

Riverwood Plantation Homeowners' Association, Inc.  
Financial Statements  
and  
Supplementary Information  
Year Ended December 31, 2018

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# **RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**

## **TABLE OF CONTENTS**

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Fund Balances	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Required Supplementary Information on Future Major Repairs and Replacements (Unaudited)	13
Supplementary Statement of Changes in Reserve Accounts (Unaudited)	14

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**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

To the Board of Directors of Riverwood Plantation Homeowners' Association, Inc.

Management is responsible for the accompanying financial statements of Riverwood Plantation Homeowners' Association, Inc., which comprise the balance sheets as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

**Supplementary Information**

The supplementary information on page 14, Supplementary Statement of Changes in Reserve Accounts (Unaudited), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information was subject to our compilation engagement; however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 13 be presented to supplement the basic financial statements. Such information, 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. The information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Cynthia Fredricks, CPA AC40951  
South Daytona, Florida  
March 4, 2019

**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2018**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents <sup>Notes C &amp; H</sup>	\$ 79,114	\$ 126,733	\$ 205,847
Assessments receivable (net) <sup>Notes C &amp; I</sup>	5,040		5,040
Prepaid insurance <sup>Note J</sup>	10,800		10,800
Fixed assets (net) <sup>Notes C &amp; K</sup>	9,158		9,158
Utility deposits	370		370
<b>TOTAL ASSETS</b>	<b>\$ 104,482</b>	<b>\$ 126,733</b>	<b>\$ 231,215</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Accrued expenses <sup>Note O</sup>	\$ 6,127		\$ 6,127
Due to Alliance <sup>Note L</sup>	1,832		1,832
Assessments received in advance <sup>Note M</sup>	41,994		41,994
<b>TOTAL LIABILITIES</b>	<b>\$ 49,953</b>	<b>\$ -</b>	<b>\$ 49,953</b>
<b>FUND BALANCES</b>	<b>\$ 54,529</b>	<b>\$ 126,733</b>	<b>\$ 181,262</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 104,482</b>	<b>\$ 126,733</b>	<b>\$ 231,215</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S  
 COMPILATION REPORT



**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Reserve Fund	Total
<b>REVENUES</b>			
Member assessments <sup>Notes C</sup>	\$ 223,870	\$ 45,164	\$ 269,034
Member fines, penalties and late fees	1,671	-	1,671
Member legal income	417	-	417
Interest income <sup>Note C</sup>	228	1,236	1,464
Rental income <sup>Note N</sup>	7,171	-	7,171
Miscellaneous member income	734	-	734
<b>TOTAL REVENUES</b>	<b>\$ 234,091</b>	<b>\$ 46,400</b>	<b>\$ 280,491</b>
<b>EXPENSES</b>			
Accounting	\$ 1,835	\$ -	\$ 1,835
Bank service charges	24	12	36
Billing and debt collection	1,590	-	1,590
Depreciation expense <sup>Note K</sup>	5,230	-	5,230
Insurance expense <sup>Note J</sup>	13,146	-	13,146
Legal expense <sup>Note F</sup>	21,573	-	21,573
Licenses and fees	119	-	119
Management fees	27,427	-	27,427
Office and website	3,257	-	3,257
Postage	2,034	-	2,034
Building repairs and maintenance <sup>Note R</sup>	2,860	-	2,860
Clubhouse maintenance and repairs <sup>Note R</sup>	8,878	-	8,878
Common utilities <sup>Note P</sup>	23,667	-	23,667
Common area maintenance <sup>Note R</sup>	24,836	-	24,836
Dock maintenance	6,800	-	6,800
Fountain and waterfall repairs	4,620	-	4,620
Irrigation repairs and maintenance	12,398	-	12,398
Lake/Pond treatments	5,261	-	5,261
Landscape contract	25,925	-	25,925
Other grounds maintenance <sup>Note R</sup>	26,850	-	26,850
Pool repairs and maintenance <sup>Note R</sup>	33,212	10,043	43,255
<b>TOTAL EXPENSES</b>	<b>\$ 251,542</b>	<b>\$ 10,055</b>	<b>\$ 261,597</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ (17,451)</b>	<b>\$ 36,345</b>	<b>\$ 18,894</b>
<b>BEGINNING FUND BALANCES</b>	<b>\$ 71,980</b>	<b>\$ 90,388</b>	<b>\$ 162,368</b>
<b>ENDING FUND BALANCES</b>	<b>\$ 54,529</b>	<b>\$ 126,733</b>	<b>\$ 181,262</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S  
COMPILATION REPORT

**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Reserve Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess (deficiency) of revenues over expenses	\$ (17,451)	\$ 36,345	\$ 18,894
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
Add back depreciation and amortization	5,230	-	5,230
Increase in assessments receivable	(1,996)	-	(1,996)
Increase in prepaid expenses	(919)	-	(919)
Decrease in accrued expenses	(4,734)	-	(4,734)
Increase in assessments received in advance	7,001	-	7,001
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (12,869)</b>	<b>\$ 36,345</b>	<b>\$ 23,476</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>91,983</b>	<b>90,388</b>	<b>182,371</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>\$ 79,114</b>	<b>\$ 126,733</b>	<b>\$ 205,847</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S  
COMPILATION REPORT

**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE A—NATURE OF ORGANIZATION**

Riverwood Plantation Homeowners' Association, Inc. is a statutory homeowners' association which was incorporated in the State of Florida on January 17, 1985. The association is responsible for the operation and maintenance of the common property within Riverwood Plantation Subdivision. Riverwood Plantation Subdivision consists of 358 assessment paying residential units and is located in Port Orange, Florida.

**NOTE B—DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 4, 2019, the date that the financial statements were available to be issued.

**NOTE C—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Association prepares its financial statements using the accrual basis of accounting. Under accrual accounting, revenues are recognized when earned and collection is reasonably assured, and expenses are recognized when incurred and estimable.

**Fund Accounting**

The Association's governing documents provide certain guidelines for governing 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 operation of the Association.

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



**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Member Assessments**

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments and fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

The member assessment for 2018 was budgeted and approved by the Board of Directors to be levied at \$182 per quarter per lot owner or social member with \$29 of this amount designated for reserve funding. The road fund assessment for Poplar Grove and Clover Bend, being paid by 34 members, was also budgeted and approved at \$15 per quarter per lot owner. All quarterly transfers to properly fund the reserves were made by December 31, 2018 such that the total reserve funding was \$45,164 for 2018 inclusive of the road fund assessment and excluding reserve interest earned. The 2019 member assessment was budgeted and approved by the Board of Directors to be levied at \$200 per quarter per lot owner or social member with \$31 of this amount designated for reserve funding. The road fund assessment was levied at \$30 per lot owner on Poplar Grove and Clover Bend. Reserve funding was estimated to be \$49,880 in total for 2019.

**Cash and Cash Equivalents**

The Association considers cash on hand and in banks, certificates of deposit, time deposits, and U.S. government and other short-term securities with maturities of three months or less to be cash and cash equivalents.

**Interest Income**

Interest income is retained in the fund that earned the interest and bank fees are absorbed by the fund that is charged the bank fee. Interest earned by reserve bank accounts is allocated to the individual reserve accounts at the close of the year in accordance with their relative percentage of the total reserve balance.



**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Fixed Assets**

Real property and common areas acquired from the developer and related improvements in such property are not recorded in the Association's financial statements because these properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes tangible personal property and equipment to which it has title or other evidence of ownership at cost and depreciates it using the modified accelerated cost recovery system (MACRS) over a useful life of 5 or 7 years for tax purposes and it uses the double-declining balance method of depreciation for book purposes. Although the difference between book and tax depreciation methods can create a deferred tax asset or deferred tax liability, the Association does not record these accounts in its financial statements because the amounts would be temporary in nature and immaterial in amount. The Association's threshold for personal property asset recognition is \$300.

**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 disclosures 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 amounts could differ from those estimates.

**NOTE D—INCOME TAXES**

For the year ending December 31, 2018, the Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and has elected to file Form 1120-H rather than filing a corporate return on Form 1120. This means the Association will not be taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. It is, however, taxed by the federal government at a rate of 30% on nonexempt function income which includes investment income such as interest other than tax-exempt interest and revenues received from members or non-members for the rental of facilities or fees for use charged to non-members, net of related or allocable expenses. When an association files form 1120-H with the federal government, they are exempt from filing a corporate return by the State of Florida. The Association had zero tax liability on Form 1120-H for 2018.



**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE E—FUTURE MAJOR REPAIRS AND REPLACEMENTS-RESERVE FUND**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$126,733 at December 31, 2018, are held in separate bank accounts and are generally not available for operating purposes.

In June of 2015, the Association engaged an independent engineer to conduct a study to estimate the remaining useful lives and the replacement costs of the common property components. The results of this study are presented on page 13 of this report along with amounts the Association has funded by component unit through December 31, 2018. It should be noted that actual expenditures may vary from the estimated amounts and the variations may be material. Also, with respect to funding, the Association members may, on an annual basis, vote not to fully fund reserves, which was the case for both 2018 and 2019. Accordingly, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available

**NOTE F—CONTINGENT LIABILITIES AND LITIGATION**

The Association has been engaged in two lawsuits with a sub-association, Sable Cove Homeowners' Association, Inc. (Sable Cove). Sable Cove was suing the master association (Riverwood Plantation) to have Riverwood Plantation manage their subdivision. Riverwood Plantation, in turn, is suing Sable Cove for not maintaining their property.

Sable Cove vs Riverwood Plantation was adjudicated in favor of Riverwood Plantation; however, an appeal by Sable Cove may be pending. Riverwood Plantation vs Sable Cove is still ongoing. Future related costs of a settlement, if any, cannot be reasonably estimated and therefore preclude the recording of a contingent liability at December 31, 2018. The Association does maintain a site improvement reserve to help offset future unanticipated losses and expenses that would not be covered by one of the Association's Insurance policies and the Board has the power to levy a special assessment if necessary.

**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal income tax returns are open for examination under the internal revenue code for a minimum period of three years from the due date of the tax return or date of filing, whichever is later, and a maximum of six years in the case of a substantial understatement. If tax returns are not filed or contain fraudulent information, there is no statute of limitations.

**NOTE G-COMMITMENTS**

To lock in favorable prices for specific services and for budgetary control, the Association enters into short-term contracts with various outside vendors and service providers. Competitive bids are requested from selected vendors and pricing, service and other relevant factors are evaluated by the Board of Directors prior to the award and execution of any contract documents. The bidding process is carried on at various times throughout the year as current contracts expire or come up for renewal.

**NOTE H—CONCENTRATIONS OF CREDIT RISK**

At December 31, 2018, the Association did not hold cash and cash equivalents in any one financial institution in excess of federal deposit insurance limits.

The Association's major source of revenue is member assessments which are receivable from members and may be secured by a lien on their property. The Association monitors the collectability of assessments receivable and pursues collection on delinquent account when necessary. The allowance for doubtful accounts is used to value assessments receivable to estimated net realizable value and is adjusted annually when the year-end financial statements are prepared.

**NOTE I-ASSESSMENTS RECEIVABLE (NET)**

Assessments receivable (net) represents amounts due from association members as of December 31, 2018 after deducting the allowance for doubtful accounts.

At December 31, 2018, the Association had \$11,500 in delinquent assessments and fees that the Board of Director's believes will ultimately be collected. This amount is therefore reflected in the allowance for doubtful accounts as opposed to being written off as a bad debt. Of this amount, there were five accounts with balances over \$700 which totaled \$11,582.



**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE J—PREPAID INSURANCE**

In October of 2018, the Association renewed its commercial insurance policy by paying the balance in full which was \$14,065 for a full year of coverage. Accordingly, the unused portion of the policy at December 31, 2018 is recorded as prepaid insurance.

**NOTE K—FIXED ASSETS (NET)**

At December 31, 2018, fixed assets valued at cost were composed of the following:

Equipment	\$19,275
Furniture and vehicles	<u>7,755</u>
Total fixed assets	27,030
Less: accumulated depreciation (\$1 rounding adjustment)	<u>17,872</u>
Fixed assets (net)	<u>\$ 9,158</u>

Depreciation expense under the double-declining balance method totaled \$5,230 for 2018.

**NOTE L—DUE TO ALLIANCE**

The balance due to a collection agency for services rendered in a prior year is reflected in the due to alliance account. In accordance with the contract agreement, the balance due is payable if and when the funds are collected from the underlying account that were delinquent when they rendered their services.

**NOTE M—ASSESSMENTS RECEIVED IN ADVANCE**

Assessments received in advance represents amounts received from Association members in 2018 for 2019 maintenance fees.

**NOTE N—RENTAL INCOME**

Rental income was composed of the following in 2018:

Clubhouse Rental	\$ 1,800
Storage Rental	<u>5,371</u>
Total	<u>\$ 7,171</u>

**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE O—ACCRUED EXPENSES**

Accrued expenses represent expenses incurred prior to December 31, 2018 that will not be paid until 2019 and it is composed of the following:

Legal Fees	\$5,127
Pool Contract Expense	650
Water and Sewer	<u>350</u>
Total	<u>\$6,127</u>

**NOTE P—COMMON UTILITIES**

Common utilities are composed of the following in 2018:

Cable and internet	\$ 1,547
Electricity	17,546
Water/Sewer	<u>4,574</u>
Total	<u>\$23,667</u>

**Note Q—Miscellaneous Income**

Miscellaneous income includes money collected from Association members for certified mail fees and key deposits net of key deposits returned. Although key deposits are to be treated as an Association liability under generally accepted accounting principles (GAAP), the departure from GAAP is for expediency in recordkeeping and does not constitute a material misstatement of the financial statements.

**Note R— Operating Fund Repair and Maintenance Details**

Building repairs and maintenance is composed of \$410 for the alarm, \$298 for termite bond, \$255 for supplies and \$1,897 in building materials to effect repairs.

Clubhouse maintenance and repairs is composed of \$6,403 for general maintenance, \$538 for plumbing, \$1,172 for golf cart, \$760 for playground and \$5 for sports complex.

Common area maintenance includes \$4,145 for general maintenance and \$20,691 for payroll.

Other grounds maintenance includes \$3,469 for fertilizer, weed and pest control, \$1,938 for mulch, \$2,265 for plants and flowers, \$10,551 for RV/Boat area, \$3,669 for swale repair at Palmas Bay Circle and decals, \$2,158 for maintenance supplies and \$2,800 for tree trimming.

Pool repairs and maintenance includes \$7,800 for pool contract, \$279 for furniture, \$1,228 for repairs, \$230 for permits and 23,675 for new fence and lock system.

## SUPPLEMENTARY INFORMATION



**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND**  
**REPLACEMENTS (UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

In June of 2015, an independent engineer conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. (See also Note E)

The following schedule is based on the study and presents significant information about the components of the common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost (as of 06/2015)	Reserve Fund Balances December 31, 2018
Road fund	7	\$ 72,026	\$ 7,777
Clubhouse-including roof	6	156,375	52,462
Dock	36	145,962	11,108
Landscape	7	14,500	12,110
Park/sports complex	12	37,701	15,943
Pool	5	56,227	16,788
Misc. site improvements	12	38,639	10,545
		<u>\$ 521,430</u>	<u>\$ 126,733</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S  
COMPILATION REPORT



**RIVERWOOD PLANTATION HOMEOWNERS' ASSOCIATION, INC.**  
**SUPPLEMENTARY STATEMENT OF CHANGES IN RESERVE ACCOUNTS**  
**(UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Component	Fund Balance 12/31/2017	2018 Funding	Interest Allocation 2018	Authorized Expenditures 2018	Reserve Fund Balances December 31, 2018
Road fund	\$ 5,660	\$ 2,040	\$ 77		\$ 7,777
Clubhouse	29,526	5,719	371	\$ 12**	35,604
Roof	16,667		191		16,858
Dock	3,401	7,625	82		11,108
Landscape	8,183	3,812	115		12,110
Park/sports complex	6,285	9,531	127		15,943
Pool	17,107	9,531	193	\$10,043*	16,788
Contingency	3,559	6,906	80		10,545
	<u>\$ 90,388</u>	<u>\$ 45,164</u>	<u>\$1,236</u>	<u>\$10,055</u>	<u>\$ 126,733</u>

\*New fence and lock system

\*\*Bank fees allocated to account with highest interest allocation

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S  
COMPILATION REPORT