

**The Village at Flowers Plantation, Inc.**

**Financial Statements And  
Supplementary Information**

**December 31, 2018**

**The Village at Flowers Plantation, Inc.**  
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**December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Village at Flowers Plantation, Inc.

### *Report on the Financial Statement*

We have audited the accompanying balance sheet of The Village at Flowers Plantation, Inc. as of December 31, 2018, and the related notes.

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

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the balance sheet referred to in the first paragraph presents fairly, in all material respects, the financial position of The Village at Flowers Plantation, Inc. as of December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

*Disclaimer of Opinion on Statements of Revenue, Expenses and Changes in Fund Balances and Cash Flows*

Because we were not engaged to audit the statements of revenue, expenses and changes in fund balances, and cash flows, we did not extend our auditing procedures to enable us to express an opinion on results of operations and cash flows for the year ended December 31, 2018. Accordingly, we express no opinion on the results of operations and cash flows for the year ended December 31, 2018.

*Disclaimer of Opinion on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 9 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Raleigh, NC

January 31, 2020

**The Village at Flowers Plantation, Inc.**  
**Balance Sheet**  
**December 31, 2018**

	Operating Fund	Replacement Fund	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 45,623	\$ 514,948	\$ 560,571
Assessments Receivable	189	4,500	4,689
Due from Flowers Plantation Foundation, Inc.	40,346		40,346
Total Current Assets	86,158	519,448	605,606
<b>TOTAL ASSETS</b>	<b>\$ 86,158</b>	<b>\$ 519,448</b>	<b>\$ 605,606</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Current Liabilities			
Fund Balances	86,158	519,448	605,606
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 86,158</b>	<b>\$ 519,448</b>	<b>\$ 605,606</b>

See accompanying notes to financial statements.

**The Village at Flowers Plantation, Inc.**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Balances**  
**For the Year Ended December 31, 2018**  
**(Unaudited)**

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Assessment Income	\$ 136,846	\$ 165,000	\$ 301,846
Street Fund Assessments		26,500	26,500
Interest Income		640	640
Total Revenues	136,846	192,140	328,986
<b>EXPENSES</b>			
General and Administrative			
Management Fees	20,004		20,004
Insurance	2,030		2,030
Professional Fees	1,306		1,306
Other General and Administrative	377		377
Total General and Administrative	23,717		23,717
Common Area Expenses			
Grounds Maintenance	77,772	27,915	105,687
Gatehouse & Paving Maintenance	18,543		18,543
Utilities	34,180		34,180
Total Common Area Expenses	130,495	27,915	158,410
Total Expenses	154,212	27,915	182,127
Excess (Deficit) of Revenues over Expenses	(17,366)	164,225	146,859
<b>FUND BALANCES</b>			
Beginning	103,524	355,223	458,747
Ending	\$ 86,158	\$ 519,448	\$ 605,606

See accompanying notes to financial statements.

**The Village at Flowers Plantation, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**  
**(Unaudited)**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (Deficit) Revenues over Expenses	\$ (17,366)	\$ 164,225	\$ 146,859
Adjustments to Reconcile Excess (Deficit) to Net Cash Provided by (Used in)			
Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	231	(4,500)	(4,269)
Due from Flowers Plantation Foundation, Inc.	10,064		10,064
Increase (Decrease) in:			
Assessments Paid in Advance	0		0
<b>Total Adjustments</b>	<b>10,295</b>	<b>(4,500)</b>	<b>5,795</b>
<b>Net Cash Provided By (Used in)</b>			
Operating Activities	(7,071)	159,725	152,654
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal Payments on Borrowings	(25,581)		(25,581)
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>(25,581)</b>		<b>(25,581)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(32,652)</b>	<b>159,725</b>	<b>127,073</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning	78,275	355,223	433,498
Ending	\$ 45,623	\$ 514,948	\$ 560,571

See accompanying notes to financial statements.

The Village at Flowers Plantation, Inc.  
Notes to Financial Statements  
December 31, 2018

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NOTE A - NATURE OF ORGANIZATION

The Village at Flowers Plantation, Inc. was incorporated on December 30, 2005 in the State of North Carolina. The Association is a non-profit corporation and part of Flowers Plantation, which is a 3,500-plus acre mixed use, master planned community. The Association is responsible for the operation and maintenance of common property within the development. The development consists of residential and commercial units and/or lots located in Clayton, North Carolina.

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 January 31, 2020, the date that the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 operations of the Association.

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

Property and Equipment - The Association capitalizes all property and equipment (other than that acquired from the developer) to which it holds title or has other evidence of ownership. Real property owned by individual unit owners in common and improvements made by the Association to such property are not capitalized in the financial statements.

Property and equipment acquired by the Association is recorded at cost. Property contributed to the Association by the developer has not been reflected in the Association's financial statements. The assets are depreciated over their tax recovery class life (which does not differ materially from their estimated useful lives) using an accelerated method of depreciation.

Interest Income - Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Member Assessments - Residential and commercial units at The Village at Flowers Plantation, Inc. are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements to common areas. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the Association for use in future years.



The Village at Flowers Plantation, Inc.  
Notes to Financial Statements  
December 31, 2018

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NOTE D - INCOME TAXES

Homeowners' associations may make an annual election to be taxed as a regular corporation or as a homeowners' association. The Association has elected to be taxed as a homeowners' association in accordance with Internal Revenue Code Section 528 for the year ended December 31, 2018. Under that election, the Association is taxed on its nonexempt function income, such as interest income, less related expenses, at a Federal rate of 30% and at regular state corporate rates. Exempt function income, which consists primarily of members assessments, is not taxable. The tax expense for the year ended December 31, 2018 was: Federal \$0.00; North Carolina \$0.00.

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated replacement funds, which aggregate \$519,448.00 at December 31, 2018, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the replacement fund.

The Board of Directors has determined the remaining useful lives of the common property components and current estimates of costs of major repairs and replacements that may be required in the future. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the current replacement costs, considering amounts previously accumulated in the Capital Reserve Fund. Actual expenditures may vary from the estimated amounts in the study and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

NOTE F - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at a financial institution located in Clayton, North Carolina. Accounts are secured by the Federal Deposit Insurance Corporation up to \$250,000.00. At December 31, 2018, the Association's uninsured cash balances totaled \$310,571.00.

NOTE G - STATEMENT OF CASH FLOWS

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Supplemental Disclosure of Cash Flow information - Cash paid during the year for income taxes was \$0.00 and for interest was \$0.00.

NOTE H - RELATED PARTY TRANSACTIONS

The records and management of the Association are handled by DWF Development, Inc., which is a corporation owned by the Declarant. Management fees paid to DWF Development, Inc. totaled \$20,004.00 for the year ended December 31, 2018.

The Village at Flowers Plantation, Inc.  
Notes to Financial Statements  
December 31, 2018

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NOTE I - DUE FROM FLOWERS PLANTATION FOUNDATION, INC.

In 2017, it was discovered that the electric utility company had been erroneously billing The Association for certain street lights along the eastern portion of East Neuse River Parkway. The lights belonged to Flowers Plantation Foundation, Inc. The billing error occurred in 2007 with the result that The Association has paid a portion of the Foundation's utility expense totaling \$54,604.01. The Foundation began repaying the Association for this billing error when it was discovered in late 2017. As of December 31, 2018, the Foundation still owes the Association \$40,346.00.

**The Village at Flowers Plantation, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
**(Unaudited)**  
**December 31, 2018**

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The Association's Board of Directors has determined the remaining useful lives and the replacement costs of the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life(Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Reserve Fund Balance at December 31, 2018</u>
Berm rotations	1 - 5	\$ 235,234	\$ 122,377
Pedestrian Trails	5 - 7	no estimate yet	100,315
Street resurfacing	1 - 5	726,409	296,756
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Grand Total		\$ 961,643	\$ 519,448
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