

**VILLAGE WALK SOUTH OF VERO BEACH  
HOMEOWNERS ASSOCIATION, INC.**

**Financial Statements and Supplemental Information  
with  
Accountants' Compilation Report**

December 31, 2007  
(With Comparative Totals for 2006)



## Table of Contents

	<b>Page</b>
<b>Accountants' Compilation Report</b> .....	2
<b>Financial Statements:</b>	
Balance Sheet .....	3
Statement of Revenues and Expenses and Changes in Operating Fund Balances.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6 - 7
<b>Supplemental Information:</b>	
Schedule of Operating Fund Revenues and Expenses.....	9 - 10
Schedule of Changes in Replacement Fund Balances .....	11
Supplemental Information on Future Major Repairs and Replacements.....	12





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## Accountants' Compilation Report

To the Board of Directors  
Village Walk South of Vero Beach Homeowners Association, Inc.  
Vero Beach, Florida

We have compiled the accompanying balance sheet of Village Walk South of Vero Beach Homeowners Association, Inc. as of December 31, 2007, and the related statements of revenues and expenses and changes in operating fund balances and cash flows for the year then ended, and the accompanying supplementary information contained in the schedules of operating fund revenues and expenses, which is presented only for supplementary analysis purposes, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The supplementary information on future major repairs and replacements on page 12 is not a required part of the basic financial statements, but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

As more fully explained in Note 4 to the financial statements, the owners have voted to only partially adopt the funding recommendations of a study conducted to determine current estimates of future major repairs and replacements required.

*O'Haire, Kmetz, Nuttall, Elwell & Co.*

O'Haire, Kmetz, Nuttall, Elwell & Co., chartered  
Certified Public Accountants

February 22, 2008

**Village Walk South of Vero Beach Homeowners Association, Inc.**  
 Balance Sheet  
 December 31, 2007  
 (With comparative totals for 2006)

	2007				2006
	Operating Fund	Replacement Fund	Capital Fund	Total	Total (memo only)
<b>Assets</b>					
Cash	\$ 63,098	\$ -	\$ -	\$ 63,098	\$ 58,691
Assessments receivable	3,790	-	-	3,790	1,801
Prepaid insurance	2,947	-	-	2,947	1,501
Interfund borrowings	(50,407)	24,407	26,000	-	-
	\$ 19,428	\$ 24,407	\$ 26,000	\$ 69,835	\$ 61,993
<b>Liabilities and Fund Balance</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 4,205
Income tax payable	161	-	-	161	-
	161	-	-	161	4,205
<b>Fund Balance</b>	19,267	24,407	26,000	69,674	57,788
	\$ 19,428	\$ 24,407	\$ 26,000	\$ 69,835	\$ 61,993

See accountants' compilation report and accompanying notes to financial statements.

**Village Walk South of Vero Beach Homeowners Association, Inc.**  
**Statement of Revenues and Expenses and Changes in Operating Fund Balances**  
**Year ended December 31, 2007**  
**(With comparative totals for 2006)**

	2007				2006
	Operating Fund	Replacement Fund	Capital Fund	Total	Total (memo only)
<b>Revenues</b>					
Regular assessments	\$ 149,490	\$ 12,384	\$ -	\$ 161,874	\$ 131,696
Special assessment	-	-	-	-	13,200
Capital contributions	-	-	-	-	21,000
Interest and other income	2,492	-	-	2,492	2,203
	151,982	12,384	-	164,366	168,099
<b>Expenses</b>					
General and administrative	40,017	-	-	40,017	25,384
Building operations	13,674	-	-	13,674	11,159
Grounds and maintenance	81,509	-	-	81,509	56,066
Recreational facilities	4,453	-	-	4,453	4,551
Utilities	11,143	-	-	11,143	14,354
Miscellaneous	1,684	-	-	1,684	9,268
	152,480	-	-	152,480	120,782
<b>Excess (deficit) of revenues over expenses</b>	(498)	12,384	-	11,886	47,317
<b>Fund Balance, beginning of year</b>	19,765	12,023	26,000	57,788	10,471
<b>Fund Balance, end of year</b>	\$ 19,267	\$ 24,407	\$ 26,000	\$ 69,674	\$ 57,788

See accountants' compilation report and accompanying notes to financial statements.

**Village Walk South of Vero Beach Homeowners Association, Inc.**  
Statement of Cash Flows  
Year ended December 31, 2007  
(With comparative totals for 2006)

	2007				2006
	Operating Fund	Replacement Fund	Capital Fund	Total	Total (memo only)
<b>Cash flows from operating activities:</b>					
Assessments collected	\$ 147,501	\$ 12,384	\$ -	\$ 159,885	\$ 99,455
Capital contributions collected	-	-	-	-	21,000
Interest and other income received	2,492	-	-	2,492	2,203
Cash paid for expenditures	(157,970)	-	-	(157,970)	(117,559)
Net cash provided by (used for) operating activities	(7,977)	12,384	-	4,407	5,099
<b>Cash flows from financing activities:</b>					
Interfund borrowings	12,384	(12,384)	-	-	-
Net increase in cash	4,407	-	-	4,407	5,099
Cash, beginning of year	58,691	-	-	58,691	53,592
Cash, end of year	\$ 63,098	\$ -	\$ -	\$ 63,098	\$ 58,691
<b>Reconciliation of excess (deficit) of revenues over expenses to net cash provided by (used for) operating activities:</b>					
Excess (deficit) of revenues over expenses	\$ (498)	\$ 12,384	\$ -	\$ 11,886	\$ 47,317
Adjustments:					
(Increase) decrease in:					
Assessments receivable	(1,989)	-	-	(1,989)	432
Prepaid insurance	(1,446)	-	-	(1,446)	3,714
Due to developer	-	-	-	-	(40,588)
Increase (decrease) in:					
Accounts payable	(4,205)	-	-	(4,205)	(491)
Prepaid assessments	-	-	-	-	(5,285)
Income tax payable	161	-	-	161	-
Net cash provided by (used for) operating activities	\$ (7,977)	\$ 12,384	\$ -	\$ 4,407	\$ 5,099

See accountants' compilation report and accompanying notes to financial statements.

**Village Walk South of Vero Beach Homeowners Association, Inc.**  
Notes to Financial Statements

**Note 1 – Nature of Organization**

Village Walk South of Vero Beach Homeowners Association, Inc. (the Association) was incorporated under the laws of the State of Florida on May 16, 2002. The Association is responsible for the operation and maintenance of the common property of the development, which consists of 102 lots located in Vero Beach, Florida.

**Note 2 – Summary of Significant Accounting Policies**

**Accounting Policies**

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 capital replacements.

The operating fund reflects the operating assessments paid by lot owners to meet the regular, recurring costs of operation. Expenditures of this fund are limited to those connected with the day-to-day operations and the replacements, major repairs and the purchase of additional commonly owned assets for which no replacement fund component has been established. The income and expenses of the Association are allocated to lot owners based on the number of lots.

The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements and major repairs of certain commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

The Association requires an initial purchaser to pay a one time working capital contribution of \$1,000. Working capital contributions are held in a separate capital fund.

The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

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

**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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Note 3 – Income Taxes**

The Association has elected to be treated as a corporation for income tax purposes. Under this provision the Association is subject to a 15% tax on income, which is excluded from exempt function income if certain elections are made. The Association is also liable for a State of Florida income tax of 5.5% on all taxable income in excess of \$5,000. Taxable income is the Association's interest income and certain other nonexempt income.

**Village Walk South of Vero Beach Homeowners Association, Inc.**  
Notes to Financial Statements (continued)

**Note 4 – Future Major Repairs and Replacements**

The Association accumulates funds for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

In connection with preparing the budget, the Board of Directors had a study conducted on January 22, 2008, to estimate the remaining useful lives and the replacement costs of the components of common property. When applicable, estimates were obtained from licensed contractors who inspected the property. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The funding program was included in the proposed budget for 2008, which will be presented to the unit owners. The Board of Directors has voted to fund in 2008 less than the full funding noted on the budget. Accordingly, a partial-funding requirement of \$12,384 has been included in the proposed 2008 budget. For that reason, and because actual expenditures may vary from estimated future expenditures and the variations may be material, 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 to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Note 5 – Potential Litigation**

The Association is considering bringing a claim against the developer and the developer's engineer in a matter related to their storm water system. Florida Statutes require the Association to put litigation in excess of \$100,000 to a membership vote. The Board has notified all members of same and will put the vote to membership at a special meeting. Due to the uncertainty of the outcome, no provisions have been included in these financial statements.



**SUPPLEMENTAL INFORMATION**



**Village Walk South of Vero Beach Homeowners Association, Inc.**  
Schedule of Operating Fund Revenues and Expenses

Year ended December 31,	2007			2006
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Regular assessments	\$ 149,490	\$ 149,490	\$ -	\$ 119,673
Special assessment	-	-	-	13,200
Interest and other income	2,492	-	2,492	2,203
	151,982	149,490	2,492	135,076
<b>Expenses</b>				
<b>General and Administrative:</b>				
Accounting fees	1,800	1,200	(600)	200
Bank charges	8	-	(8)	12
Corporate/condominium fees	61	61	-	61
Insurance	2,810	7,500	4,690	5,984
Legal services	19,030	7,000	(12,030)	296
Management contract fees	15,708	17,136	1,428	17,143
Office supplies, postage and copies	439	1,500	1,061	1,688
Income taxes	161	300	139	-
	40,017	34,697	(5,320)	25,384
<b>Building Operations:</b>				
Building maintenance	1,407	2,000	593	1,627
Cleaning labor	1,650	1,200	(450)	875
Contractor repairs	10,617	5,000	(5,617)	7,482
Gate/entry phones	-	-	-	404
Pest control	-	258	258	-
Gates/service/repairs	-	-	-	771
	13,674	8,458	(5,216)	11,159
<b>Grounds and Maintenance:</b>				
Fertilization	8,473	9,125	652	5,126
Mulch	201	-	(201)	-
Grounds contract	52,200	51,600	(600)	32,401
Irrigation maintenance	686	-	(686)	6,905
Landscape extras	17,149	9,160	(7,989)	3,634
Wetland/retention maintenance	2,800	9,500	6,700	8,000
	81,509	79,385	(2,124)	56,066



**Village Walk South of Vero Beach Homeowners Association, Inc.**  
Schedule of Operating Fund Revenues and Expenses (continued)  
Year ended December 31, 2007

Year ended December 31,	2007			2006
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
<b>Recreational Facilities:</b>				
Pool maintenance contract/permits	2,440	3,700	1,260	4,110
Pool/clubhouse supplies	2,013	1,500	(513)	441
	4,453	5,200	747	4,551
<b>Utilities:</b>				
Irrigation pump	1,346	1,000	(346)	1,475
Pool/clubhouse/common area	9,797	9,000	(797)	12,879
	11,143	10,000	(1,143)	14,354
<b>Miscellaneous:</b>				
Contingency	1,684	-	(1,684)	810
Hurricane expenses	-	1,750	1,750	8,458
	1,684	1,750	66	9,268
	152,480	139,490	(12,990)	120,782
<b>Excess (deficit) of revenues over expenses</b>	<b>\$ (498)</b>	<b>\$ 10,000</b>	<b>\$ (10,498)</b>	<b>\$ 14,294</b>

See accountants' compilation report.



**Village Walk South of Vero Beach Homeowners Association, Inc.**  
Schedule of Changes in Replacement Fund Balances  
Year ended December 31, 2007

Component	Beginning Fund Balance	Additions to Fund	Charges to Fund	Ending Fund Balance
Grounds	\$ 12,023	\$ 12,384	\$ -	\$ 24,407

See accountants' compilation report.

**Village Walk South of Vero Beach Homeowners Association, Inc.**  
**Supplemental Information on Future Major**  
**Repairs and Replacements**

In connection with preparing the budget, the Board of Directors had a study conducted on January 22, 2008, to estimate the remaining useful lives and the replacement costs of the components of common property. When applicable, estimates were obtained from licensed contractors who inspected the property. The following table is based on the study and presents significant information about the components of common property:

Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2008 Full Funding Requirement	Components of Fund Balance at 12/31/2007
Grounds	1-20 years	\$ 25,000	\$ 500	\$ 24,407
Site drainage	1-20 years	40,000	2,000	-
Asphalt surfaces	10 years	92,400	9,240	-
Concrete surfaces	20 years	20,000	1,000	-
Site lighting	20 years	17,580	879	-
Site fence	20 years	27,020	1,351	-
Site miscellaneous	20 years	2,000	100	-
Community building	20 years	40,000	2,000	-
Swimming pool	3-20 years	27,140	1,357	-
Roofing	20 years	1,259,700	62,985	-
Building miscellaneous	20 years	2,000	100	-
Uninsured losses	-	20,000	1,000	-
Modernization	-	2,000	100	-
Contingency	-	-	2,250	-
		\$ 1,574,840	\$ 84,862	\$ 24,407

See accountants' compilation report.

The 2008 funding requirement for major repairs and replacements is computed over the remaining useful lives of the components based on estimates of current replacement costs. Amounts previously accumulated are considered in determining the annual funding requirement. The unit owners of the Association are anticipated to approve less than full funding. Budgeted reserve assessments of \$12,384 are \$72,478 below the 2008 full funding requirement.