

**VERANDAH COMMUNITY ASSOCIATION, INC.**  
**FORT MYERS, FLORIDA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

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**THE EXCEPTION TO THE RULE**

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	2-3
FINANCIAL STATEMENTS	
Balance Sheet.....	4
Statement of Revenues, Expenses and Changes in Fund Balances .....	5
Statement of Cash Flows .....	6-7
Notes to Financial Statements.....	8-13
SUPPLEMENTARY INFORMATION	
Supplementary Information on Future Major Repairs and Replacements.....	15
Schedule of Operating Fund Revenues and Expenses - Budget to Actual .....	16-19



Myers, Brettholtz & Company, PA

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Verandah Community Association, Inc.

We have audited the accompanying financial statements of Verandah Community Association, Inc., which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of Verandah Community Association, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors of  
Verandah Community Association, Inc.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 15 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenues and expenses - budget to actual is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



MYERS, BRETT HOLTZ & COMPANY, PA  
Fort Myers, Florida  
July 1, 2013

VERANDAH COMMUNITY ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2012

	FUNDS		
	Operating	Replacement	Total
<b>ASSETS</b>			
Cash	\$ 358,324	\$ 68,256	\$ 426,580
Certificates of deposit	1,150,000	2,350,000	3,500,000
Accounts receivable - members, net	73,634	-	73,634
Accounts receivable - other	26,497	-	26,497
Prepaid expenses	21,854	-	21,854
Deposits	60,395	-	60,395
Property and equipment, net	375,440	-	375,440
Due from operating fund	-	84,649	84,649
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,066,144</u>	<u>\$ 2,502,905</u>	<u>\$ 4,569,049</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 154,781	\$ -	\$ 154,781
Accrued payroll	18,495	-	18,495
Assessments received in advance	823,557	-	823,557
Due to replacement fund	84,649	-	84,649
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	1,081,482	-	1,081,482
<b>FUND BALANCES</b>	<u>984,662</u>	<u>2,502,905</u>	<u>3,487,567</u>
Total liabilities and fund balances	<u>\$ 2,066,144</u>	<u>\$ 2,502,905</u>	<u>\$ 4,569,049</u>

Read Independent Auditor's Report.  
The accompanying notes are an integral  
part of the financial statements.

VERANDAH COMMUNITY ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	FUNDS		
	Operating	Replacement	Total
<b>REVENUES</b>			
Assessments - residents	\$ 2,424,960	\$ 248,000	\$ 2,672,960
Assessments - club	100,000	-	100,000
Late fees and interest	13,576	-	13,576
Interest	1,622	11,340	12,962
Recovery of bad debt	101,824	-	101,824
Other	53,084	-	53,084
<b>Total revenues</b>	<u>2,695,066</u>	<u>259,340</u>	<u>2,954,406</u>
<b>EXPENSES</b>			
Cost of sales	33,619	-	33,619
Cable	761,904	-	761,904
Management fee	66,205	-	66,205
Legal and accounting	8,553	-	8,553
Compensation and benefits	600,820	-	600,820
Other	34,267	-	34,267
Common area maintenance	879,949	-	879,949
Community patrol	160,348	-	160,348
<b>Total expenses</b>	<u>2,545,665</u>	<u>-</u>	<u>2,545,665</u>
<b>Excess of revenues over expenses</b>	149,401	259,340	408,741
<b>FUND BALANCES - January 1, 2012</b>	685,364	2,393,462	3,078,826
<b>INTERFUND TRANSFER</b>	149,897	(149,897)	-
<b>FUND BALANCES - December 31, 2012</b>	<u>\$ 984,662</u>	<u>\$ 2,502,905</u>	<u>\$ 3,487,567</u>

Read Independent Auditor's Report.  
The accompanying notes are an integral  
part of the financial statements.

VERANDAH COMMUNITY ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	FUNDS		
	Operating	Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Assessments, late fees and interest collected	\$ 1,314,600	\$ 248,000	\$ 1,562,600
Interest received	1,622	11,340	12,962
Recovery of bad debt	101,824	-	101,824
Other revenue received	53,084	-	53,084
Cash paid for expenditures	(2,450,801)	61	(2,450,740)
Net cash (used) provided by operating activities	<u>(979,671)</u>	<u>259,401</u>	<u>(720,270)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of certificates of deposit	(19,700,000)	(2,350,000)	(22,050,000)
Proceeds from redemptions of certificates of deposit	20,100,000	2,350,000	22,450,000
Purchases of property and equipment	(172,284)	-	(172,284)
Net cash provided by investing activities	<u>227,716</u>	<u>-</u>	<u>227,716</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interfund reimbursement	90,649	(90,649)	-
Interfund transfer	149,897	(149,897)	-
Net cash provided (used) by financing activities	<u>240,546</u>	<u>(240,546)</u>	<u>-</u>
Net (decrease) increase in cash	(511,409)	18,855	(492,554)
<b>CASH AND CASH EQUIVALENTS -</b>			
January 1, 2012	<u>869,733</u>	<u>49,401</u>	<u>919,134</u>
CASH - December 31, 2012	<u>\$ 358,324</u>	<u>\$ 68,256</u>	<u>\$ 426,580</u>

	FUNDS		
	Operating	Replacement	Total
<b>RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>			
Excess of revenues over expenses	\$ 149,401	\$ 259,340	\$ 408,741
Adjustments to reconcile excess of revenues over expenses to net cash (used) provided by operating activities:			
Depreciation	39,847	-	39,847
Recovery of bad debt	(115,671)	-	(115,671)
Changes in:			
Accounts receivable - members	70,482	-	70,482
Accounts receivable - other	(26,497)	-	(26,497)
Interest receivable	-	61	61
Due from Developer	2,307	-	2,307
Prepaid expenses	(10,706)	-	(10,706)
Deposits	(3,714)	-	(3,714)
Accounts payable and accrued expenses	127,372	-	127,372
Accrued payroll	(29,993)	-	(29,993)
Due to related party	(3,752)	-	(3,752)
Assessments received in advance	(1,178,747)	-	(1,178,747)
Total adjustments	(1,129,072)	61	(1,129,011)
Net cash (used) provided by operating activities	\$ (979,671)	\$ 259,401	\$ (720,270)

Read Independent Auditor's Report.  
The accompanying notes are an integral  
part of the financial statements.



VERANDAH COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 1 - THE ASSOCIATION**

Verandah Community Association, Inc. (the "Association") was incorporated on September 19, 2002, under the laws of Florida as a corporation not-for-profit, to operate and manage Verandah (the "Community"), a planned community consisting of 1,648 single and multi family lots developed in two phases, located in Fort Myers, Florida. The owners of all lots in the Association are the only members. As of December 31, 2012, 1,010 lots had been sold.

**NOTE 2 - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 1, 2013, the date that the financial statements were available to be issued.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fund Accounting

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 major repairs and replacements.

The operating fund reflects the operating portion of the annual assessments billed to the lot owners to meet the various day-to-day expenditures incurred in the administration, maintenance, and operation of the Community and recreational facilities.

The replacement fund is composed of the initial and resale contributions designated in the budget to fund future major repairs and replacements, as further described in Note 8.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are generally considered delinquent when they are 30 days past due. The Association accounts for potential losses in accounts receivable utilizing the allowance method. The Association maintains an allowance for uncollectible accounts at an amount that it believes is sufficient to provide adequate protection against future losses. Provisions for losses are determined principally on the basis of experiences in the preceding years, taking into account historical losses, industry standards and current economic conditions. All accounts or portions thereof deemed to be uncollectible are included in the allowance for uncollectible accounts. Recovery of bad debt was \$101,824 for the year ended December 31, 2012.

Common Property

Ownership of the commonly owned assets is vested directly or indirectly in the lot owners, and those assets are not deemed to be severable. As a result, commonly owned assets are not recorded in the Association's financial statements. Improvements and repairs are expensed in the period in which they occur. Common property not capitalized consists of a gate house, dog park, kayak launch and kayaks, Blossoms meeting room, Oak Park, landscaping, roads, sidewalks and buffer.

VERANDAH COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment

Property and equipment that meets the criteria for capitalization is recorded at cost and depreciated on a straight-line basis over the estimated useful life of the related asset. Management reviews property and equipment for possible impairments whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management evaluates the valuation and depreciation, as applicable, of the Association's long lived assets. Any write-down due to impairment is charged to operations at the time impairment is identified. No impairments have been recorded during the year ended December 31, 2012.

Income Taxes

Management has analyzed its various federal filing positions and believes that the Association's income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The years 2009 through 2012 remain open to examination under federal statute limitations.

The Association has elected to be taxed as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its investment income and other non-exempt function income, less allocable expenses. There are no temporary differences between the financial reporting and tax reporting with respect to the non-exempt function income; therefore, no deferred tax provision has been recorded. The Association incurred no federal income tax liability for the year ended December 31, 2012. There is no state income tax imposed on the Association.

Fair Value of Financial Instruments

Substantially all of the Association's assets and liabilities, excluding prepaid expenses, property and equipment and assessments received in advance, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument.

Revenue Recognition

Assessments revenue is recognized monthly in the amount of the membership assessment allocation specified for current period operations, based on the annual budget, adopted by the Board. Each lot owner is an Association member and an equal portion of the maintenance fees is assessed for each lot.

Late charges and interest revenue is recognized when collected.

VERANDAH COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, excluding certificates of deposit.

The Association made no cash payments for income tax or interest during the year ended December 31, 2012.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 4 - CONCENTRATION OF CREDIT RISK**

The Association maintains cash balances and certificates of deposit at several financial institutions. Accounts and certificates of deposit at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2012, the uninsured balance was \$172,191, based on the bank statement balances, less the FDIC insurance.

**NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS**

Accounts receivable - members, as of December 31, 2012, consisted of the following:

Assessments	\$ 245,649
Less: Allowance for uncollectible accounts	(172,015)
	<u>\$ 73,634</u>

VERANDAH COMMUNITY ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**NOTE 6 - PROPERTY AND EQUIPMENT**

As of December 31, 2012, property and equipment consisted of the following:

	Estimated Useful Lives	Amount
Walls and fences	15 years	\$ 11,277
Decks and gazebos	15 years	4,874
Furniture, fixtures and equipment	5 - 15 years	72,690
Bikepaths and sidewalks	7 - 40 years	239,884
Vehicles	3 - 5 years	39,897
Irrigation system	15 years	86,160
		454,782
Less: accumulated depreciation		(79,342)
		\$ 375,440

Depreciation expense for the year ended December 31, 2012 was \$39,847, and is included in common area maintenance expenses.

**NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE**

Assessments received in advance consisted of 2013 assessments received by the Association prior to January 1, 2013.

**NOTE 8 - REPLACEMENT FUND**

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements. An initial reserve assessment for the purpose of future major repairs and replacement is levied against all non-exempt property at the time of sale. In addition a resale reserve assessment is levied upon the purchase of all resale properties. The Association's policy is to retain the interest earned on replacement cash, in the replacement fund.

The Association has adopted the pooling methods of funding.

The components' actual replacement costs, useful lives, and investment income may vary from estimated amounts and the variation may be material. Therefore, the Association's replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board, on behalf of the Association, has the power to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

VERANDAH COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 9 - DEVELOPER GUARANTEE**

In accordance with Article 8.7(b) of the Declaration of Covenants, Conditions and Restrictions for Verandah, during the Class "B" membership, Declarant may satisfy its obligation for assessments on Units which it owns and are subject to assessments or for which is it contractually obligated to fund a Builder's assessment obligation either by: (i) paying such assessments in the same many as any other Owner, or (ii) by paying the difference between the amount of assessments levied on all other Units subject to assessments plus other income of the Association and the amount of actual expenditures by the Association (excluding any amounts in the budget of Common Expenses for capital and contingency reserves) during the fiscal year. Unless the Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. Regardless of the Declarant's election, the Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" membership, the Declarant shall pay assessments on its unsold Units in the same manner as any other Owner.

On October 5, 2012, Kolter Group, LLC (the "Developer") purchased the remaining development assets from Verandah Development, LLC. Certain Board members are employees of the Developer. During the year ended December 31, 2012, there was no amount due from Verandah Development, LLC related to the subsidy obligation. As of December 31, 2012, \$2,384 was due to the Association from Verandah Development, LLC for reimbursement of expenses and is included in accounts receivable - other.

**NOTE 10 - RETIREMENT PLAN**

The Association participates in the Paychex Employer Services Retirement Savings Plan which covers all employees with at least one year of service having completed a minimum of 1,000 hours of service. Under the terms of the Plan, the Association contributes an amount determined by management. The amount contributed was \$0, for the year ended December 31, 2012.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2012, certain Board members were employees of Verandah Development, LLC. Various entities providing services to the Association are affiliates of Verandah Development, LLC through common ownership and management.

The Association was charged \$54,236 by New Leaf Management, Inc. for various duties relating to management fees, management oversight, human resources and information technology for the year ended December 31, 2012. No amount was due to New Leaf Management, Inc. as of December 31, 2012.

The Association was charged \$13,297 by RCP Services, LLC for casualty insurance, long distance phone service and reimbursements for the year ended December 31, 2012. As of December 31, 2012 there was no amount due to RCP Services.

Veritas Employee Services, LLC provided services for back office administration, payroll and related services. Amounts charged for these services were approximately \$624,195 for the year ended December 31, 2012. As of December 31, 2012, there was no amount due from the Association.

VERANDAH COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)**

Resource Conservation Systems, Inc. provides water irrigation services to the Association. Amounts charged for these services were \$74,251 for the year ended December 31, 2012 and are included in various utility expense accounts. As of December 31, 2012, amounts due related to these services totaled \$6,121.

In consideration of its access and use of the access areas and the benefits which is derives from the proper maintenance of the Verandah Club (the "Club") pays the Association an annual maintenance fee. The fee is based on 15% of the joint area cost as defined in the Verandah Covenant to Share Cost Agreement between the Club and Association. The annual maintenance fee paid by the club was \$100,000 for the year ended December 31, 2012. As of December 31, 2012, \$24,113 was due to the Association and is shown as accounts receivable - other.

The Association's geographical territory is encompassed within the Verandah East Community Development District and the Verandah West Community Development District, which are local limited purpose independent government agencies designed to provide the community related services to its residents by maintain the infrastructure owned by the Community Development Districts.

**NOTE 12 - COMMITMENTS**

The Association has a ten-year water service agreement with, Resource Conservation Systems, LLC ending October 2017. The contract automatically renews for two successive five-year periods.

The Association has a cable service agreement with Comcast ending November 2014. The agreement can be cancelled at any time with a written notice send 90 days prior to the expiration of the contract.

**SUPPLEMENTARY INFORMATION**

VERANDAH COMMUNITY ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2012  
 (Unaudited)

An independent appraiser conducted a study during 2012, to estimate the remaining useful lives and the replacement costs of the components of common property. The following table is based on the study and represents significant information about the components of common property. Amounts are based on normal operation and without the effect of potential catastrophic occurrences.

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs
Asphalt pavement	3 - 25 years	0 - 24 years	\$ 2,878,323
Concrete curbs and gutters	0 - 65 years	5 - 16 years	863,202
Pavers	0 - 30 years	14 - 19 years	205,170
Light poles and fixtures	0 - 25 years	13 - 14 years	114,784
Perimeter walls	15 - 20 years	7 years	229,322
Maintenance equipment	5 - 10 years	0 years	31,993
Playground equipment	0 - 20 years	8 - 11 years	131,260
Signage	15 - 20 years	0 - 14 years	276,160
Catch basins	15 - 20 years	12 - 16 years	126,621
Fences	0 - 25 years	13 years	101,728
Gate houses and gates	0 - 25 years	1 - 24 years	191,471
Roofs	0 - 25 years	13 years	19,311
Split system	15 - 20 years	5 years	11,532
Renovation	0 - 20 years	10 years	50,205
Vehicles	0 - 15 years	0 - 4 years	634,426
Reserve study update	2 years	2 years	4,750
			<u>\$ 5,870,258</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be 1% and the rate of inflation 1%.



VERANDAH COMMUNITY ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Assessments - residents	\$ 2,385,460	\$ 2,424,960	\$ 39,500
Assessments - club	100,000	100,000	-
Late fees and interest	9,000	13,576	4,576
Interest	-	1,622	1,622
Recovery of bad debts	-	101,824	101,824
Other	69,402	53,084	(16,318)
<b>Total operating fund revenues</b>	<b>2,563,862</b>	<b>2,695,066</b>	<b>131,204</b>
<b>EXPENSES</b>			
<b>COST OF SALES</b>			
Other	-	9,129	(9,129)
Ticket sales	18,852	14,298	4,554
Holiday events	7,000	1,907	5,093
Social other	8,000	8,000	-
Bus trips	3,300	285	3,015
Outside vendor sales	6,810	-	6,810
<b>Total cost of sales</b>	<b>43,962</b>	<b>33,619</b>	<b>10,343</b>
<b>CABLE</b>	<b>742,762</b>	<b>761,904</b>	<b>(19,142)</b>
<b>PROVISION FOR UNCOLLECTIBLE ACCOUNTS</b>	<b>85,500</b>	<b>-</b>	<b>85,500</b>
<b>MANAGEMENT FEE</b>	<b>68,568</b>	<b>66,205</b>	<b>2,363</b>
<b>LEGAL AND ACCOUNTING</b>			
Accounting services	10,000	9,890	110
Legal fees	20,000	(1,337)	21,337
<b>Total legal and accounting</b>	<b>30,000</b>	<b>8,553</b>	<b>21,447</b>
<b>COMPENSATION AND BENEFITS</b>			
Exempt	96,562	221,501	(124,939)
HR administration	2,288	17,133	(14,845)
Salary other	-	22,346	(22,346)
W/S billed labor	-	10,986	(10,986)
Non exempt	17,835	327,042	(309,207)
P/T taxes	8,751	1,812	6,939
Insurance	9,152	-	9,152
Insurance - workers compensation	1,430	-	1,430
Other benefits	480	-	480
<b>Total compensation and benefits</b>	<b>136,498</b>	<b>600,820</b>	<b>(464,322)</b>

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>OTHER</b>			
Banking fees	2,500	2,869	(369)
Licenses and fees	400	1,013	(613)
Postage	2,450	-	2,450
Paper and printing	2,000	3,396	(1,396)
Service agreements	300	-	300
Residence meeting	500	169	331
Dues and subscriptions	460	236	224
Office supplies	1,063	1,625	(562)
Leased equipment - computers	1,800	1,350	450
Expendable	1,200	-	1,200
Noncapital equipment	2,700	-	2,700
Phone	3,600	8,735	(5,135)
Mileage	-	319	(319)
Travel - other	750	-	750
Food	250	-	250
Entertainment contract	-	800	(800)
Equipment repairs	500	-	500
Employee relations	139	777	(638)
Casualty	4,800	6,141	(1,341)
Depreciation	1,004	-	1,004
HR charge	2,724	2,072	652
Miscellaneous	5,208	4,765	443
Total other	<u>34,348</u>	<u>34,267</u>	<u>81</u>
<b>COMMON AREA MAINTENANCE</b>			
Exempt	66,598	-	66,598
HR administration	4,506	-	4,506
Nonexempt	46,062	-	46,062
P/T taxes	7,886	-	7,886
Insurance	11,266	-	11,266
Insurance -workers' compensation	3,661	-	3,661
Other benefits	1,596	-	1,596
Services agreements	5,400	5,925	(525)
Equipment	1,500	3,485	(1,985)
Annuals	10,600	10,462	138
Expendable	2,400	5,712	(3,312)
Pesticides	500	404	96
Fuel	6,400	-	6,400
Sub-irrigation	3,000	2,151	849
Tools	300	479	(179)
Mulch, sand and soil	1,000	1,600	(600)
Mulch	96,000	96,804	(804)

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>COMMON AREA MAINTENANCE (Continued)</b>			
Noncapital equipment	2,975	6,634	(3,659)
Plant replacement	10,000	11,730	(1,730)
Laundry/linen	-	53	(53)
Landscape	-	192	(192)
Uniforms	885	-	885
Fertilizer	1,000	-	1,000
Electric	1,920	-	1,920
Phone	240	-	240
Irrigation - utility	74,000	80,203	(6,203)
Electric - landscape sign	1,716	1,374	342
Street lights	47,870	45,426	2,444
Contract services	74,480	116,200	(41,720)
Equipment - repairs	7,980	8,954	(974)
Irrigation - repair	11,700	10,729	971
Mowing contracts	436,800	431,100	5,700
Employee training and development	1,400	485	915
Depreciation	32,308	39,847	(7,539)
Total common area maintenance	<u>973,949</u>	<u>879,949</u>	<u>94,000</u>
<b>COMMUNITY PATROL</b>			
Exempt	59,093	-	59,093
HR administration	13,889	-	13,889
Nonexempt	282,357	-	282,357
Overtime	-	2,834	(2,834)
W/S billed labor	(2,400)	-	(2,400)
P/T taxes	26,563	54,186	(27,623)
Insurance	34,724	36,124	(1,400)
Insurance -workers' compensation	11,285	20,425	(9,140)
Other benefits	3,840	4,703	(863)
Customer services	-	50	(50)
Cleaning	600	470	130
Licenses and fees	360	-	360
Postage	177	1,821	(1,644)
Paper and printing	1,950	-	1,950
Dues and subscriptions	200	-	200
Office supplies	850	-	850
Expendable	875	-	875
Fuel	10,400	15,689	(5,289)
Noncapital equipment	300	-	300
Safety equipment	200	216	(16)

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VERANDAH COMMUNITY ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
COMMUNITY PATROL (Continued)			
Signs	-	194	(194)
Uniforms	1,400	315	1,085
Other maintenance supplies	440	677	(237)
Electric	2,565	3,680	(1,115)
Phone	4,620	-	4,620
Food	240	-	240
Lodging and hotel	100	-	100
Sewer and water	1,080	1,702	(622)
Contract services	4,085	-	4,085
Building repairs and maintenance	2,760	5,509	(2,749)
Equipment - repairs	1,800	-	1,800
Access control repairs and maintenance	1,800	4,203	(2,403)
Decorations	300	463	(163)
Main - other	1,800	78	1,722
Pest control	800	241	559
Vehicle	4,450	4,169	281
Seasonal labor	5,784	-	5,784
Employee training and development	240	-	240
Sub-landscape	100	-	100
Depreciation	13,123	-	13,123
Auto and truck	1,740	2,599	(859)
Total community patrol	<u>494,490</u>	<u>160,348</u>	<u>334,142</u>
Total operating fund expenses	<u>2,610,077</u>	<u>2,545,665</u>	<u>64,412</u>
(Deficiency) excess of revenues over expenses	<u>\$ (46,215)</u>	<u>\$ 149,401</u>	<u>\$ 195,616</u>

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