

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

**Financial Statements and Supplementary Information
with
Independent Accountants' Review Report**

December 31, 2017
(With Comparative Totals for 2016)

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

Independent Accountants' Review Report

To the Board of Directors
Village Walk South of Vero Beach Homeowners Association, Inc.
Vero Beach, Florida

We have reviewed the accompanying financial statements of Village Walk South of Vero Beach Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues and expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously reviewed Village Walk South of Vero Beach Homeowners Association, Inc.'s 2016 financial statements and in our report dated February 25, 2017, stated that based on our procedures, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.


To the Board of Directors
Village Walk South of Vero Beach Homeowners Association, Inc.

Supplementary Information

The supplementary information in the schedule of operating fund revenues and expenses on pages 11-12 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information (except for the budget information, which was not subjected to the review procedures applied in our review of the basic financial statements, but was compiled from information that is the responsibility of management, on which we do not express an opinion, a conclusion, nor provide any assurance on it) has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 13 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, which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have compiled the required supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.



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

April 8, 2018

Village Walk South of Vero Beach Homeowners Association, Inc.

Balance Sheet

December 31, 2017

(With comparative totals for 2016)

	2017			2016
	Operating Fund	Replacement Fund	Total	Total (memo only)
Assets				
Cash	\$ -	\$ 553,107	\$ 553,107	\$ 503,566
Assessments receivable	14,614	-	14,614	14,643
Prepaid insurance	2,556	-	2,556	3,752
Prepaid expenses	3,765	-	3,765	5,334
Interfund borrowings	(126,580)	126,580	-	-
	\$ (105,645)	\$ 679,687	\$ 574,042	\$ 527,295
Liabilities and Fund Balance				
Checks issued against future deposits	\$ 27,680	\$ -	\$ 27,680	\$ 16,325
Accounts payable	-	-	-	18,390
Prepaid assessments	15,229	-	15,229	11,208
Income tax payable	125	-	125	119
	43,034	-	43,034	46,042
Fund Balance	(148,679)	679,687	531,008	481,253
	\$ (105,645)	\$ 679,687	\$ 574,042	\$ 527,295

See independent accountants' review report and accompanying notes to financial statements.

Village Walk South of Vero Beach Homeowners Association, Inc.
Statement of Revenues and Expenses and Changes in Operating Fund Balances
Year ended December 31, 2017
(With comparative totals for 2016)

	2017			2016
	Operating Fund	Replacement Fund	Total	Total (memo only)
Revenues				
Regular assessments	\$ 172,195	\$ 75,000	\$ 247,195	\$ 225,522
Interest and other income	4,742	2,296	7,038	3,821
	176,937	77,296	254,233	229,343
Expenses				
General and administrative	36,941	-	36,941	40,596
Building operations	44,111	-	44,111	93,885
Grounds and maintenance	83,656	-	83,656	83,421
Recreational facilities	5,406	-	5,406	6,639
Utilities	10,480	-	10,480	11,566
Miscellaneous	23,884	-	23,884	10,944
	204,478	-	204,478	247,051
Excess (deficit) of revenues over expenses	(27,541)	77,296	49,755	(17,708)
Fund Balance, beginning of year	(121,138)	602,391	481,253	498,961
Fund Balance, end of year	\$ (148,679)	\$ 679,687	\$ 531,008	\$ 481,253

See independent accountants' review report and accompanying notes to financial statements.

Village Walk South of Vero Beach Homeowners Association, Inc.

Statement of Cash Flows

Year ended December 31, 2017

(With comparative totals for 2016)

	2017			2016
	Operating Fund	Replacement Fund	Total	Total (memo only)
Cash flows from operating activities:				
Assessments collected	\$ 176,245	\$ 75,000	\$ 251,245	\$ 228,501
Interest and other income received	4,742	2,296	7,038	3,821
Cash paid for expenditures	(208,623)	-	(208,623)	(219,532)
Income taxes paid	(119)	-	(119)	(149)
Net cash provided by (used for) operating activities	(27,755)	77,296	49,541	12,641
Cash flows from financing activities:				
Interfund borrowings	27,755	(27,755)	-	-
Net increase in cash	-	49,541	49,541	12,641
Cash, beginning of year	-	503,566	503,566	490,925
Cash, end of year	\$ -	\$ 553,107	\$ 553,107	\$ 503,566
Reconciliation of excess (deficit) of revenues over expenses to net cash provided by (used for) operating activities:				
Excess (deficit) of revenues over expenses	\$ (27,541)	\$ 77,296	\$ 49,755	\$ (17,708)
Adjustments:				
(Increase) decrease in:				
Assessments receivable	29	-	29	3,428
Prepaid insurance	1,196	-	1,196	(1,588)
Prepaid expenses	1,569	-	1,569	(3,667)
Increase (decrease) in:				
Checks issued against future deposits	11,355	-	11,355	14,265
Accounts payable	(18,390)	-	(18,390)	18,390
Prepaid assessments	4,021	-	4,021	(449)
Income tax payable	6	-	6	(30)
Net cash provided by (used for) operating activities	\$ (27,755)	\$ 77,296	\$ 49,541	\$ 12,641

See independent accountants' review report and accompanying notes to financial statements.

Village Walk South of Vero Beach Homeowners Association, Inc.
Notes to Financial Statements

Note 1 – Nature of Organization

Village Walk South of Vero Beach Homeowners Association, Inc. (the Association) was incorporated under the laws of the State of Florida on May 16, 2002. The Association is responsible for the operation and maintenance of the common property of the development, which consists of 102 lots located in Vero Beach, Florida.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting.

Fund Accounting

The Association presents separate funds based on its different funding policies for operations and capital replacements.

The operating fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures of this fund are limited to those connected with the day-to-day operations and the replacements, major repairs and the purchase of additional commonly owned assets for which no replacement fund component has been established. The income and expenses of the Association are allocated to the lot owners based on the number of lots.

The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements and major repairs of certain commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied. Interest earned on the replacement fund cash accounts is retained in the fund.

All assessments receivable and prepaid assessments are deemed due to or from the operating fund. The Association's policy is to fund fully within the replacement funds each month without regard to underpayments or overpayments by members to the operating fund.

Excess Operating Funds

The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

Common Property

Ownership of commonly owned assets is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. As a result, commonly owned assets are not capitalized in the Association's financial statements.

Accounting Estimates

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

Fair Value of Financial Instruments

The financial position of the Association at December 31, 2017, includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial statements of the Association, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value.

Village Walk South of Vero Beach Homeowners Association, Inc.

Notes to Financial Statements (continued)

Note 2 – Summary of Significant Accounting Policies (continued)

The carrying amounts of the Association’s financial instruments generally approximate their fair values at December 31, 2017.

Subsequent Events

Management has evaluated subsequent events through April 8, 2018, the date the financial statements were available to be issued.

Prior Period Information

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association’s financial statements for the year ended December 31 of the prior year, from which the summarized information was derived.

Note 3 – Cash Balances

Financial instruments which potentially subject the Association to a concentration of credit risk include cash held at financial institutions, which may exceed FDIC insurance limits or be subject to risks associated within the underlying securities. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash balances.

Note 4 – Income Taxes

Associations may elect to be taxed under Internal Revenue Code (“IRC”) Section 277, which applies to certain membership organizations, or under IRC Section 528, which applies specifically to homeowner associations as that term is defined for tax purposes. For the year ended December 31, 2017, the Association was taxed under the provisions of IRC Section 277 (Federal Form 1120). Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made.

The Association’s federal income tax returns for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed. In addition, the Association’s state tax returns for the same years are subject to examination by state tax authorities for similar time periods. In evaluating the Association’s tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Village Walk South of Vero Beach Homeowners Association, Inc.

Notes to Financial Statements (continued)

Note 5 – Future Major Repairs and Replacements

The Association maintains a replacement fund for future replacements and major repairs of certain commonly owned assets. Accumulated funds are held in separate interest bearing accounts and generally are not available for expenditures for normal operations.

In connection with preparing the budget, the Board of Directors had a study conducted on January 11, 2017, to estimate the remaining useful lives and the replacement costs of the components of common property. When applicable, estimates were obtained from licensed contractors who inspected the property. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Board of Directors voted to fund less than the full funding noted on the budget, which will be presented to the unit owners at the annual meeting. Accordingly, a partial funding requirement of \$76,500 has been included in the 2018 budget. For that reason, and because actual expenditures may vary from the estimated future expenditures, and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

SUPPLEMENTARY INFORMATION

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

Year ended December 31,	2017			2016
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
		(Compiled)	(Compiled)	
Revenues				
Regular assessments	\$ 172,195	\$ 172,248	\$ (53)	\$ 152,082
Interest and other income	4,742	-	4,742	1,620
	176,937	172,248	4,689	153,702
Expenses				
General and Administrative:				
Professional fees	3,407	4,000	593	8,275
Bank/returned check charges	298	-	(298)	267
Corporate/condominium fees	61	70	9	61
Coupons	281	-	(281)	257
Estoppel fee	1,625	-	(1,625)	1,089
Insurance	5,351	4,100	(1,251)	5,840
Management contract fees	23,152	23,152	-	22,000
Bonus	1,000	-	(1,000)	1,000
Office supplies, postage and copies	1,585	1,000	(585)	1,685
Income taxes	181	300	119	122
	36,941	32,622	(4,319)	40,596
Building Operations:				
Building maintenance	11,178	1,000	(10,178)	8,812
Cleaning labor	1,500	1,800	300	1,950
Contractor repairs	29,923	10,000	(19,923)	25,669
Gates/service/repairs	1,510	500	(1,010)	15,805
Deferred maintenance project	-	16,861	16,861	-
	44,111	30,161	(13,950)	52,236
Grounds and Maintenance:				
Fertilization	11,475	17,765	6,290	17,565
Irrigation maintenance	9,600	9,600	-	16,895
Irrigation extras	3,069	3,000	(69)	-
Grounds contract	39,000	39,000	-	39,000
Landscape extras	17,552	15,000	(2,552)	6,964
Wetland/retention maintenance	2,960	3,000	40	2,997
	83,656	87,365	3,709	83,421

Village Walk South of Vero Beach Homeowners Association, Inc.
Schedule of Operating Fund Revenues and Expenses (continued)
Year ended December 31, 2017

Year ended December 31,	2017			2016
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
		(Compiled)	(Compiled)	
Recreational Facilities:				
Pool maintenance contract/permits	3,725	3,600	(125)	3,725
Pool/clubhouse supplies	1,681	1,000	(681)	2,914
	5,406	4,600	(806)	6,639
Utilities:				
Irrigation pump	1,405	1,500	95	1,628
Clubhouse internet/TV services	2,279	2,000	(279)	1,892
Pool/clubhouse/common area	6,796	8,500	1,704	8,046
	10,480	12,000	1,520	11,566
Miscellaneous:				
Contingency	3,554	-	(3,554)	3,300
Bad debt expense (recovery)	(5,200)	2,500	7,700	3,200
Reserve study	1,900	3,000	1,100	1,900
Drainage	-	-	-	20,649
Fence	21,005	-	(21,005)	21,000
Hurricane expenses	2,625	-	(2,625)	2,544
	23,884	5,500	(18,384)	52,593
	204,478	172,248	(32,230)	247,051
Excess of expenses over revenues	\$ (27,541)	\$ -	\$ (27,541)	\$ (93,349)

See independent accountants' review report.

Village Walk South of Vero Beach Homeowners Association, Inc.

Supplementary Information on Future Major

Repairs and Replacements (Compiled)

In connection with preparing the budget, the Board of Directors had a study conducted on January 11, 2017, to estimate the remaining useful lives and the replacement costs of the components of common property. When applicable, estimates were obtained from licensed contractors who inspected the property. The following table is based on the study and presents significant information about the components of common property:

Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2018 Full Funding Requirement	Components of Fund Balance at 12/31/2017
Exterior building	0-7 years	\$ 957,500		\$ -
Property site	0-30 years	900,860		-
Clubhouse	2-18 years	49,100		-
Pool	3-10 years	45,080		-
Reserve Study	2 years	2,700		-
Deferred maintenance fund	-	-		679,687
Pooled funding requirement		\$ 1,955,240	\$ 87,000	\$ 679,687

See independent accountants' review report.

The 2018 funding requirement for major repairs and replacements is computed over the remaining useful lives of the components based on estimates of current replacement costs. Amounts previously accumulated are considered in determining the annual funding requirement. The Board of Directors have approved less than full funding. Budgeted reserve assessments of \$76,500 are \$10,500 below the 2018 full funding requirement.