

VERANDAH COMMUNITY ASSOCIATION, INC.
FORT MYERS, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018



TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS	
Balance Sheet	4
Statement of Revenue, Expenses and Changes in Fund Balance	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12
SUPPLEMENTARY INFORMATION	
Supplementary Information on Future Major Repairs and Replacements	14
Schedule of Operating Fund Revenue 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, 2018, and the related statements of revenue, expenses and changes in fund balance 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, 2018, 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenue and expenses - budget to actual, is presented for purposes of additional analysis and is not a required part of the 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, except for the portion marked "unaudited," 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. 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
August 5, 2019

VERANDAH COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 270,052	\$ 843,309	\$ 1,113,361
Certificates of deposit	-	2,350,000	2,350,000
Accounts receivable - members, net	37,554	-	37,554
Accounts receivable - other	16,545	-	16,545
Due from Developer	24,488	-	24,488
Interest receivable	-	2,071	2,071
Prepaid expenses	25,033	-	25,033
Deposits	915	-	915
Property and equipment, net	-	617,082	617,082
Due from (to) funds	(4,000)	4,000	-
Total assets	\$ 370,587	\$ 3,816,462	\$ 4,187,049
Liabilities and Fund Balance			
Liability			
Accounts payable and accrued expenses	\$ 128,277	\$ 7,500	\$ 135,777
Assessments received in advance	242,310	-	242,310
Total liabilities	370,587	7,500	378,087
Fund balance			
Fund balance	-	3,191,880	3,191,880
Equity in property and equipment	-	617,082	617,082
Total fund balance	-	3,808,962	3,808,962
Total liabilities and fund balance	\$ 370,587	\$ 3,816,462	\$ 4,187,049

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

VERANDAH COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total
Revenue			
Assessments - residents	\$ 2,794,991	\$ 82,500	\$ 2,877,491
Assessments - Club	50,000	-	50,000
Developer subsidy	24,488	-	24,488
Late fees and interest	9,809	-	9,809
Interest	115	48,078	48,193
Recovery of bad debt	12,465	-	12,465
Insurance proceeds	-	229,255	229,255
Other	248,090	-	248,090
 Total revenue	 <u>3,139,958</u>	 <u>359,833</u>	 <u>3,499,791</u>
Expenses			
Cost of sales	7,963	-	7,963
Administration	1,100,095	-	1,100,095
Community patrol	548,494	-	548,494
Grounds maintenance	1,260,739	-	1,260,739
Fairway Cove	109,820	-	109,820
Woodhaven	61,648	-	61,648
Willow Bend	29,134	-	29,134
Willow Ridge	19,899	-	19,899
Torrey Pines	150	-	150
Ambleswind	1,566	-	1,566
Royal Palm	450	-	450
Depreciation	-	111,533	111,533
Replacement	-	358,931	358,931
 Total expenses	 <u>3,139,958</u>	 <u>470,464</u>	 <u>3,610,422</u>
 Deficiency of revenue over expenses	 -	 (110,631)	 (110,631)
 Fund balance - January 1, 2018	 -	 3,894,861	 3,894,861
 Contributed capital	 -	 24,732	 24,732
 Fund balance - December 31, 2018	 <u>\$ -</u>	 <u>\$ 3,808,962</u>	 <u>\$ 3,808,962</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, 2018

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities			
Deficiency of revenue over expenses	\$ -	\$ (110,631)	\$ (110,631)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided (used) by operating activities:			
Depreciation	-	111,533	111,533
Recovery of bad debt	(29,642)	-	(29,642)
Changes in:			
Accounts receivable - members	14,350	-	14,350
Accounts receivable - other	(16,434)	-	(16,434)
Due from Developer	90,482	-	90,482
Interest receivable	-	(683)	(683)
Prepaid expenses	(10,529)	-	(10,529)
Deposits	(23)	-	(23)
Deferred expenses	229,755	-	229,755
Accounts payable and accrued expenses	7,071	(6,440)	631
Assessments received in advance	(226,355)	-	(226,355)
Net cash provided (used) by operating activities	<u>58,675</u>	<u>(6,221)</u>	<u>52,454</u>
Cash Flows From Investing Activities			
Purchases of certificates of deposit	-	(2,350,000)	(2,350,000)
Proceeds from redemption of certificates of deposit	-	2,725,000	2,725,000
Purchases of property and equipment	-	(22,055)	(22,055)
Net cash provided by investing activities	<u>-</u>	<u>352,945</u>	<u>352,945</u>
Cash Flows From Financing Activities			
Interfund reimbursement	(1,635)	1,635	-
Contributed capital	-	24,732	24,732
Net cash (used) provided by financing activities	<u>(1,635)</u>	<u>26,367</u>	<u>24,732</u>
Net increase in cash	57,040	373,091	430,131
Cash - January 1, 2018	<u>213,012</u>	<u>470,218</u>	<u>683,230</u>
Cash - December 31, 2018	<u>\$ 270,052</u>	<u>\$ 843,309</u>	<u>\$ 1,113,361</u>
Supplemental Information			
Income tax paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018

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, 2018, 1,257 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 August 5, 2019, 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. Recovery of bad debt was \$12,465 for the year ended December 31, 2018.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018. 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 a federal income tax liability of \$3,290 for the year ended December 31, 2018, included in accounts payable and accrued expenses. There is no state income tax imposed on the Association.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 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, based on lot size.

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, 2018.

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 revenue 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 at each commercial banking institution are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000. As of December 31, 2018, the uninsured balance was \$591,097, based on the bank statement balances, less the FDIC insurance.

As of December 31, 2018, KH Verandah LLC (the "Developer") owned 426 units or approximately 25% of the available units.

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members, as of December 31, 2018, consisted of the following:

Assessments	\$ 85,827
Less: allowance for uncollectible accounts	(48,273)
	<u>\$ 37,554</u>

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 - PROPERTY AND EQUIPMENT

As of December 31, 2018, property and equipment consisted of the following:

	Estimated Useful Lives			
Walls and fences	7 - 15 years	\$		23,247
Decks and gazebos	5 - 22 years			74,997
Furniture, fixtures and equipment	2 - 15 years			449,893
Bikepaths and sidewalks	5 - 40 years			490,830
Vehicles	2 years			23,996
Irrigation system	3 - 15 years			87,457
				1,150,420
Less: accumulated depreciation				(533,338)
		\$		617,082

Depreciation expense for the year ended December 31, 2018, was \$111,533.

NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of future year assessments received by the Association prior to January 1, 2019.

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.

During the year ended December 31, 2018, the Shady Bend roadways were turned over to the Association along with \$24,732 of accumulated roadway reserve funds. The amount has been shown as contributed capital.

The 2019 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, 2018

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, 2018. As of December 31, 2018, \$12,500 was due to the Association, included in 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, 2018, was \$24,488. As of December 31, 2018, \$24,488 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 \$981, for the year ended December 31, 2018, and is included in various expenses.

NOTE 12 - OPERATING LEASE

During the year ended December 31, 2018, the Association entered into a copier and printer lease ending October 31, 2023. The lease requires 63 monthly payments of \$225. Total expense for the year ended December 31, 2018, was \$1,599, included in outside services expenses.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 - OPERATING LEASE (Continued)

Future minimum payments required under the lease are as follows:

<u>Years ending December 31,</u>	
2019	\$ 2,700
2020	2,700
2021	2,700
2022	2,700
2023	2,250
	<u>\$ 13,050</u>

NOTE 13 - 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 25, 2023. The agreement automatically renews for three successive periods of 30 days, unless terminated under the terms of the agreement.

SUPPLEMENTARY INFORMATION

VERANDAH COMMUNITY ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2018
 (Unaudited)

An independent appraiser conducted a study during 2018, 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 presents 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	2019 Proposed Budgeted Funding
Asphalt pavement	3 - 35 years	0 - 25 years	\$ 2,710,435	
Maintenance equipment	5 - 10 years	0 - 2 years	10,000	
Catch basins	15 - 20 years	8 - 17 years	144,000	
Concrete curbs and gutters	65 years	6 - 29 years	6,237,000	
Equipment pressure washer	10 years	8 years	8,000	
Fences	25 years	0 years	135,520	
Gate house and gates	8 - 30 years	0 - 13 years	251,760	
Landscape	3 years	0 years	52,000	
Light poles and fixtures	15 years	0 years	23,000	
Pavers	15 - 20 years	3 - 4 years	184,920	
Perimeter walls	5 - 10 years	1 year	128,625	
Playground equipment	15 - 25 years	5 - 6 years	71,000	
Shade structures	6 - 8 years	3 years	12,000	
Signage	15 - 25 years	8 - 19 years	255,000	
Vehicles	1 - 5 years	0 - 2 years	63,400	
Reserve study update	2 years	1 year	5,200	
			<u>\$ 10,291,860</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 1.2% and the rate of inflation 1.9%.

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget <i>(Unaudited)</i>	Actual	Variance
Revenue			
Assessments - residents	\$ 2,690,728	\$ 2,794,991	\$ 104,263
Assessments - Club	50,000	50,000	-
Developer subsidy	-	24,488	24,488
Late fees and interest	16,850	9,809	(7,041)
Interest	1,200	115	(1,085)
Recovery of bad debt	-	12,465	12,465
Other	257,338	248,090	(9,248)
	<u>3,016,116</u>	<u>3,139,958</u>	<u>123,842</u>
Expenses			
Cost of sales	<u>8,000</u>	<u>7,963</u>	<u>37</u>
Administration			
Compensation and benefits			
Exempt	79,567	98,462	(18,895)
HR administration	1,965	23	1,942
Taxes	6,409	-	6,409
Insurance	2,419	-	2,419
Insurance - workers' compensation	3,342	83	3,259
Other benefits	720	980	(260)
Total compensation and benefits	<u>94,422</u>	<u>99,548</u>	<u>(5,126)</u>
Office			
Banking fees	600	225	375
Licenses and fees	1,100	3,486	(2,386)
Postage	3,000	10,455	(7,455)
Paper and printing	3,500	493	3,007
Service agreements	300	-	300
Residence meeting	500	13	487
Dues and subscriptions	670	110	560
Office supplies	2,300	4,303	(2,003)
Total office	<u>11,970</u>	<u>19,085</u>	<u>(7,115)</u>
Operating and maintenance			
Decorations	10,000	-	10,000
Expendable	600	410	190
Fuel	-	852	(852)
Noncapital equipment	2,000	626	1,374
Total operating and maintenance	<u>12,600</u>	<u>1,888</u>	<u>10,712</u>

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget <i>(Unaudited)</i>	Actual	Variance
Utilities			
Electric	-	25	(25)
Phone	-	4,422	(4,422)
Sewer/water	2,975	-	2,975
Utilities - other	866,784	849,792	16,992
Total utilities	<u>869,759</u>	<u>854,239</u>	<u>15,520</u>
Outside services			
Accounting services	8,200	8,310	(110)
Contract services	19,757	17,465	2,292
Legal	-	7,579	(7,579)
Total outside services	<u>27,957</u>	<u>33,354</u>	<u>(5,397)</u>
Repairs and maintenance	<u>1,000</u>	<u>230</u>	<u>770</u>
Taxes and insurance	<u>12,732</u>	<u>14,061</u>	<u>(1,329)</u>
Management fees	<u>77,695</u>	<u>77,690</u>	<u>5</u>
Total administration	<u>1,108,135</u>	<u>1,100,095</u>	<u>8,040</u>
Community patrol			
Compensation and benefits			
Exempt	48,900	83,689	(34,789)
HR administration	9,170	-	9,170
Nonexempt	322,371	408,274	(85,903)
Taxes	34,292	-	34,292
Insurance - workers' compensation	15,593	-	15,593
Total compensation and benefits	<u>430,326</u>	<u>491,963</u>	<u>(61,637)</u>
Office			
Cleaning	2,400	2,186	214
Paper and printing	9,000	6,653	2,347
Office supplies	1,500	2,589	(1,089)
Total office	<u>12,900</u>	<u>11,428</u>	<u>1,472</u>
Operating and maintenance			
Expendable	1,600	1,508	92
Fuel	12,000	8,477	3,523
Noncapital equipment	700	628	72
Safety equipment	200	60	140
Uniforms	2,500	2,421	79
Total operating and maintenance	<u>17,000</u>	<u>13,094</u>	<u>3,906</u>

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget <i>(Unaudited)</i>	Actual	Variance
Utilities			
Electric	2,723	2,268	455
Phone	8,400	10,011	(1,611)
Sewer and water	1,045	1,261	(216)
Total utilities	<u>12,168</u>	<u>13,540</u>	<u>(1,372)</u>
Outside services	<u>8,335</u>	<u>7,065</u>	<u>1,270</u>
Repairs and maintenance			
Building repairs and maintenance	7,220	3,908	3,312
Equipment - repairs	1,800	542	1,258
Access control repairs and maintenance	2,000	1,964	36
Pest control	1,800	288	1,512
Vehicle	1,950	2,872	(922)
Total repairs and maintenance	<u>14,770</u>	<u>9,574</u>	<u>5,196</u>
Other operating	<u>500</u>	<u>169</u>	<u>331</u>
Taxes and insurance	<u>1,711</u>	<u>1,661</u>	<u>50</u>
Total community patrol	<u>497,710</u>	<u>548,494</u>	<u>(50,784)</u>
Grounds maintenance			
Compensation and benefits			
Exempt	53,412	73,141	(19,729)
HR administration	2,623	-	2,623
Nonexempt	52,802	58,579	(5,777)
Taxes	9,092	-	9,092
Insurance - workers' compensation	4,461	-	4,461
Total compensation and benefits	<u>122,390</u>	<u>131,720</u>	<u>(9,330)</u>
Office	<u>7,240</u>	<u>7,140</u>	<u>100</u>
Leasing/rental	<u>1,700</u>	<u>4,965</u>	<u>(3,265)</u>
Operating and maintenance			
Annuals	18,600	16,038	2,562
Expendable	8,900	6,407	2,493
Pesticides	6,550	5,101	1,449
Fertilizer	800	-	800
Fuel	11,400	10,000	1,400
Sub-irrigation	10,200	10,034	166
Tools	2,000	9	1,991
Potting soil	7,000	3,006	3,994

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget <i>(Unaudited)</i>	Actual	Variance
Operating and maintenance (Continued)			
Mulch	173,600	140,894	32,706
Noncapital equipment	3,520	4,869	(1,349)
Uniforms	1,800	912	888
Total operating and maintenance	<u>244,370</u>	<u>197,270</u>	<u>47,100</u>
Utilities			
Electric	2,160	2,155	5
Phone	780	648	132
Irrigation - utility	106,370	115,591	(9,221)
Electric - landscape sign	1,716	959	757
Street lights	63,600	61,784	1,816
Total utilities	<u>174,626</u>	<u>181,137</u>	<u>(6,511)</u>
Outside services	<u>81,150</u>	<u>76,197</u>	<u>4,953</u>
Repairs and maintenance			
Equipment - repairs	18,000	12,572	5,428
Irrigation - repair	17,000	17,527	(527)
Mowing contract common	624,153	632,211	(8,058)
Total repairs and maintenance	<u>659,153</u>	<u>662,310</u>	<u>(3,157)</u>
Total grounds maintenance	<u>1,290,629</u>	<u>1,260,739</u>	<u>29,890</u>
Fairway Cove			
Mulch	25,373	23,070	2,303
Electric	-	2,399	(2,399)
Street lights	2,520	-	2,520
Mowing contract	83,700	84,351	(651)
Total Fairway Cove	<u>111,593</u>	<u>109,820</u>	<u>1,773</u>
Woodhaven			
Mulch	11,524	13,912	(2,388)
Electric	-	3,565	(3,565)
Street lights	3,251	-	3,251
Mowing contract	44,325	44,171	154
Total Woodhaven	<u>59,100</u>	<u>61,648</u>	<u>(2,548)</u>

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget <i>(Unaudited)</i>	Actual	Variance
Willow Bend			
Mulch	5,940	5,967	(27)
Electric	-	1,235	(1,235)
Street lights	1,272	-	1,272
Mowing contract	21,675	21,932	(257)
Total Willow Bend	<u>28,887</u>	<u>29,134</u>	<u>(247)</u>
Wilow Ridge			
Mulch	3,380	5,217	(1,837)
Electric	-	1,032	(1,032)
Street lights	936	-	936
Mowing contract	12,975	13,650	(675)
Total Willow Ridge	<u>17,291</u>	<u>19,899</u>	<u>(2,608)</u>
Torrey Pines			
Mowing contract	<u>-</u>	<u>150</u>	<u>(150)</u>
Ambleshoot			
Mulch	1,560	-	1,560
Electric	-	938	(938)
Street lights	1,183	-	1,183
Mowing contract	8,250	628	7,622
Total Ambleshoot	<u>10,993</u>	<u>1,566</u>	<u>9,427</u>
Royal Palm			
Mowing contract	<u>-</u>	<u>450</u>	<u>(450)</u>
Total operating fund expenses	<u>3,132,338</u>	<u>3,139,958</u>	<u>(7,620)</u>
Deficiency of revenue over expenses	<u>\$ (116,222)</u>	<u>\$ -</u>	<u>\$ 116,222</u>