

**KINGS LAKE HOMEOWNERS  
ASSOCIATION, INC.  
NAPLES, FLORIDA  
REVIEWED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

The Board of Directors  
Kings Lake Homeowners  
Association, Inc.  
Naples, Florida

We have reviewed the accompanying financial statements of Kings Lake Homeowners' Association, Inc., which comprise the balance sheet, as of December 31, 2022, 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. 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.

**Management's Responsibility for the Financial Statements**

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

**Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance, as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion. We are required to be independent of Kings Lake Homeowners Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

**Accountants' Conclusion on the Financial Statements**

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 accordance with accounting principles generally accepted in the United States of America.

The Board of Directors  
Kings Lake Homeowners  
Association, Inc.  
Naples, Florida  
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### **Supplementary Information**

The supplementary information schedule of operating fund revenues and expenses – budget to actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion 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 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 Davis Group Audit & Attestation Services LLC*

THE DAVIS GROUP  
AUDIT & ATTESTATION SERVICES, LLC

November 18, 2023

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2022

	FUNDS		
	Operating	Replacement	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 277,892	\$ 255,010	\$ 532,902
Accounts receivable	10,034	-	10,034
Prepaid insurance	2,915	-	2,915
Prepaid expenses	8,273	-	8,273
Utility deposit	50	-	50
	<u>299,164</u>	<u>255,010</u>	<u>554,174</u>
Total assets	<u>\$ 299,164</u>	<u>\$ 255,010</u>	<u>\$ 554,174</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Assessments received in advance	\$ 246,745	\$ -	\$ 246,745
ARC deposits	8,500	-	8,500
Deferred irrigation income	1,970	-	1,970
Contract liability (assessments received in advance - replacement)	-	253,984	253,984
	<u>257,215</u>	<u>253,984</u>	<u>511,199</u>
Total liabilities	<u>257,215</u>	<u>253,984</u>	<u>511,199</u>
<b>FUND BALANCES</b>	<u>41,949</u>	<u>1,026</u>	<u>42,975</u>
Total liabilities and fund balances	<u>\$ 299,164</u>	<u>\$ 255,010</u>	<u>\$ 554,174</u>

Read Independent Accountants' Review Report.  
The accompanying notes are an integral  
part of the financial statements.

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 407,593	\$ -	\$ 407,593
Irrigation fees	21,183	-	21,183
Owner late fees and interest income	2,179	-	2,179
Attorney and legal fees	10,784	-	10,784
Application fees	375	-	375
Other income	22,012	-	22,012
Interest income	17	1,026	1,043
	<u>464,143</u>	<u>1,026</u>	<u>465,169</u>
Total revenues			
EXPENSES			
Administrative	302,379	-	302,379
Utilities	12,203	-	12,203
Buildings	18,226	-	18,226
Grounds	156,328	-	156,328
	<u>489,136</u>	<u>-</u>	<u>489,136</u>
Total expenses			
(Deficiency) excess of revenues over expenses	(24,993)	1,026	(23,967)
FUND BALANCES - January 1, 2022	85,702	-	85,702
Prior period adjustment	(18,760)	-	(18,760)
FUND BALANCES - December 31, 2022	<u>\$ 41,949</u>	<u>\$ 1,026</u>	<u>\$ 42,975</u>

Read Independent Accountants' Review Report.  
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part of the financial statements.

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance fees received	\$ 451,468	\$ 38,147	\$ 489,615
Irrigation fees received	21,183	-	21,183
Owner late fees and interest income received	2,179	-	2,179
Attorney and legal fees received	10,784	-	10,784
Application fees received	375	-	375
Miscellaneous owner income received	22,012	-	22,012
Interest income received	17	1,026	1,043
Cash paid for operating expenditures	<u>(496,947)</u>	<u>-</u>	<u>(496,947)</u>
Net cash provided by operating activities	<u>11,071</u>	<u>39,173</u>	<u>50,244</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Prior period adjustment	<u>(18,760)</u>	<u>-</u>	<u>(18,760)</u>
Net cash (used) by investing activities	<u>(18,760)</u>	<u>-</u>	<u>(18,760)</u>
Net (decrease) increase in cash	(7,689)	39,173	31,484
CASH AND CASH EQUIVALENTS - January 1, 2022	<u>285,581</u>	<u>215,837</u>	<u>501,418</u>
CASH AND CASH EQUIVALENTS - December 31, 2022	<u>\$ 277,892</u>	<u>\$ 255,010</u>	<u>\$ 532,902</u>

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
RECONCILIATION OF (DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
(Deficiency) excess of revenues	\$ (24,993)	\$ 1,026	\$ (23,967)
Adjustments to reconcile (deficiency) excess of revenues over expenses to net cash provided by operating activities:			
(Increase) in accounts receivable	(5,896)	-	(5,896)
Decrease in accounts receivable - other	21,137	-	21,137
Decrease in prepaid insurance	1,536	-	1,536
(Increase) in prepaid expenses	(8,273)	-	(8,273)
(Decrease) in accounts payable	(3,153)	-	(3,153)
(Decrease) in payroll taxes payable	(2,091)	-	(2,091)
Increase in ARC deposits	2,200	-	2,200
Increase in deferred irrigation	1,970	-	1,970
Increase in assessments received in advance	28,634	-	28,634
Increase in contract liability (assessments received in advance - replacement)	-	38,147	38,147
Total adjustments	<u>36,064</u>	<u>38,147</u>	<u>74,211</u>
Net cash provided by operating activities	<u>\$ 11,071</u>	<u>\$ 39,173</u>	<u>\$ 50,244</u>

Read Independent Accountants' Review Report.  
The accompanying notes are an integral  
part of the financial statements.

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 1 - THE ASSOCIATION**

Kings Lake Homeowners Association, Inc. (the "Association") is a statutory homeowners' organization incorporated under the laws of the State of Florida, which began operating in 1984, for the purpose of operating, preserving, and maintaining the common areas and property of the Association. The Kings Lake subdivision consists of 1,173 residential properties, on approximately 82.7 acres, located in Naples, Florida.

**NOTE 2 - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 18, 2023; the date that the financial statements were available to be issued.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General Accounting

The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and replacement expenditures.

Property and Equipment

Ownership of commonly owned real property and certain common personal property is vested directly or indirectly in the unit owners and those assets are not deemed to be severable. As a result, these commonly owned assets are not presented in the Association's financial statements.

Member Assessments and Revenue Recognition

Association members are subject to periodic assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time and recognized as collected. The performance obligations related to the reserve fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

Funds

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. The assets of the Association are maintained and classified into separate funds to account for daily operations or capital replacements.

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Funds (Continued)

The operating fund reflects the operating portion of annual assessments paid by the owners to meet various day-to-day expenditures incurred in the administration, maintenance, and operation of the Association.

The replacement fund is composed of the portion of the annual assessments designated in the budget to fund future major repairs and replacements, as further discussed in Note 9.

Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Association made no cash payments for federal income taxes and no cash payments for state income taxes during the year ended December 31, 2022.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

The Association maintains its cash and cash equivalents balances at various financial institutions located in Southwest Florida. Accounts at the commercial banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2022, \$58,696 of these balances were uninsured. The reconciled book balance, as of December 31, 2022, was \$532,902.

**NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS**

Accounts receivable - members consists of maintenance fees billed which have not been collected by the Association, as of December 31, 2022. The collectibility of the accounts receivable has been calculated under the assumption that the Association will receive one year's maintenance fee per the Florida Statute.

**NOTE 6 - FAIR VALUE MEASUREMENTS**

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)**

The Association measures the fair value of assets and liabilities, as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

*Level 2:* Inputs other than quoted market prices included with Level 1 that are observable for an asset or liability, either directly or indirectly.

*Level 3:* Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, accounts receivable, accounts payable, and other short-term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value, because of the short maturity of these instruments.

**NOTE 7 - INCOME TAXES**

The Association files its income tax return, as a homeowners' association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely, as a function of their membership in the Association. The Association is taxed at the rate of 30% on its investment income and other non-exempt function income. The Association incurred no federal and no state income tax expense for the year ended December 31, 2022.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in its filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Association's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

**NOTE 8 - ASSESSMENTS RECEIVED IN ADVANCE**

Assessments received in advance consist of unbilled maintenance fees, which were received by the Association, as of December 31, 2022.

**NOTE 9 - REPLACEMENT FUND**

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fees charged to each owner specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board, to meet the objective for which the fund was established.

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 9 - REPLACEMENT FUND (Continued)**

The following is a table of the activity in the replacement fund:

<u>Components</u>	Balance January 1, 2022	Additions To Fund	Intra-fund Transfer	Charges To Fund	Balance December 31, 2022
Irrigation pumps and motors	\$ 11,622	\$ 1,577	\$ -	\$ -	\$ 13,199
Bearcat wood chipper	3,906	-	-	-	3,906
Roads and path paving	13,068	2,311	-	-	15,379
Truck	25,978	2,804	-	-	28,782
Tennis court	5,076	-	-	-	5,076
Utility cart	-	696	-	-	696
Landscape equipment	5,150	-	-	-	5,150
Reserve	-	1,500	-	-	1,500
Lake	29,280	8,144	-	-	37,424
Signs and walls	5,094	-	-	-	5,094
Wall paint	5	2,999	-	-	3,004
Landscape improvement	17,206	4,602	-	-	21,808
Storm reserve less prior	54,245	12,535	-	-	66,780
Nature preserve	10,094	-	-	-	10,094
Kubota tractor 2200	11,537	-	-	-	11,537
JD walk behind mower	2,304	-	-	-	2,304
Pump house	23,354	979	-	-	24,333
JD tractor 2100/mower deck	(2,082)	-	-	-	(2,082)
Unallocated interest	-	1,026	-	-	1,026
	<u>215,837</u>	<u>39,173</u>	<u>-</u>	<u>-</u>	<u>255,010</u>
ASC 606 adjustment	<u>(215,837)</u>	<u>(38,147)</u>	<u>-</u>	<u>-</u>	<u>(253,984)</u>
ASC 606 adjusted balance	<u>\$ -</u>	<u>\$ 1,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026</u>

Additions to fund include \$1,026 of interest income.

During the year ended December 31, 2022, the Association funded major repairs and replacements based on the Board's estimates of current replacement costs. The 2023 statutory and approved budgeted funding is \$34,702, respectively, as shown in the unaudited supplementary information. The components' actual replacement cost, useful lives, and investment income may vary from estimated amounts and the variation 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, through its Board, has the power to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**NOTE 10 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was recorded during the current period related to prior period uncleared bank transactions.

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 11 - COMMITMENTS**

The Association currently has various contracts with vendors, including a management agreement with Southwest Property Management. The contract automatically renews, annually, unless terminated by either party, with 30 days advance notice.

**SUPPLEMENTARY INFORMATION**

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2022  
 (Unaudited)

The following table is based on estimates provided by the Board during 2022, using replacement costs and estimates from vendors, and presents significant information about the components of common property:

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2023 Approved Statutory Budgeted Funding
Irrigation pumps and motors	20 years	17 years	\$ 40,000	\$ 1,577
Tennis court	5 years	0 years	5,000	-
Roads and path paving	5 years	2 years	20,000	2,311
Truck	12 years	4 years	40,000	2,805
Utility cart	15 years	14 years	10,000	665
Landscape equipment	10 years	0 years	5,000	-
Pump house	20 years	16 years	40,000	979
JD tractor 2100/mower deck	6 years	2 years	25,000	372
Bearcat wood chipper	9 years	0 years	3,800	-
Lake	15 years	4 years	70,000	8,144
Signs and walls	7 years	7 years	20,000	2,129
Wall paint	7 years	7 years	20,000	2,428
Landscape improvement	10 years	4 years	40,000	4,798
Hurricane/emergency	10 years	5 years	100,000	6,644
Maintenance shop	10 years	10 years	20,000	1,850
Nature preserve	6 years	0 years	10,000	-
			<u>\$ 468,800</u>	<u>\$ 34,702</u>

Estimated future replacement costs are based on the assumption that the rate of interest income earned on replacement funds will be equal to the rate of inflation.

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Maintenance fees	\$ 407,590	\$ 407,593	\$ 3
Irrigation fees	25,225	21,183	(4,042)
Owner late fees and interest income	-	2,179	2,179
Attorney and legal fees	-	10,784	10,784
Mailbox/other income	1,000	-	(1,000)
Application fees	-	375	375
Other income	-	22,012	22,012
Interest income	-	17	17
	<u>433,815</u>	<u>464,143</u>	<u>30,328</u>
<b>EXPENSES</b>			
<b>ADMINISTRATIVE</b>			
Accounting	6,000	5,440	560
Bad debts	1,000	5,278	(4,278)
Bank charges	-	25	(25)
Contingency	-	413	(413)
Corporate fees	61	61	-
Insurance - commercial policy	17,800	16,960	840
Legal	10,000	37,322	(27,322)
Management fees	71,400	75,116	(3,716)
Office expense	26,413	27,849	(1,436)
On-site personnel	122,941	124,991	(2,050)
Professional fees	12,000	-	12,000
Vehicle and equipment	8,000	8,924	(924)
	<u>275,615</u>	<u>302,379</u>	<u>(26,764)</u>
<b>UTILITIES</b>			
Electricity - entry and shop	1,000	630	370
Electricity - irrigation	6,000	7,227	(1,227)
Refuse/recycling	200	-	200
Telephone	3,500	2,317	1,183
Water/sewer	500	2,029	(1,529)
	<u>11,200</u>	<u>12,203</u>	<u>(1,003)</u>

KINGS LAKE HOMEOWNERS ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -  
BUDGET TO ACTUAL - (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>BUILDINGS</b>			
Building/sign maintenance/pressure clean	3,300	17,834	(14,534)
Contingency	4,000	392	3,608
Total buildings	7,300	18,226	(10,926)
<b>GROUNDS</b>			
Christmas decoration	2,000	2,876	(876)
Diesel	-	178	(178)
Entry wall maintenance	-	21,818	(21,818)
Equipment purchase	-	368	(368)
Fountain maintenance	-	495	(495)
Hurricane	-	11,713	(11,713)
Irrigation maintenance and repair	2,000	4,150	(2,150)
Lake maintenance	32,000	22,067	9,933
Landscape contract	50,000	50,680	(680)
Landscape maintenance	14,000	2,894	11,106
Landscape replacement	30,000	21,626	8,374
Lighting repairs	-	155	(155)
Mailbox replacement	1,000	(556)	1,556
Miscellaneous repairs and maintenance	-	142	(142)
Preserve and fence maintenance	500	969	(469)
Pump maintenance contract	4,000	1,285	2,715
Seasonal decorations	-	660	(660)
Small equipment purchase	1,000	900	100
Storage container lease	2,700	3,611	(911)
Tennis court repair	500	732	(232)
Tree trimming	-	9,565	(9,565)
Total grounds	139,700	156,328	(16,628)
Total operating fund expenses	433,815	489,136	(55,321)
(Deficiency) of revenues over expenses	\$ -	\$ (24,993)	\$ (24,993)