

VERANDAH COMMUNITY ASSOCIATION, INC.
FORT MYERS, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017



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	8-12
SUPPLEMENTARY INFORMATION	
Supplementary Information on Future Major Repairs and Replacements	14
Schedule of Operating Fund Revenues and Expenses - Budget to Actual	15-19

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, 2017, 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, 2017, 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 28, 2018

VERANDAH COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2017

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash	\$ 213,012	\$ 470,218	\$ 683,230
Certificates of deposit	-	2,725,000	2,725,000
Accounts receivable - members, net	22,262	-	22,262
Accounts receivable - other	111	-	111
Due from Developer	114,970	-	114,970
Interest receivable	-	1,388	1,388
Prepaid expenses	14,504	-	14,504
Deposits	892	-	892
Deferred expenses	229,755	-	229,755
Property and equipment, net	-	706,560	706,560
Due from (to) funds	(5,635)	5,635	-
	<u>\$ 589,871</u>	<u>\$ 3,908,801</u>	<u>\$ 4,498,672</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 95,698	\$ 13,940	\$ 109,638
Accrued payroll	25,508	-	25,508
Assessments received in advance	468,665	-	468,665
	<u>589,871</u>	<u>13,940</u>	<u>603,811</u>
FUND BALANCES			
Fund balances	-	3,188,301	3,188,301
Equity in property and equipment	-	706,560	706,560
	<u>-</u>	<u>3,894,861</u>	<u>3,894,861</u>
Total liabilities and fund balances	<u>\$ 589,871</u>	<u>\$ 3,908,801</u>	<u>\$ 4,498,672</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, 2017

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Assessments - residents	\$ 2,584,979	\$ 64,000	\$ 2,648,979
Assessments - Club	50,000	-	50,000
Developer subsidy	49,387	-	49,387
Late fees and interest	10,445	-	10,445
Interest	946	30,242	31,188
Other	208,411	-	208,411
	<u>2,904,168</u>	<u>94,242</u>	<u>2,998,410</u>
EXPENSES			
Cost of sales	7,380	-	7,380
Administration	1,097,412	-	1,097,412
Community patrol	469,856	-	469,856
Grounds maintenance	1,151,695	-	1,151,695
Fairway Cove	104,213	-	104,213
Woodhaven	48,325	-	48,325
Willow Bend	21,447	-	21,447
Willow Ridge	3,840	-	3,840
Depreciation	-	113,451	113,451
Replacement	-	126,300	126,300
	<u>2,904,168</u>	<u>239,751</u>	<u>3,143,919</u>
Deficiency of revenues over expenses	-	(145,509)	(145,509)
FUND BALANCES - January 1, 2017	<u>-</u>	<u>4,040,370</u>	<u>4,040,370</u>
FUND BALANCES - December 31, 2017	<u>\$ -</u>	<u>\$ 3,894,861</u>	<u>\$ 3,894,861</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, 2017

	FUNDS		
	Operating	Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Assessments, late fees and interest collected	\$ 1,798,199	\$ 116,000	\$ 1,914,199
Interest received	952	29,645	30,597
Other revenue received	208,411	-	208,411
Cash paid for expenditures	(3,045,312)	(132,365)	(3,177,677)
Net cash (used) provided by operating activities	(1,037,750)	13,280	(1,024,470)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of certificates of deposit	-	(2,725,000)	(2,725,000)
Proceeds from redemption of certificates of deposit	700,000	2,975,000	3,675,000
Purchases of property and equipment	-	(98,203)	(98,203)
Net cash provided by investing activities	700,000	151,797	851,797
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund reimbursement	5,635	(5,635)	-
Net (decrease) increase in cash	(332,115)	159,442	(172,673)
CASH - January 1, 2017	545,127	310,776	855,903
CASH - December 31, 2017	\$ 213,012	\$ 470,218	\$ 683,230

	FUNDS		
	Operating	Replacement	Total
RECONCILIATION OF DEFICIENCY OF REVENUES OVER EXPENSES TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES			
Deficiency of revenues over expenses	\$ -	\$ (145,509)	\$ (145,509)
Adjustments to reconcile deficiency of revenues over expenses to net cash (used) provided by operating activities:			
Depreciation	-	113,451	113,451
Provision for uncollectible accounts	15,968	-	15,968
Changes in:			
Accounts receivable - members	(7,970)	52,000	44,030
Accounts receivable - other	12,389	-	12,389
Due from Developer	(49,387)	-	(49,387)
Interest receivable	6	(597)	(591)
Prepaid expenses	(1,284)	-	(1,284)
Deposits	43	-	43
Deferred expenses	(229,755)	-	(229,755)
Accounts payable and accrued expenses	76,885	(6,065)	70,820
Accrued payroll	578	-	578
Assessments received in advance	(855,223)	-	(855,223)
Total adjustments	(1,037,750)	158,789	(878,961)
Net cash (used) provided by operating activities	\$ (1,037,750)	\$ 13,280	\$ (1,024,470)

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, 2017

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, 2017, 1,211 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 28, 2018, 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. Provision for uncollectible accounts expense was \$37,226 during the year ended December 31, 2017, and is included in administration.

Deferred Expenses

The Association is deferring expenses associated with the repair and construction costs resulting from the landfall of Hurricane Irma on September 10, 2017, until insurance claims are processed and proceeds can be determined.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Association follows prevalent industry practice, as contained in ASC Subtopic 972-360, “Real Estate - Common Interest Realty Associations - Property, Plant and Equipment” in accounting for the common property of the Association, which it is responsible to preserve and maintain. Property is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property or the property is used by the Association to generate significant cash flow from members on the basis of usage or from nonmembers.

Property associated with the units is not capitalized. Property not directly associated with the units consists of a gate house, dog park, kayak livery and kayaks, landscaping, roads, sidewalks and buffer, boardwalks and trails. These items are not capitalized as they do not meet the capitalization criteria, since ownership of the commonly owned assets is vested in the members, those assets are not titled in the Association’s name and disposition of those assets by the Board of Directors (the “Board”) is restricted. Additions and improvements to common property are accounted for as major repair and replacement expenditures in the replacement fund.

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, 2017. Improvements and repairs are expensed in the period in which they occur. See Note 6 for additional information.

Income Taxes

The Association can elect to file its income tax return 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 effect of the election is to tax the Association only on its “non-exempt function” income, reduced by a specific \$100 deduction at a flat 30% rate. If such election is not made, the Association’s net income is subject to tax at statutory corporate rates.

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, which has resulted in no federal income tax liability for the year ended December 31, 2017. There is no state income tax imposed on the Association.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Substantially all of the Association's assets and liabilities, excluding prepaid expenses, deferred 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. 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, 2017.

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, 2017, the uninsured balance was \$287,716, based on the bank statement balances, less the FDIC insurance.

As of December 31, 2017, KH Verandah LLC (the "Developer") owned 472 units or approximately 28% of the available units.

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members, as of December 31, 2017, consisted of the following:

Assessments	Operating \$ 100,177
Less: allowance for uncollectible accounts	(77,915)
	<u>\$ 22,262</u>

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 - PROPERTY AND EQUIPMENT

As of December 31, 2017, property and equipment consisted of the following:

	Estimated Useful Lives		
Walls and fences	7 - 15 years	\$	23,247
Decks and gazebos	5 - 22 years		73,832
Furniture, fixtures and equipment	2 - 15 years		429,003
Bikepaths and sidewalks	5 - 40 years		490,830
Vehicles	2 years		23,996
Irrigation system	3 - 15 years		87,457
			1,128,365
Less: accumulated depreciation			(421,805)
		\$	706,560

Depreciation expense for the year ended December 31, 2017, was \$113,451.

NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of future year assessments received by the Association prior to January 1, 2018.

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 2018 proposed budgeted funding is \$97,500, 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, 2017

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, 2017. As of December 31, 2017, no amount was due to the Association.

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, 2017, was \$49,387. As of December 31, 2017, \$114,970 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 \$1,892, for the year ended December 31, 2017, 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, 2017
 (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	2018 Proposed Budgeted Funding
Asphalt pavement	3 - 35 years	1 - 26 years	\$ 2,488,553	
Maintenance equipment	5 - 10 years	0 - 3 years	8,400	
Catch basins	15 - 20 years	9 - 18 years	107,500	
Concrete curbs and gutters	65 years	4 - 28 years	5,791,300	
Fences	25 years	8 - 9 years	129,360	
Gate house and gates	8 - 30 years	0 - 14 years	242,700	
Landscape	3 years	0 years	50,000	
Light poles and fixtures	15 years	0 - 14 years	22,575	
Pavers	15 - 20 years	4 - 5 years	179,400	
Perimeter walls	5 - 10 years	2 years	123,725	
Playground equipment	15 - 25 years	6 - 7 years	68,000	
Shade structures	6 - 8 years	4 years	12,000	
Signage	15 - 25 years	5 - 23 years	214,500	
Vehicles	1 - 5 years	0 - 3 years	61,000	
Reserve study update	2 years	0 years	5,000	
			<u>\$ 9,504,013</u>	<u>\$ 97,500</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, 2017

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
REVENUES			
Assessments - residents	\$ 2,620,755	\$ 2,584,979	\$ (35,776)
Assessments - Club	50,000	50,000	-
Developer subsidy	-	49,387	49,387
Late fees and interest	16,850	10,445	(6,405)
Interest	1,200	946	(254)
Other	232,450	208,411	(24,039)
 Total operating fund revenues	 <u>2,921,255</u>	 <u>2,904,168</u>	 <u>(17,087)</u>
EXPENSES			
COST OF SALES	<u>8,000</u>	<u>7,380</u>	<u>620</u>
ADMINISTRATION			
COMPENSATION AND BENEFITS			
Exempt	77,251	77,081	170
HR administration	1,908	2,659	(751)
W/S billed labor	18,480	12,336	6,144
Taxes	6,232	6,214	18
Insurance	5,591	2,255	3,336
Insurance - workers' compensation	3,244	2,115	1,129
Other benefits	1,647	221	1,426
Total compensation and benefits	<u>114,353</u>	<u>102,881</u>	<u>11,472</u>
OFFICE			
Banking fees	600	25	575
Licenses and fees	800	383	417
Postage	1,200	3,042	(1,842)
Paper and printing	3,500	3,361	139
Service agreements	300	-	300
Residence meeting	1,000	-	1,000
Dues and subscriptions	560	154	406
Office supplies	1,500	881	619
Total office	<u>9,460</u>	<u>7,846</u>	<u>1,614</u>
OPERATING AND MAINTENANCE			
Decorations	5,000	3,209	1,791
Expendable	500	335	165
Noncapital equipment	1,500	299	1,201
Total operating and maintenance	<u>7,000</u>	<u>3,843</u>	<u>3,157</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, 2017

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
UTILITIES			
Phone	2,975	3,510	(535)
Sewer/water	-	162	(162)
Utilities - other	830,298	826,912	3,386
Total utilities	<u>833,273</u>	<u>830,584</u>	<u>2,689</u>
OUTSIDE SERVICES			
Accounting services	7,725	8,477	(752)
Contract services	17,151	15,850	1,301
Legal	-	2,666	(2,666)
Total outside services	<u>24,876</u>	<u>26,993</u>	<u>(2,117)</u>
REPAIRS AND MAINTENANCE			
	<u>1,000</u>	<u>1,116</u>	<u>(116)</u>
TAXES AND INSURANCE			
	<u>12,732</u>	<u>12,557</u>	<u>175</u>
MANAGEMENT FEES			
	<u>75,973</u>	<u>74,366</u>	<u>1,607</u>
PROVISION FOR UNCOLLECTIBLE ACCOUNTS			
Total administration	<u>-</u>	<u>37,226</u>	<u>(37,226)</u>
	<u>1,078,667</u>	<u>1,097,412</u>	<u>(18,745)</u>
COMMUNITY PATROL			
COMPENSATION AND BENEFITS			
Exempt	47,477	48,354	(877)
HR administration	9,171	9,490	(319)
Nonexempt	323,839	320,550	3,289
Taxes	34,377	32,518	1,859
Insurance	1,440	1,671	(231)
Insurance - workers' compensation	15,595	14,995	600
Total compensation and benefits	<u>431,899</u>	<u>427,578</u>	<u>4,321</u>
OFFICE			
Cleaning	2,400	1,822	578
Paper and printing	6,100	1,984	4,116
Office supplies	1,950	982	968
Total office	<u>10,450</u>	<u>4,788</u>	<u>5,662</u>
OPERATING AND MAINTENANCE			
Expendable	1,400	1,222	178
Fuel	12,000	8,923	3,077
Noncapital equipment	2,000	1,710	290
Safety equipment	200	-	200
Uniforms	2,500	269	2,231
Total operating and maintenance	<u>18,100</u>	<u>12,124</u>	<u>5,976</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, 2017

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
UTILITIES			
Electric	3,535	2,194	1,341
Phone	9,600	7,588	2,012
Sewer and water	1,560	837	723
Total utilities	<u>14,695</u>	<u>10,619</u>	<u>4,076</u>
OUTSIDE SERVICES	<u>11,510</u>	<u>6,860</u>	<u>4,650</u>
REPAIRS AND MAINTENANCE			
Building repairs and maintenance	3,200	2,161	1,039
Equipment - repairs	1,800	1,119	681
Access control repairs and maintenance	900	994	(94)
Pest control	2,400	288	2,112
Vehicle	1,500	1,427	73
Total repairs and maintenance	<u>9,800</u>	<u>5,989</u>	<u>3,811</u>
OTHER OPERATING	<u>100</u>	<u>18</u>	<u>82</u>
TAXES AND INSURANCE	<u>1,711</u>	<u>1,880</u>	<u>(169)</u>
Total community patrol	<u>498,265</u>	<u>469,856</u>	<u>28,409</u>
GROUNDS MAINTENANCE			
COMPENSATION AND BENEFITS			
Exempt	51,855	52,236	(381)
HR administration	2,542	2,687	(145)
Nonexempt	51,660	52,881	(1,221)
Taxes	8,840	8,685	155
Insurance	3,840	-	3,840
Insurance - workers' compensation	4,323	4,302	21
Total compensation and benefits	<u>123,060</u>	<u>120,791</u>	<u>2,269</u>
OFFICE	<u>7,240</u>	<u>7,140</u>	<u>100</u>
LEASING / RENTAL	<u>1,700</u>	<u>4,993</u>	<u>(3,293)</u>
OPERATING AND MAINTENANCE			
Annuals	16,400	14,368	2,032
Expendable	7,300	4,856	2,444
Pesticides	6,050	534	5,516
Fertilizer	800	-	800
Fuel	11,400	9,804	1,596
Sub-irrigation	9,100	3,037	6,063
Tools	1,250	11	1,239
Potting soil	1,600	28	1,572

Read Independent Auditor's Report.

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FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
OPERATING AND MAINTENANCE (Continued)			
Mulch	155,600	129,678	25,922
Noncapital equipment	3,970	2,815	1,155
Uniforms	1,280	693	587
Total operating and maintenance	<u>214,750</u>	<u>165,824</u>	<u>48,926</u>
UTILITIES			
Electric	1,920	2,319	(399)
Phone	600	762	(162)
Irrigation - utility	106,000	93,808	12,192
Electric - landscape sign	1,716	1,890	(174)
Street lights	60,000	63,069	(3,069)
Total utilities	<u>170,236</u>	<u>161,848</u>	<u>8,388</u>
OUTSIDE SERVICES	<u>94,150</u>	<u>59,625</u>	<u>34,525</u>
REPAIRS AND MAINTENANCE			
Equipment - repairs	15,835	9,723	6,112
Irrigation - repair	16,700	12,367	4,333
Mowing contract common	624,153	609,384	14,769
Total repairs and maintenance	<u>656,688</u>	<u>631,474</u>	<u>25,214</u>
Total grounds maintenance	<u>1,267,824</u>	<u>1,151,695</u>	<u>116,129</u>
FAIRWAY COVE			
Service agreement	1,858	-	1,858
Mulch	22,240	21,180	1,060
Electric	-	1,658	(1,658)
Street lights	2,143	-	2,143
Contract services	1,626	-	1,626
Mowing contract	83,625	81,375	2,250
Total Fairway Cove	<u>111,492</u>	<u>104,213</u>	<u>7,279</u>
WOODHAVEN			
Service agreement	930	-	930
Mulch	8,466	11,371	(2,905)
Electric	-	3,654	(3,654)
Street lights	2,787	-	2,787
Contract services	476	-	476
Mowing contract	38,025	33,300	4,725
Total Woodhaven	<u>50,684</u>	<u>48,325</u>	<u>2,359</u>

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FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
WILLOW BEND			
Service agreement	247	-	247
Mulch	5,619	3,806	1,813
Electric	-	1,261	(1,261)
Street lights	1,183	-	1,183
Mowing contract	21,150	16,380	4,770
Total Willow Bend	<u>28,199</u>	<u>21,447</u>	<u>6,752</u>
WILLOW RIDGE			
Service agreement	97	-	97
Mulch	2,909	878	2,031
Electric	-	787	(787)
Street lights	648	-	648
Mowing contract	10,950	2,175	8,775
Total Willow Ridge	<u>14,604</u>	<u>3,840</u>	<u>10,764</u>
 Total operating fund expenses	 <u>3,057,735</u>	 <u>2,904,168</u>	 <u>153,567</u>
 Deficiency of revenues over expenses	 <u>\$ (136,480)</u>	 <u>\$ -</u>	 <u>\$ 136,480</u>