

**VERANDAH COMMUNITY ASSOCIATION, INC.**  
FORT MYERS, FLORIDA  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016



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## 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, 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the 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, 2016, 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 14 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 performed 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, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



MYERS, BRETT HOLTZ & COMPANY, PA  
Fort Myers, Florida  
June 8, 2017

VERANDAH COMMUNITY ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2016

	FUNDS		
	Operating	Replacement	Total
<b>ASSETS</b>			
Cash	\$ 545,127	\$ 310,776	\$ 855,903
Certificates of deposit	700,000	2,975,000	3,675,000
Accounts receivable - members, net	30,260	52,000	82,260
Accounts receivable - other	12,500	-	12,500
Due from Developer	65,583	-	65,583
Interest receivable	6	791	797
Prepaid expenses	13,220	-	13,220
Deposits	935	-	935
Property and equipment, net	-	721,808	721,808
	\$ 1,367,631	\$ 4,060,375	\$ 5,428,006
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 18,813	\$ 20,005	\$ 38,818
Accrued payroll	24,930	-	24,930
Assessments received in advance	1,323,888	-	1,323,888
	1,367,631	20,005	1,387,636
<b>FUND BALANCES</b>			
Fund balances	-	3,318,562	3,318,562
Equity in property and equipment	-	721,808	721,808
	-	4,040,370	4,040,370
	\$ 1,367,631	\$ 4,060,375	\$ 5,428,006

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, 2016

	FUNDS		
	Operating	Replacement	Total
<b>REVENUES</b>			
Assessments - residents	\$ 2,376,593	\$ 332,000	\$ 2,708,593
Assessments - Club	50,000	-	50,000
Developer subsidy	65,583	-	65,583
Late fees and interest	15,864	-	15,864
Interest	942	21,887	22,829
Recovery of bad debt	17,794	-	17,794
Other	151,796	-	151,796
Total revenues	<u>2,678,572</u>	<u>353,887</u>	<u>3,032,459</u>
<b>EXPENSES</b>			
Cost of sales	13,061	-	13,061
Administration	999,009	-	999,009
Community patrol	447,950	-	447,950
Grounds maintenance	1,094,243	-	1,094,243
Fairway Cove	88,600	-	88,600
Woodhaven	32,050	-	32,050
Willow Bend	3,659	-	3,659
Depreciation	-	89,599	89,599
Replacement	-	14,926	14,926
Total expenses	<u>2,678,572</u>	<u>104,525</u>	<u>2,783,097</u>
Excess of revenues over expenses	-	249,362	249,362
FUND BALANCES - January 1, 2016	<u>-</u>	<u>3,791,008</u>	<u>3,791,008</u>
FUND BALANCES - December 31, 2016	<u>\$ -</u>	<u>\$ 4,040,370</u>	<u>\$ 4,040,370</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, 2016

	FUNDS		
	Operating	Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Assessments, late fees and interest collected	\$ 2,346,611	\$ 280,000	\$ 2,626,611
Developer subsidy received	14,576	-	14,576
Interest received	938	21,544	22,482
Recovery of bad debt received	17,794	-	17,794
Other revenue received	151,796	-	151,796
Cash paid for expenditures	<u>(2,720,068)</u>	<u>(14,926)</u>	<u>(2,734,994)</u>
Net cash (used) provided by operating activities	<u>(188,353)</u>	<u>286,618</u>	<u>98,265</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of certificates of deposit	(700,000)	(2,975,000)	(3,675,000)
Proceeds from redemption of certificates of deposit	900,000	2,800,000	3,700,000
Purchases of property and equipment	<u>-</u>	<u>(107,241)</u>	<u>(107,241)</u>
Net cash provided (used) by investing activities	<u>200,000</u>	<u>(282,241)</u>	<u>(82,241)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interfund reimbursement	<u>(74,900)</u>	<u>74,900</u>	<u>-</u>
Net (decrease) increase in cash	(63,253)	79,277	16,024
CASH - January 1, 2016	<u>608,380</u>	<u>231,499</u>	<u>839,879</u>
CASH - December 31, 2016	<u>\$ 545,127</u>	<u>\$ 310,776</u>	<u>\$ 855,903</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	\$ -	\$ 249,362	\$ 249,362
Adjustments to reconcile excess of revenues over expenses to net cash (used) provided by operating activities:			
Depreciation	-	89,599	89,599
Recovery of bad debt	(31,701)	-	(31,701)
Changes in:			
Accounts receivable - members	28,564	(52,000)	(23,436)
Accounts receivable - other	20,665	-	20,665
Due from Developer	(51,007)	-	(51,007)
Interest receivable	(4)	(343)	(347)
Prepaid expenses	(633)	-	(633)
Deposits	948	-	948
Accounts payable and accrued expenses	(72,319)	-	(72,319)
Accrued payroll	9,843	-	9,843
Assessments received in advance	(92,709)	-	(92,709)
Total adjustments	(188,353)	37,256	(151,097)
Net cash (used) provided by operating activities	\$ (188,353)	\$ 286,618	\$ 98,265

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, 2016

**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 1,683 single and multi family units developed in two phases, located in Fort Myers, Florida. The owners of all units in the Association are the only members. As of December 31, 2016, 1,160 units had been sold.

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 maintaining the infrastructure owned by the community development districts.

**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 June 8, 2017, 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 of accounting in accordance with accounting principles generally accepted in the United States of America 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 members 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 and capital expenditures, as further described in Note 8.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are generally considered delinquent when the payment is not received on or before the due date. 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. The Association recognized recovery of bad debt of \$17,794 during the year ended December 31, 2016.

VERANDAH COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

Common Property

Ownership of the commonly owned assets is vested directly or indirectly in the members 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 livery and kayaks, landscaping, roads, sidewalks and buffer, boardwalks and trails.

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. The capitalization threshold is \$1,500. 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, 2016. Improvements and repairs are expensed in the period in which they occur. See Note 6 for additional information.

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 Association's federal income tax returns remain subject to examination by the Internal Revenue Service, for three years from the date of filing.

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, 2016. 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.

VERANDAH COMMUNITY ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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

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. A proportionate share of the maintenance fees is assessed for each unit.

Late charges and interest revenue is recognized when billed.

Cash Flows

The Association made no cash payments for income tax or interest during the year ended December 31, 2016.

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 various financial institutions. Accounts and certificates of deposit each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. As of December 31, 2016, the uninsured balance was \$446,557, based on the bank statement balances, less the FDIC insurance.

As of December 31, 2016, KH Verandah LLC (the “Developer”) owned 523 units or approximately 31% of the available units.

**NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS**

Accounts receivable - members, as of December 31, 2016, consisted of the following:

	Operating	Replacement	Total
Assessments	\$ 92,207	\$ 52,000	\$ 144,207
Less: Allowance for uncollectible accounts	(61,947)	-	(61,947)
	\$ 30,260	\$ 52,000	\$ 82,260

VERANDAH COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 6 - PROPERTY AND EQUIPMENT**

As of December 31, 2016, property and equipment consisted of the following:

	Estimated Useful Lives	Amount
Walls and fences	15 years	\$ 11,277
Decks and gazebos	5 - 22 years	73,831
Furniture, fixtures and equipment	2 - 15 years	342,771
Bikepaths and sidewalks	5 - 40 years	490,830
Vehicles	2 years	23,996
Irrigation system	3 - 15 years	87,457
		1,030,162
Less: accumulated depreciation		(308,354)
		\$ 721,808

Depreciation expense for the year ended December 31, 2016 was \$89,599.

**NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE**

Assessments received in advance consisted of future year assessments received by the Association prior to January 1, 2017.

**NOTE 8 - REPLACEMENT FUND**

The Association’s replacement fund is utilized to accumulate funds for future major repairs and replacements and capital expenditures. An initial reserve assessment for the purpose of future major repairs and replacements and capital expenditures 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 method of funding.

The 2017 proposed budgeted funding is \$432,000, as shown in the unaudited supplementary information. 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, 2016

**NOTE 9 - ASSESSMENTS - CLUB**

In consideration of its access and use of the access areas and the benefits which are derived from the proper maintenance of the Verandah Club (the “Club”), the Club pays the Association an annual maintenance fee. The fee is based on the lesser of 15% of the joint area cost or \$50,000 as defined in the Verandah Covenant to Share Cost Agreement between the Club and the Association. The annual maintenance fee assessed to the Club was \$50,000 for the year ended December 31, 2016. As of December 31, 2016, \$12,500 was due to the Association and is shown as accounts receivable - other.

**NOTE 10 - DEVELOPER SUBSIDY**

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 manner 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.

The Developer is the subsequent developer of the Community. Certain Board members are employees of the Developer. The Developer’s subsidy obligation for the year ended December 31, 2016 was \$65,583. As of December 31, 2016, \$65,583 was due to the Association from the Developer.

**NOTE 11 - RETIREMENT PLAN**

The Association participates in the Veritas 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 \$1,609, for the year ended December 31, 2016, and is included in various expenses.

**NOTE 12 - COMMITMENTS**

The Association has a ten-year water service agreement ending October 5, 2022. The contract automatically renews for two successive five-year periods.

The Association has a five-year cable service agreement ending October 1, 2019. The agreement automatically renews for successive periods of one year.

**SUPPLEMENTARY INFORMATION**

VERANDAH COMMUNITY ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2016  
 (Unaudited)

An independent appraiser conducted a study during 2016, 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	2017 Proposed Budgeted Funding
Asphalt pavement	3 - 35 years	2 - 27 years	\$ 2,488,553	
Maintenance equipment	5 - 10 years	0 - 4 years	8,400	
Catch basins	15 - 20 years	10 - 19 years	107,500	
Concrete curbs and gutters	65 years	5 - 29 years	5,791,300	
Fences	25 years	9 - 10 years	129,360	
Gate house and gates	8 - 30 years	0 - 15 years	242,700	
Landscape	3 years	1 year	50,000	
Light poles and fixtures	15 years	1 - 15 years	22,575	
Pavers	15 - 20 years	5 - 6 years	179,400	
Perimeter walls	5 - 10 years	3 years	123,725	
Playground equipment	15 - 25 years	7 - 8 years	68,000	
Shade structures	6 - 8 years	5 years	12,000	
Signage	15 - 25 years	6 - 24 years	214,500	
Vehicles	1 - 5 years	0 - 4 years	61,000	
Reserve study update	2 years	1 year	5,000	
			<u>\$ 9,504,013</u>	<u>\$ 432,000</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be 1.35% and the rate of inflation 2.3%.

VERANDAH COMMUNITY ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Assessments - residents	\$ 2,395,429	\$ 2,376,593	\$ (18,836)
Assessments - Club	50,000	50,000	-
Developer subsidy	-	65,583	65,583
Late fees and interest	16,850	15,864	(986)
Interest	1,200	942	(258)
Recovery of bad debt	-	17,794	17,794
Other	173,700	151,796	(21,904)
	<u>2,637,179</u>	<u>2,678,572</u>	<u>41,393</u>
<b>EXPENSES</b>			
<b>COST OF SALES</b>			
	<u>8,000</u>	<u>13,061</u>	<u>(5,061)</u>
<b>ADMINISTRATION</b>			
<b>COMPENSATION AND BENEFITS</b>			
Exempt	57,644	72,729	(15,085)
HR administration	1,424	1,590	(166)
W/S billed labor	18,480	18,522	(42)
Taxes	4,732	7,030	(2,298)
Insurance	5,591	102	5,489
Insurance - workers' compensation	2,421	4,257	(1,836)
Other benefits	1,647	117	1,530
Total compensation and benefits	<u>91,939</u>	<u>104,347</u>	<u>(12,408)</u>
<b>OFFICE</b>			
Banking fees	500	524	(24)
Licenses and fees	800	656	144
Postage	1,200	407	793
Paper and printing	3,500	2,833	667
Service agreements	300	-	300
Residence meeting	500	481	19
Dues and subscriptions	560	323	237
Office supplies	1,500	1,111	389
Employee relations	-	100	(100)
Total office	<u>8,860</u>	<u>6,435</u>	<u>2,425</u>

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, 2016

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>OPERATING AND MAINTENANCE</b>			
Decorations	4,000	1,165	2,835
Expendable	500	139	361
Noncapital equipment	1,500	667	833
Total operating and maintenance	<u>6,000</u>	<u>1,971</u>	<u>4,029</u>
<b>UTILITIES</b>			
Electric	-	577	(577)
Phone	2,975	3,143	(168)
Utilities - other	816,764	769,724	47,040
Total utilities	<u>819,739</u>	<u>773,444</u>	<u>46,295</u>
<b>OUTSIDE SERVICES</b>			
Accounting services	7,725	7,811	(86)
Contract services	17,151	15,083	2,068
Legal	-	6,838	(6,838)
Total outside services	<u>24,876</u>	<u>29,732</u>	<u>(4,856)</u>
<b>REPAIRS AND MAINTENANCE</b>			
	<u>1,000</u>	<u>663</u>	<u>337</u>
<b>TAXES AND INSURANCE</b>			
	<u>13,104</u>	<u>11,594</u>	<u>1,510</u>
<b>MANAGEMENT FEES</b>			
Total administration	<u>71,479</u>	<u>70,823</u>	<u>656</u>
	<u>1,036,997</u>	<u>999,009</u>	<u>37,988</u>
<b>COMMUNITY PATROL</b>			
<b>COMPENSATION AND BENEFITS</b>			
Exempt	38,959	39,422	(463)
HR administration	8,400	8,507	(107)
Nonexempt	301,130	310,960	(9,830)
Taxes	31,842	31,458	384
Insurance	-	1,472	(1,472)
Insurance - workers' compensation	14,284	12,715	1,569
Other benefits	-	20	(20)
Total compensation and benefits	<u>394,615</u>	<u>404,554</u>	<u>(9,939)</u>

VERANDAH COMMUNITY ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>OFFICE</b>			
Cleaning	2,400	1,946	454
Paper and printing	5,000	4,289	711
Office supplies	1,600	1,517	83
Total office	<u>9,000</u>	<u>7,752</u>	<u>1,248</u>
<b>OPERATING AND MAINTENANCE</b>			
Expendable	1,400	925	475
Fuel	12,000	8,557	3,443
Noncapital equipment	800	533	267
Safety equipment	200	-	200
Uniforms	2,500	1,123	1,377
Total operating and maintenance	<u>16,900</u>	<u>11,138</u>	<u>5,762</u>
<b>UTILITIES</b>			
Electric	3,535	2,278	1,257
Phone	9,600	6,498	3,102
Sewer and water	1,560	1,273	287
Total utilities	<u>14,695</u>	<u>10,049</u>	<u>4,646</u>
<b>OUTSIDE SERVICES</b>			
	<u>5,160</u>	<u>3,306</u>	<u>1,854</u>
<b>REPAIRS AND MAINTENANCE</b>			
Building repairs and maintenance	2,340	2,211	129
Equipment - repairs	1,800	1,694	106
Access control repairs and maintenance	1,500	2,544	(1,044)
Pest control	1,200	288	912
Vehicle	1,200	2,233	(1,033)
Total repairs and maintenance	<u>8,040</u>	<u>8,970</u>	<u>(930)</u>
<b>OTHER OPERATING</b>			
	<u>100</u>	<u>-</u>	<u>100</u>
<b>TAXES AND INSURANCE</b>			
Total community patrol	<u>2,400</u>	<u>2,181</u>	<u>219</u>
	<u>450,910</u>	<u>447,950</u>	<u>2,960</u>
<b>GROUNDS MAINTENANCE</b>			
<b>COMPENSATION AND BENEFITS</b>			
Exempt	50,346	50,589	(243)
HR administration	2,473	2,473	-
Nonexempt	49,775	50,546	(771)
Taxes	8,626	8,493	133
Insurance - workers' compensation	4,205	3,633	572
Total compensation and benefits	<u>115,425</u>	<u>115,734</u>	<u>(309)</u>

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, 2016

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
OFFICE	7,240	7,005	235
LEASING / RENTAL	1,650	2,836	(1,186)
OPERATING AND MAINTENANCE			
Annuals	15,900	13,627	2,273
Expendable	7,460	4,951	2,509
Pesticides	6,050	7,408	(1,358)
Fertilizer	800	338	462
Fuel	11,400	10,084	1,316
Sub-irrigation	8,000	5,483	2,517
Tools	1,250	451	799
Potting soil	6,000	3,000	3,000
Mulch	126,000	124,888	1,112
Noncapital equipment	4,200	2,994	1,206
Plant replacement	8,000	6,469	1,531
Uniforms	1,180	946	234
Total operating and maintenance	<u>196,240</u>	<u>180,639</u>	<u>15,601</u>
UTILITIES			
Electric	1,920	2,541	(621)
Phone	240	245	(5)
Irrigation - utility	98,000	77,362	20,638
Electric - landscape sign	1,716	1,758	(42)
Street lights	60,000	59,734	266
Total utilities	<u>161,876</u>	<u>141,640</u>	<u>20,236</u>
OUTSIDE SERVICES	<u>84,650</u>	<u>62,546</u>	<u>22,104</u>
REPAIRS AND MAINTENANCE			
Equipment - repairs	15,135	9,133	6,002
Irrigation - repair	16,700	10,613	6,087
Landscape common	-	148	(148)
Mowing contract common	562,164	563,949	(1,785)
Total repairs and maintenance	<u>593,999</u>	<u>583,843</u>	<u>10,156</u>
Total grounds maintenance	<u>1,161,080</u>	<u>1,094,243</u>	<u>66,837</u>

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, 2016

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
<b>FAIRWAY COVE</b>			
Service agreement	6,604	-	6,604
Mulch	16,256	16,273	(17)
Electric	1,016	2,338	(1,322)
Contract services	1,524	764	760
Mowing contract	76,200	69,225	6,975
Total Fairway Cove	<u>101,600</u>	<u>88,600</u>	<u>13,000</u>
<b>WOODHAVEN</b>			
Service agreement	2,438	-	2,438
Mulch	6,000	5,862	138
Electric	375	2,429	(2,054)
Contract services	563	283	280
Mowing contract	28,125	23,476	4,649
Total Woodhaven	<u>37,501</u>	<u>32,050</u>	<u>5,451</u>
<b>WILLOW BEND</b>			
Service agreement	85	-	85
Mulch	208	-	208
Electric	13	1,379	(1,366)
Contract services	20	-	20
Mowing contract	975	2,280	(1,305)
Total Woodhaven	<u>1,301</u>	<u>3,659</u>	<u>(2,358)</u>
 Total operating fund expenses	 <u>2,797,389</u>	 <u>2,678,572</u>	 <u>118,817</u>
 Deficiency of revenues over expenses	 <u>\$ (160,210)</u>	 <u>\$ -</u>	 <u>\$ 160,210</u>