

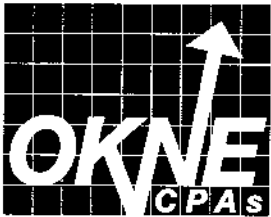
**VILLAGE WALK SOUTH OF VERO BEACH
HOMEOWNERS ASSOCIATION, INC.**

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

December 31, 2008
(With Comparative Totals for 2007)

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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, 2008, 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., chartered
Certified Public Accountants

February 10, 2009

Village Walk South of Vero Beach Homeowners Association, Inc.

Balance Sheet

December 31, 2008

(With comparative totals for 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total (memo only)
Assets				
Cash	\$ 100,568	\$ -	\$ 100,568	\$ 63,098
Assessments receivable	48,195	-	48,195	3,790
Prepaid insurance	3,202	-	3,202	2,947
Interfund borrowings	(63,491)	63,491	-	-
	\$ 88,474	\$ 63,491	\$ 151,965	\$ 69,835
Liabilities and Fund Balance				
Accounts payable	\$ 8,353	\$ -	\$ 8,353	\$ -
Deferred revenue	44,120	-	44,120	-
Income tax payable	-	-	-	161
	52,473	-	52,473	161
Fund Balance	36,001	63,491	99,492	69,674
	\$ 88,474	\$ 63,491	\$ 151,965	\$ 69,835

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, 2008
(With comparative totals for 2007)

	2008				2007
	Operating Fund	Replacement Fund	Capital Fund	Total	Total (memo only)
Revenues					
Regular assessments	\$ 150,437	\$ 13,084	\$ -	\$ 163,521	\$ 161,874
Special assessment	57,880	-	-	57,880	-
Interest and other income	2,882	-	-	2,882	2,492
	211,199	13,084	-	224,283	164,366
Expenses					
General and administrative	26,644	-	-	26,644	40,017
Building operations	14,956	-	-	14,956	13,674
Grounds and maintenance	71,921	-	-	71,921	81,509
Recreational facilities	3,868	-	-	3,868	4,453
Utilities	13,230	-	-	13,230	11,143
Miscellaneous	63,846	-	-	63,846	1,684
	194,465	-	-	194,465	152,480
Excess of revenues over expenses	16,734	13,084	-	29,818	11,886
Fund Balance, beginning of year	19,267	24,407	26,000	69,674	57,788
Interfund transfers	-	26,000	(26,000)	-	-
Fund Balance, end of year	\$ 36,001	\$ 63,491	\$ -	\$ 99,492	\$ 69,674

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, 2008
(With comparative totals for 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total (memo only)
Cash flows from operating activities:				
Assessments collected	\$ 208,032	\$ 13,084	\$ 221,116	\$ 159,885
Interest and other income received	2,882	-	2,882	2,492
Cash paid for expenditures	(186,528)	-	(186,528)	(157,970)
Net cash provided by operating activities	24,386	13,084	37,470	4,407
Cash flows from financing activities:				
Interfund borrowings	13,084	(13,084)	-	-
Net increase in cash	37,470	-	37,470	4,407
Cash, beginning of year	63,098	-	63,098	58,691
Cash, end of year	\$ 100,568	\$ -	\$ 100,568	\$ 63,098
Reconciliation of excess of revenues over expenses to net cash provided by operating activities:				
Excess of revenues over expenses	\$ 16,734	\$ 13,084	\$ 29,818	\$ 11,886
Adjustments:				
(Increase) decrease in:				
Assessments receivable	(44,405)	-	(44,405)	(1,989)
Prepaid insurance	(255)	-	(255)	(1,446)
Increase (decrease) in:				
Accounts payable	8,353	-	8,353	(4,205)
Deferred revenue	44,120	-	44,120	-
Income tax payable	(161)	-	(161)	161
Net cash provided by operating activities	\$ 24,386	\$ 13,084	\$ 37,470	\$ 4,407

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 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 Homeowners association for income tax purposes. Under this provision the Association is taxed on its nonexempt function income in excess of \$100, such as interest income, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

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 2009, which will be presented to the unit owners. The Board of Directors has voted to fund in 2009 less than the full funding noted on the budget. Accordingly, a partial-funding requirement of \$26,740 has been included in the proposed 2009 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 – Special Assessment

Occasionally, the Association undertakes projects that have not been adequately provided for in the operating budget or by accumulated replacement funds. Such projects are funded by special assessments adopted by the Association's Board of Directors.

At the April 9, 2008, meeting the Board approved a special assessment in the amount of \$102,000 for drainage repairs. The Association reported related expenses of \$57,880. in 2008. A total of \$44,120 of revenue was deferred.

Note 6 – Potential Litigation

The Association has served a formal Notice of Construction Defects on the developer of the community and on the engineer of record. The engineer of record and the developer have responded to that formal notice and have offered to make certain repairs and to pay certain amounts of money. The Association has rejected the initial joint offer and requested mediation. To date, the engineer and developer have not responded to the Association's offer to resolve the matter through pre-suit mediation. If the parties are unable to resolve the matter amicably, the Association may have to file a lawsuit in the Circuit Court in and for Indian River County, Florida to pursue its rights and remedies. Due to the uncertainty of the outcome, no provisions have been included in these financial statements.

Note 7 – Interfund Transfers

An interfund transfer in the amount of \$26,000 was transferred to the grounds replacement fund from the capital fund.

SUPPLEMENTAL INFORMATION

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

Year ended December 31,	2008			2007
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
Revenues				
Regular assessments	\$ 150,437	\$ 147,374	\$ 3,063	\$ 149,490
Special assessment	57,880	-	57,880	-
Interest and other income	2,882	-	2,882	2,492
	211,199	147,374	63,825	151,982
Expenses				
General and Administrative:				
Accounting fees	1,900	1,800	(100)	1,800
Bank charges	6	-	(6)	8
Corporate/condominium fees	140	61	(79)	61
Insurance	4,634	2,512	(2,122)	2,810
Legal services	1,084	1,500	416	19,030
Management contract fees	16,767	17,136	369	15,708
Office supplies, postage and copies	2,113	500	(1,613)	439
Income taxes	-	300	300	161
	26,644	23,809	(2,835)	40,017
Building Operations:				
Building maintenance	719	2,500	1,781	1,407
Cleaning labor	-	1,500	1,500	1,650
Contractor repairs	8,278	5,000	(3,278)	10,617
Gate/entry phones	504	500	(4)	-
Pest control	760	-	(760)	-
Gates/service/repairs	1,759	-	(1,759)	-
Parking area	2,936	-	(2,936)	-
	14,956	9,500	(5,456)	13,674
Grounds and Maintenance:				
Fertilization	11,105	11,500	395	8,473
Mulch	-	-	-	201
Grounds contract	52,700	52,200	(500)	52,200
Irrigation maintenance	1,916	-	(1,916)	686
Landscape extras	3,500	3,500	-	17,149
Wetland/retention maintenance	2,700	2,700	-	2,800
	71,921	69,900	(2,021)	81,509

Village Walk South of Vero Beach Homeowners Association, Inc.
Schedule of Operating Fund Revenues and Expenses (continued)
Year ended December 31, 2008

Year ended December 31,	2008			2007
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
Recreational Facilities:				
Pool maintenance contract/permits	3,760	2,300	(1,460)	2,440
Pool/clubhouse supplies	108	1,500	1,392	2,013
	3,868	3,800	(68)	4,453
Utilities:				
Irrigation pump	1,456	1,700	244	1,346
Pool/clubhouse/common area	11,774	13,000	1,226	9,797
	13,230	14,700	1,470	11,143
Miscellaneous:				
Contingency	2,816	25,665	22,849	1,684
Reserve study	3,150	-	(3,150)	-
Drainage expenses	57,880	-	(57,880)	-
	63,846	25,665	(38,181)	1,684
	194,465	147,374	(47,091)	152,480
Excess (deficit) of revenues over expenses	\$ 16,734	\$ -	\$ 16,734	\$ (498)

See accountants' compilation report.

Village Walk South of Vero Beach Homeowners Association, Inc.
Schedule of Changes in Replacement Fund Balances
Year ended December 31, 2008

Component	Beginning Fund Balance	Additions to Fund	Charges to Fund	Intefund Transfers	Ending Fund Balance
Grounds	\$ 24,407	\$ 13,084	\$ -	\$ 26,000	\$ 63,491

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	2009 Full Funding Requirement	Components of Fund Balance at 12/31/2008
Grounds	1-19 years	\$ 25,000	\$ 500	\$ 63,491
Site drainage	1-19 years	40,000	2,000	-
Asphalt surfaces	9 years	92,400	9,240	-
Concrete surfaces	19 years	20,000	1,000	-
Site lighting	19 years	17,580	879	-
Site fence	19 years	27,020	1,351	-
Site miscellaneous	19 years	2,000	100	-
Community building	19 years	40,000	2,000	-
Swimming pool	2-19 years	27,140	1,357	-
Roofing	19 years	1,259,700	62,985	-
Building miscellaneous	19 years	2,000	100	-
Uninsured losses	-	20,000	1,000	-
Modernization	-	2,000	100	-
Contingency	-	-	2,250	-
		\$ 1,574,840	\$ 84,862	\$ 63,491

See accountants' compilation report.

The 2009 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 \$26,740 are \$58,122 below the 2009 full funding requirement.