



PINEAPPLE PLANTATION POA

July 26, 2023 Board Meeting

TREASURER'S REPORT &

MAY 2023 FINANCIAL STATEMENTS

TREASURER'S REPORT FOR MAY FINANCIAL STATEMENTS

GIVEN AT THE JULY 26, 2023 BOARD MEETING

May 2023 Financial Statements

Balance Sheet Review:

Operating Funds: The May balance sheet continues to look strong. Members continued to pay the 2nd quarter Maintenance Fee which reduced accounts receivable (A/R) and increased Prepaid Maint. Fees. The operating cash balance is strong at \$208,135. For additional A/R information see Delinquent Accounts below. Receivable Other represents the Cable Revenue Sharing owned to the POA from Comcast. The POA accrues \$2,417 per month and Comcast pays quarterly (about 2 months after the end of the quarter). In May, the first quarter payment from Comcast was received, \$7,210, and was more than we accrued for. Prepaid Expenses relate mainly to two items: (1) the fertilizer, pest and weed control vendor's annual prepaid contract and (2) the annual insurance premiums paid in advance. Additionally, there is a \$4,155 refund due from a vendor that is booked in Prepaids.

Accrued Expenses include legal invoices that were not received in time to be processed into A/P (\$2,305) and the accrual for funds owed to the Cable Consultant (\$1,304).

Owners' equity fund balance (operating surplus) is strong at \$155,564, up YTD by \$4,707.

Reserve Funds: Most of the reserve cash is invested in CDs with Merrill (\$638,000) making about 4% annually. The POA is currently funding the reserves at a rate of \$72,027 per year or \$6,002.25 monthly. YTD expenditures of \$9,456 all relate to the grinding of the sidewalks to make them safe. There is \$20,804 of cash that is not invested because these funds are earmarked for the expenditures to complete the playground. See the detail reserve page for more information.

Operating Statement Reformat:

The Income Statement has been reformatted to improve the comparison of actual operations vs. the budget. The Prior Year (PY) Operating Surplus used to balance the Budget was pulled out and moved below the Operating Contribution line. That is just a Budget number and there will never be an actual number. The POA documents allow Operating Surpluses (Fund Equity) to be used to reduce future Annual Assessments. In the 2023 Budget, \$23,900 of prior Operating Surplus was used to offset expenses so that the Annual Assessment did not have to be increased. Additionally, the Reserve Funds billing and transfer amounts were pulled out and placed below the Operating Contribution line. These are Reserve Fund activities and should not be in the Operating Statement.

Operating Statement Review:

For the month of May, there was an Operating Contribution of \$1,862 and YTD the Contribution is \$4,707. Revenues are at Budget for the month and YTD. Total expenses are at budget for May and are under budget by \$8,664 YTD. The resulting Operating Contribution for May is at Budget; however, for YTD it is \$8,478 better than budget.

Professional fees are over budget in May due to legal charges for December 2022 just being billed on a May invoice. As noted last month, historically electrical invoices were not being classified correctly between street lighting and irrigation. Electric invoices for irrigation were being charged to street lighting; therefore, irrigation electricity was low, and streetlights were high. That was corrected in April and as a result, Street Utilities will be under budget and Irrigations Utilities will be over budget for the rest of the year.

YTD Professional Fees will be over budget due to booking the final payment for the 2022 reserve study, \$1,100, in 2023 when it should have been accrued in 2022. Supplies and Postage are over budget by \$3,112 mainly due to the 2023 budget being reduced by 45% as compared to the 2022 actual expense even with postal rates increasing and high inflation. YTD Security is over budget by \$1,200 due to about \$1,400 of 2022 invoices being booked in 2023 instead of 2022. Several of the current year's expenses are over budget because the monthly budget amounts are based on the Annual Budget divided by 12, so the timing of the actual expenditures vs. budget differs.

The Lake/Preserve Maintenance vendor quit back November 2022. We are still looking for a new vendor and it is hoped they will start September 1, 2023. Based on vendor quotes so far, the costs for these services are going to be significantly higher than what was paid in the past. Since there are no actual expenses for 2023, YTD the POA is under budget by \$7,701 for Lake & Preserve Maintenance. We have moved the budget amounts for April, May, and June to December since no service is being provided.

Delinquent Accounts: As of **June 30, 2023**, the account receivable balance was \$11,254 and the 90 day balance is \$8,789 or 78.1% of total A/R. Six (6) delinquent accounts make up 97% or \$8,489 of the 90 day balance. All six (6) of the accounts are with the attorney and 4 have liens on their property. Two accounts have agreed to payment plans which will have the account paid by yearend. Collection efforts will continue with the rest of the delinquent accounts.

Collection Process: If Assessment Billing is not paid within 15 days, a late fee of \$25.00 and interest at 18% annual rate will be charged to an owner's account. Once an owner's account is 30 days old, a Courtesy Notices will be sent as a reminder to the owner to make a payment. If the account is still outstanding after 60 days, a Final Notice will be sent requesting payment and informing the owner his/her account will be turned over to the Attorney if payment is not received. At 90 days, a certified letter will be sent from the Attorney requesting payment and informing the owner that if payment is not received in 45 days a lien will placed on the home

and foreclosure proceeding may start. The first letter from the Attorney currently costs \$175.00 and filing a lien cost \$475.00. Both of these legal fees and any other fees incurred will be charged to the owner's account.

Owners need to keep their account current to avoid the late fees and high Attorney fees. If you get a letter from the POA concerning your account, respond to it. If you are experiencing temporary financial issues give the POA a call, within reason we will work with you. The best way to keep track of your account is to get on TOPs which allows owners to see their account activity and make payments. And yes, the POA does accept credit cards.

Remember the Annual Assessment is billed quarterly – January 1, April 1, July 1, and October 1. The current quarterly assessment is \$199.00. The Annual Assessment is determined by the annual budget and notice of the new Assessment is provided in December every year.

Cable Revenue Sharing:

May Report: The consultant is still talking with Comcast to see if a contract renewal can be reached. Currently, it appears that QXC is the only viable alternative option. Additional investigation has to be completed before a decision can be made.

April Report: For 10 years, the POA has had an agreement with Comcast to share in the revenue Comcast generates from homeowners. Currently, the POA gets 6% of the revenue from cable services and 4.25% from internet services. Comcast has 64% of the homes using its cable service and 50% using its internet service. This agreement has generated about \$28,000 annual revenue to the POA. The POA pays 25% of that revenue to the cable consultant that negotiated the contract with Comcast. This \$7,000 annual consultant fee reduces the net income from cable revenue sharing to \$21,000. The contract with Comcast ends on December 31, 2023, and the POA has been told that Comcast will not continue the revenue sharing. This means that the POA will be losing \$21,000 of net income starting in 2024 and going forward. That would cause the quarterly Assessment amount per homeowner to increase by \$10. The POA has reached out to the consultant to investigate if there are any other cable/internet service providers that would be interested in servicing the community. The consultant has identified two providers with interest. Both providers offer fiber-based platforms with a full range of services containing various options - channel lineups, DVR, internet speeds, phone, equipment, and numerous add-ons. The homeowner can pick and choose from the provider services and use their own equipment or purchase/rent equipment from the provider. The POA would receive a one-time payment based on the 556 homes and a revenue sharing payment from both providers in exchange for an exclusive 10 to 12 year marketing contract. If the POA goes with one of these companies, the provider would have to dig up the community to install the fiber to central hubs and then it would run fiber to the homes purchasing its service (like what AT&T did). Homeowners would not have to switch; they can stay with their current provider. One company is from out of state, and we have not received their information. The other is out of the Boca area, QXC, and for a 12 year agreement the POA would receive a one-time \$200 fee per home (\$111,200 = \$200x556) and 4% revenue sharing after a 90 day waiting period. Again 25% of all payments received by the POA would have to be paid to the consultant. Reviewing

QXC's information they have: (1) TV service with 51 channels for \$60 & 72 channels for \$70 with local channels added for \$35, (2) internet speeds 200, 300, and 500 mbps for \$60, \$80, and \$100, and (3) phone service of 2,000 minutes for \$20. For example, 72 channels, local channels and 300 mbps internet would cost \$185 plus equipment, taxes and fees. There are numerous sports, movies, and other package add-ons available too. The TV service includes one stream (TV connection), additional streams cost \$5 per stream. Equipment is extra based on what the homeowner needs. And as always, taxes and fees are extra. The Board has additional information to obtain and review from the providers as well as getting input from the homeowners before a decision can be made.

717 NW Waterlily Place Damage Claim: Around July 18, 2023, Kevin Beers received an email from the homeowner at 717 Waterlily stating that roots from a tree on POA common area significantly damaged his pool. He had reached out to Mike P, Property Manager, back in November 2022 and made the damage claim. Mike P. met with the owner a couple of times and had the tree removed. Several months had gone by with no follow up from the POA, thus the owner reached out to Kevin Beers. On July 21, 2023, Kevin Beers and Ron M went to the home and met with the owner and examined pool/patio condition. The pool was not damaged, but a couple of coping tiles are chipped, and the patio is uneven. The owner placed a windstorm claim with his insurance company and received a payment. His insurance company had a structural engineer perform an investigation. The engineer's reports stated the damage to the patio and coping was caused by the edge of the patio sinking. Florida common law provides that a property owner of a healthy tree (POA) does not owe a duty to remove or trim tree branches or roots that encroach onto neighboring properties and does not recognize a cause of action for negligence or nuisance for failure to do so. Therefore, the POA is not liable for the damage caused to the homeowner's pool deck and coping tile. This determination was discussed with and confirmed by the POA's insurance broker, RV Johnson. Ron M. will provide the homeowner with a written reply from the POA stating it is not liable for the damages.

Renewal of the POA's D&O and Crime Insurance Policy: The D&O and Crime policy is with Travelers and expires on Sept. 01, 2023. The coverage is \$1,000,000 for D&O and \$500,000 for Crime with deductibles of \$1,000 per Director for D&O and \$5,000 for Crime. Working with our broker, RV Johnson, the renewal came in \$47 or 1.3% higher than the current premium. The new premium is \$3,600.88 payable in a lump sum. Treasurer recommends renewing the policy with Travelers at a premium of \$3,600.88.

**PINEAPPLE PLANTATION POA
BALANCE SHEET**

May 2023

	Current Month Operation	Current Month Reserve	Current Month Total	Prior Month Total	Net Change
Assets					
Cash	208,135	20,804	228,939	250,527	(21,588)
Reserve Investment - Merrill	-	638,000	638,000	638,000	-
Unrealized Gain (Loss)	-	(17,879)	(17,879)	(15,129)	(2,750)
Investments, Net	-	620,122	620,122	622,872	(2,750)
Accounts Receivables, Owners	21,085	-	21,085	26,312	(5,227)
Allowance for Bad Debts	(5,933)	-	(5,933)	(5,933)	-
Accounts Receivables, Net	15,152	-	15,152	20,379	(5,227)
Receivable, Other	(1,994)	4,783	2,789	6,784	(3,995)
Prepaid Expenses	18,039	-	18,039	19,234	(1,195)
Total Assets	239,331	645,709	885,040	919,795	(34,755)
Liabilities & Equity					
Accounts Payables	543	-	543	-	543
Accrued Expenses	3,609	-	3,609	14,530	(10,921)
Prepaid Maint. Fees	41,966	-	41,966	35,763	6,203
Unearned Maint. Fees	37,649	-	37,649	74,147	(36,497)
Total Liabilities	83,767	-	83,767	124,439	(40,672)
Equity & Fund Bal.	155,564	645,709	801,272	795,355	5,917
Total Liabilities & Equity	239,331	645,709	885,039	919,794	(34,755)

- [A]** POA invested reserve cash into CD's with Merrill. see note below.
- [B]** A/R balances over 90 days total \$13,247 or 63% of total A/R. There are 10 owners that make up 97% of the 90 day balance and collection efforts have been started.
- [C]** Prepaid expenses consists mainly of annual pest & fertilizer services and insurance premiums.
- [D]** A/P and Accrued Expenses will depend on the timing of invoice receipt, processing and payment.
- [E]** Prepaid Maint. Fees represents future quarterly Maint. Fees that owners have already paid.

Reserve Fund Investment: The \$638,000 reserve funds were invested as follows: 23% in CD's with a term of one (1) year or less and 77% in CD's with a term of 4 to 5 years. Overall, the account is providing a yield of just over 4%. Note that Generally Accepted Accounting Principles (GAAP), require the CD investment to be recorded at market value. That means a monthly adjustment will need to be made to bring the G/L balance in line with the market value. This adjustment will be recorded as Unrealized Gain (Loss). Remember this is just a bookkeeping entry unless the POA sells a CD before its maturity date.

**PINEAPPLE PLANTATION POA
STATEMENT OF OPERATIONS**

<u>This Month Actual</u>	<u>This Month Budget</u>	<u>Fav (unfav) Variance</u>	<u>This Month Prior Year</u>	<u>May 2023</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Fav (unfav) Variance</u>	<u>YTD Prior Year</u>	<u>Budget Total Year</u>
Revenue									
30,495	30,495	0	30,694	Maintenance Fees	153,645	152,475	1,169	153,469	365,941
2,417	2,417	0	7,173	Cable Access Fees	12,083	12,083	(0)	13,915	29,000
587	790	(203)	6	Late Fees & Other	2,596	3,952	(1,355)	162	9,484
33,499	33,702	(203)	37,873	Total Revenues	168,324	168,510	(186)	167,546	404,425
Expenses									
6,250	6,250	0	5,788	Management Services	31,250	31,250	0	28,945	75,000
3,249	1,848	(1,401)	3,000	Professional Fees	12,436	9,242	(3,194)	8,695	22,181
969	1,061	91	1,468	Insurance	4,846	5,303	457	3,958	12,728
117	467	350	2,100	Supplies, Postage & Website	5,446	2,333	(3,112)	8,204	5,600
470	417	(53)	70	Misc. Expenses	(884)	2,083	2,967	485	5,000
258	547	289	394	General R&M	2,851	2,733	(118)	2,858	6,560
2,850	4,037	1,188	4,186	Street Utilities	18,325	20,186	1,861	17,993	48,447
6,009	7,917	1,908	6,143	Landscape Services	38,058	39,583	1,525	34,721	95,000
10,227	8,724	(1,503)	5,641	Irrigation Utilities/R&M	41,841	43,618	1,777	36,481	104,684
782	1,167	384	1,145	Lake/Preserve/Stormwater Mgt.	7,414	15,115	7,701	10,763	51,125
456	167	(289)	376	Security	2,034	833	(1,200)	564	2,000
31,637	32,600	963	30,309	Total Expenses	163,618	172,281	8,664	153,667	428,325
1,862	1,102	760	7,564	Operating Contribution	4,707	(3,771)	8,478	13,879	(23,900)
0	1,992	(1,992)	0	PY Ops Surplus Used for Shortfall	0	9,958	(9,958)	0	23,900
6,002	6,002	0	6,002	Reserve Fees	30,011	30,011	0	30,011	72,027

Professional Fees include legal, accounting, tax, reserve study, and cable consulting expenditures. The largest being legal.

General R&M expenses included payroll cost for Advantage's maintenance person and other costs which do not fit another category.

Landscape Services include mowing, edging, shrubbery & tree trimming, mulch, weed control, pest control, and fertilization.

Irrigation includes the purchase of gray water from Martin County, repairs & maintenance, and electric for the equipment.

The largest item is the gray water which is budgeted at \$66,000 for the year. The irrigation system and piping is getting older and as such, R&M costs have increased. 2023 Irrigation R&M budgeted amount is \$34,000.

**PINEAPPLE PLANTATION POA
RESERVE STUDY ROLLFORWARD
As of May 2023**

2023 Annual funding:	\$72,027
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	<u>ROADS, CURBS & SIDEWALKS</u>	<u>WALLS, FENCES & GATES</u>	<u>Landscape</u>	<u>INFRASTRU CTURE</u>	<u>WATER SYSTEMS</u>	<u>DRAINAGE</u>	<u>RECREATION</u>	<u>Common Other</u>	<u>Sub-Total</u>	<u>Interest</u>	<u>Unrealized Gain (loss)</u>	<u>Total</u>
Beg. Bal Jan. 1	223,675	6,904	8,193	20,222	10,000	0	0	349,546	618,540	19,713	0	638,253
Funding								30,011	30,011	4,783	(17,884)	16,910
Transfer									0			0
Expenditure -								(9,456)	(9,456)			(9,456)
Expenditure -									0			0
Adjustment			1						1			1
End. Bal Feb. 28	223,675	6,904	8,194	20,222	10,000	0	0	370,101	639,096	24,496	(17,884)	645,708
Replacement Costs	4,186,000	80,000	20,000	78,000	195,000	1,049,000	76,000	0	5,684,000 (per 2022 Study)			
Est. Useful life	20 to 55 Yrs.	8 to 30	various	30	10 to 20	60	20	various				
Est. Remaining Life	5 to 32 Yrs.	7	various	7	12	37	20	various				

The 2023 Reserve funding (\$72,027) was based on a 2017 Reserve Study which determined the POA Estimated Replacement Costs to be \$1,666,000. The Board updated the Reserve Study in 2022, unfortunately it was received after the 2023 Budget was approved. The 2022 Study estimated the Replacement costs to be \$5,664,000. This \$4,000,000 increase in Replacement Costs is attributed to improved practices by the firm performing the Study and the significant escalation of construction material costs experienced since 2020. This increase in the Replacement Costs impacts the suggested future Reserve funding which is now at \$149,000 vs. the current \$72,027. If the Reserve funding was raised to \$149,000 it would cause an increase of \$35 to the quarterly assessment. The quarterly assessment would go from \$199 to \$234. The Study also analyzes what the POA's Reserve balance should be based on the estimated useful life and the remaining life. The POA's actual Reserve balance is compared to the estimated value to determine the POA's reserve funded percentage. Industry standards say that the Funded percentage should be at a minimum 30%; however, best practices indicate the percentage should be 50% to 70%. Our POA Funded percentage is at 22%. To achieve a 30% funding percentage additional reserves of \$220,000 would be required. To get to 50% funded, \$800,000 additional reserve funds would be needed. This does not mean that we need to actual generate these additional funds. It is just an indication of the financial strength of the POA to meet its future capital needs. All of this was one of the reasons the Board invested the Reserve funds to increase the interest earned. The Board will be discussing Reserve balances and funding over the next several months. Expenditures in 2023 related to the griding of the sidewalks to make them safe.