

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

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

December 31, 2009  
(With Comparative Totals for 2008)

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KMETZ•NUTTALL•ELWELL•GRAHAM, PLLC  
Certified Public Accountants

**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, 2009, 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.

Kmetz, Nuttall, Elwell, Graham, PLLC  
Certified Public Accountants

February 16, 2010

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**Village Walk South of Vero Beach Homeowners Association, Inc.**  
 Balance Sheet  
 December 31, 2009  
 (With comparative totals for 2008)

	2009			2008
	Operating Fund	Replacement Fund	Total	Total (memo only)
<b>Assets</b>				
Cash	\$ 63,724	\$ 68,516	\$ 132,240	\$ 100,568
Assessments receivable	13,524	-	13,524	48,195
Prepaid insurance	2,441	-	2,441	3,202
Interfund borrowings	(21,977)	21,977	-	-
	\$ 57,712	\$ 90,493	\$ 148,205	\$ 151,965
<b>Liabilities and Fund Balance</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 8,353
Deferred revenue	7,197	-	7,197	44,120
	7,197	-	7,197	52,473
<b>Fund Balance</b>	50,515	90,493	141,008	99,492
	\$ 57,712	\$ 90,493	\$ 148,205	\$ 151,965

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, 2009**  
(With comparative totals for 2008)

	2009			2008
	Operating Fund	Replacement Fund	Total	Total (memo only)
<b>Revenues</b>				
Regular assessments	\$ 148,299	\$ 26,740	\$ 175,039	\$ 163,521
Special assessment	36,923	-	36,923	57,880
Interest and other income	1,950	262	2,212	2,882
	187,172	27,002	214,174	224,283
<b>Expenses</b>				
General and administrative	25,656	-	25,656	26,644
Building operations	21,157	-	21,157	14,956
Grounds and maintenance	69,956	-	69,956	71,921
Recreational facilities	4,370	-	4,370	3,868
Utilities	13,869	-	13,869	13,230
Miscellaneous	37,650	-	37,650	63,846
	172,658	-	172,658	194,465
<b>Excess of revenues over expenses</b>	14,514	27,002	41,516	29,818
<b>Fund Balance, beginning of year</b>	36,001	63,491	99,492	69,674
<b>Fund Balance, end of year</b>	\$ 50,515	\$ 90,493	\$ 141,008	\$ 99,492

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, 2009**  
**(With comparative totals for 2008)**

	2009			2008
	Operating Fund	Replacement Fund	Total	Total (memo only)
<b>Cash flows from operating activities:</b>				
Assessments collected	\$ 182,970	\$ 26,740	\$ 209,710	\$ 221,116
Interest and other income received	1,950	262	2,212	2,882
Cash paid for expenditures	(180,250)	-	(180,250)	(186,528)
<b>Net cash provided by operating activities</b>	<b>4,670</b>	<b>27,002</b>	<b>31,672</b>	<b>37,470</b>
<b>Cash flows from financing activities:</b>				
Interfund borrowings	(41,514)	41,514	-	-
<b>Net increase (decrease) in cash</b>	<b>(36,844)</b>	<b>68,516</b>	<b>31,672</b>	<b>37,470</b>
<b>Cash, beginning of year</b>	<b>100,568</b>	<b>-</b>	<b>100,568</b>	<b>63,098</b>
<b>Cash, end of year</b>	<b>\$ 63,724</b>	<b>\$ 68,516</b>	<b>\$ 132,240</b>	<b>\$ 100,568</b>
<b>Reconciliation of excess of revenues over expenses to net cash provided by operating activities:</b>				
Excess of revenues over expenses	\$ 14,514	\$ 27,002	\$ 41,516	\$ 29,818
Adjustments:				
(Increase) decrease in:				
Assessments receivable	34,671	-	34,671	(44,405)
Prepaid insurance	761	-	761	(255)
Increase (decrease) in:				
Accounts payable	(8,353)	-	(8,353)	8,353
Deferred revenue	(36,923)	-	(36,923)	44,120
Income tax payable	-	-	-	(161)
<b>Net cash provided by operating activities</b>	<b>\$ 4,670</b>	<b>\$ 27,002</b>	<b>\$ 31,672</b>	<b>\$ 37,470</b>

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.

Management has evaluated subsequent events through February 16, 2010, the date the financial statements were available to be issued.

**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.

**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 2010, which will be presented to the unit owners. The Board of Directors has voted to fund in 2010 less than the full funding noted on the study. Accordingly, a partial-funding requirement of \$46,323 has been included in the proposed 2010 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 \$36,923 and \$57,880 in 2009 and 2008, respectively. A total of \$7,197 of revenue was deferred.

**Note 6 – Subsequent Event**

The Association had 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 the developer has made certain repairs and paid the Association an additional sum of \$12,000. On January 7, 2010, the Association entered into a settlement and mutual general release agreement with the developer and engineer whereby each party has agreed to hold the other harmless from any and all actions that they have had or ever will have.



**SUPPLEMENTAL INFORMATION**

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

Year ended December 31,	2009			2008
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Regular assessments	\$ 148,299	\$ 147,374	\$ 925	\$ 150,437
Special assessment	36,923	-	36,923	57,880
Interest and other income	1,950	-	1,950	2,882
	187,172	147,374	39,798	211,199
<b>Expenses</b>				
<b>General and Administrative:</b>				
Accounting fees	1,900	1,800	(100)	1,900
Bank/returned check charges	66	-	(66)	6
Corporate/condominium fees	210	61	(149)	140
Insurance	4,327	2,512	(1,815)	4,634
Legal services	998	1,500	502	1,084
Management contract fees	17,336	17,136	(200)	16,767
Office supplies, postage and copies	819	500	(319)	2,113
Income taxes	-	300	300	-
	25,656	23,809	(1,847)	26,644
<b>Building Operations:</b>				
Building maintenance	601	2,500	1,899	719
Cleaning labor	-	1,500	1,500	-
Contractor repairs	1,058	5,000	3,942	8,278
Gate/entry phones	654	500	(154)	504
Pest control	-	-	-	760
Gates/service/repairs	595	-	(595)	1,759
Deferred maintenance project	18,249	18,000	(249)	-
Parking area	-	-	-	2,936
	21,157	27,500	6,343	14,956
<b>Grounds and Maintenance:</b>				
Fertilization	11,746	11,500	(246)	11,105
Grounds contract	52,450	52,200	(250)	52,700
Irrigation maintenance	511	-	(511)	1,916
Landscape extras	2,999	3,500	501	3,500
Wetland/retention maintenance	2,250	2,700	450	2,700
	69,956	69,900	(56)	71,921

**Village Walk South of Vero Beach Homeowners Association, Inc.**  
 Schedule of Operating Fund Revenues and Expenses (continued)  
 Year ended December 31, 2009

Year ended December 31,	2009			2008
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
<b>Recreational Facilities:</b>				
Pool maintenance contract/permits	3,935	2,300	(1,635)	3,760
Pool/clubhouse supplies	435	1,500	1,065	108
	4,370	3,800	(570)	3,868
<b>Utilities:</b>				
Irrigation pump	1,965	1,700	(265)	1,456
Pool/clubhouse/common area	11,904	13,000	1,096	11,774
	13,869	14,700	831	13,230
<b>Miscellaneous:</b>				
Contingency	727	7,665	6,938	2,816
Reserve study	-	-	-	3,150
Drainage expenses	36,923	-	(36,923)	57,880
	37,650	7,665	(29,985)	63,846
	172,658	147,374	(25,284)	194,465
<b>Excess of revenues over expenses</b>	<b>\$ 14,514</b>	<b>\$ -</b>	<b>\$ 14,514</b>	<b>\$ 16,734</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, 2009

Component	Beginning Fund Balance	Additions to Fund	Charges to Fund	Ending Fund Balance
Grounds	\$ 63,491	\$ 27,002	\$ -	\$ 90,493

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	2010 Full Funding Requirement	Components of Fund Balance at 12/31/2009
Grounds	1-18 years	\$ 25,000	\$ -	\$ 90,493
Site drainage	1-18 years	40,000	-	-
Asphalt surfaces	8 years	92,400	-	-
Concrete surfaces	18 years	20,000	-	-
Site lighting	18 years	17,580	-	-
Site fence	18 years	27,020	-	-
Site miscellaneous	18 years	2,000	-	-
Community building	18 years	40,000	-	-
Swimming pool	1-18 years	27,140	-	-
Roofing	18 years	1,259,700	-	-
Building miscellaneous	18 years	2,000	-	-
Uninsured losses	-	20,000	-	-
Modernization	-	2,000	-	-
Contingency	-	-	-	-
<b>Pooled funding requirement</b>		<b>\$ 1,574,840</b>	<b>\$ 68,000</b>	<b>\$ 90,493</b>

See accountants' compilation report.

The 2010 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 \$46,323 are \$21,677 below the 2010 full funding requirement.

