered by this review were \$145.00.

NOTE 4 - INCOME TAXES

The Association filed its federal income tax return for 2018 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, 2018, 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, 2018, tax returns for the calendar years of 2015 through 2017 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, 2018

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 2018, 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>Interest</u> | <u>Ending Balance</u> |
|---------------------|------------------------------|--------------------------|---------------------|-----------------|---------------------------|
| Painting Reserves | \$ 140,648 | \$ 40,080 | \$ - | \$ - | \$ 180,728 |
| Common Area Reserve | 45,787 | 30,385 | (10,118) | 2,407 | 68,461 |
| Total | <u>\$ 186,435</u> | <u>\$ 70,465</u> | <u>\$ (10,118)</u> | <u>\$ 2,407</u> | <u>\$ 249,189</u> |

In 2018, the Association transferred \$6,337 of excess Operating Funds to the Reserve Fund. This is shown on these financial statements as an Interfund Transfer on the income statement.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 March 28, 2019, 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, 2018

A professional study to determine the adequacy of the current funding program for replacement and deferred maintenance of the Association's common areas was conducted in 2017 by Felten Professional Adjustment Team, LLC.

For 2018, the Association voted to fully fund Reserves.

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

| <u>Components</u> | Estimated Remaining Useful Life <u>(Years)</u> | Estimated Replacement Cost | 2019 Full Funding Requirement | Components of Fund Balance <u>12/31/2018</u> |
|----------------------------------|---|----------------------------------|-------------------------------------|---|
| Painting Reserves | 6 | \$ 275,000 | \$ 40,080 | \$ 180,728 |
| Common Area Reserve | - | - | 24,048 | 68,461 |
| Access Control | 1 | 17,800 | - | - |
| Asphalt Parking | 15 | 4,590 | - | - |
| Clubhouse Ceiling Fans | 5 | 1,050 | - | - |
| Clubhouse Doors & Windows | 23 | 23,000 | - | - |
| Vinyl Picket Fence | 13 | 6,800 | - | - |
| Clubhouse Floor Coverings | 3 - 8 | 14,849 | - | - |
| Clubhouse Interior Furniture | 6 | 7,500 | - | - |
| Clubhouse Exterior Furniture | 1 | 7,500 | - | - |
| Clubhouse HVAC System | 8 | 13,000 | - | - |
| Irrigation Timers/Sensors/Valves | 7 | 41,525 | - | - |
| Clubhouse Kitchen Renovations | 18 | 15,000 | - | - |
| Pool/Spa Tiles/Pavers | 6 - 8 | 40,734 | - | - |
| Pool Equipment Housing | 23 | 18,000 | - | - |
| Pool Equipment/Heat Pump | 2 - 3 | 11,000 | - | - |
| Clubhouse Restroom Renovations | 18 | 15,000 | - | - |
| Clubhouse Roof | 3 | 12,600 | - | - |
| Clubhouse Interior Painting | 1 | 2,800 | - | - |
| Total | | <u>\$ 527,748</u> | <u>\$ 64,128</u> | <u>\$ 249,189</u> |

KEY VISTA VILLAS HOMEOWNERS ASSOCIATION, INC.
Holiday, Florida

SUPPLEMENTARY FINANCIAL INFORMATION
SCHEDULE OF GENERAL & ADMINISTRATIVE OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

GENERAL & ADMINISTRATIVE OPERATING EXPENSES

| | | |
|------------------------------|-----------|-----------------------|
| Grounds Maintenance | \$ | 117,048 |
| Utilities | | 9,331 |
| Pool Maintenance | | 17,068 |
| Building/General Maintenance | | 8,375 |
| Management Fees | | 19,008 |
| Administrative Expenses | | 8,552 |
| Legal & Professional Fees | | 13,512 |
| Insurance | | 8,532 |
| Gate Maintenance | | <u>3,237</u> |
| TOTAL | \$ | <u>204,663</u> |

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, 2018

| | Actual | Budgeted | Over/(Under) |
|------------------------------|------------------|----------------|------------------|
| INCOME | | | |
| Assessment/Maintenance Fees | \$ 226,452 | \$ 226,448 | \$ 4 |
| Late Fee Income | 136 | - | 136 |
| Interest Income | 165 | - | 165 |
| TOTAL INCOME | <u>226,753</u> | <u>226,448</u> | <u>305</u> |
| EXPENSE | | | |
| Grounds Maintenance | 117,048 | 144,742 | (27,694) |
| Utilities | 9,331 | 9,820 | (489) |
| Pool Maintenance | 17,068 | 15,050 | 2,018 |
| Building/General Maintenance | 8,375 | 12,700 | (4,325) |
| Management Fees | 19,008 | 17,400 | 1,608 |
| Administrative Expenses | 8,552 | 5,936 | 2,616 |
| Legal & Professional Fees | 13,512 | 8,400 | 5,112 |
| Insurance | 8,532 | 8,000 | 532 |
| Gate Maintenance | 3,237 | 2,600 | 637 |
| Bad Debt | 4,791 | 1,800 | 2,991 |
| TOTAL EXPENSE | <u>209,454</u> | <u>226,448</u> | <u>(16,994)</u> |
| NET TOTAL | <u>\$ 17,299</u> | <u>\$ -</u> | <u>\$ 17,299</u> |