

# **Vacation Village Condominium Association, Inc.**

Financial Statements and  
Supplementary Information

December 31, 2017

**Cole & Associates, LLC**

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*Certified Public Accountants*



# Cole & Associates, LLC

*Certified Public Accountants*

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Vacation Village Condominium Association, Inc.

To the Board of Directors:

We have reviewed the accompanying financial statements of Vacation Village Condominium Association, Inc., which comprise the balance sheet as of December 31, 2017 and the related statements of revenues, expenses, and changes in fund balance 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 conclusion.

### 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 conformity with accounting principles generally accepted in the United States of America.

### 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 11 be presented to supplement the basic financial statements. Such information, although not a required 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 not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

### Supplementary Information

The accompanying supplementary comparison schedules on pages 12 - 13 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. We have compiled the the 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 supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

A handwritten signature in black ink that reads "Cole & Associates, LLC". The signature is written in a cursive, flowing style.

Cole & Associates, CPA, LLC  
*Certified Public Accountants*  
February 7, 2018

# VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

## BALANCE SHEET

DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Rental Operations	Total
<b>ASSETS:</b>				
Cash	\$ 32,903	\$ 154,369	\$ 1,513	\$ 188,785
Assessments receivable (Note 3)	55,268	-	-	55,268
Prepaid expenses	32,075	-	-	32,075
Investments in CD's	-	110,254	-	110,254
<b>TOTAL ASSETS</b>	<u>\$ 120,246</u>	<u>\$ 264,623</u>	<u>\$ 1,513</u>	<u>\$ 386,382</u>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 32,655	\$ -	\$ 4,853	\$ 37,508
Payroll liabilities	2,042	-	-	2,042
Other liabilities	950	-	-	950
Prepaid assessments	11,891	-	-	11,891
<b>TOTAL LIABILITIES</b>	47,538	-	4,853	52,391
<b>FUND BALANCE</b>	<u>72,708</u>	<u>264,623</u>	<u>(3,340)</u>	<u>333,991</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 120,246</u>	<u>\$ 264,623</u>	<u>\$ 1,513</u>	<u>\$ 386,382</u>

See accompanying notes and accountant's review report.

**VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Replacement Fund	Rental Operations	Total
<b>REVENUE:</b>				
Assessment income	\$ 496,976	\$ 121,600	\$ -	\$ 618,576
Laundry income	15,461	-	(10,721)	4,740
Cable TV income	45,005	-	-	45,005
Clubhouse & beach house rental	10,894	-	-	10,894
Rental income	13,650	-	559,626	573,276
Interest income	236	1,805	-	2,041
Other income	7,560	-	-	7,560
<b>TOTAL REVENUE</b>	<b>589,782</b>	<b>123,405</b>	<b>548,905</b>	<b>1,262,092</b>
<b>EXPENDITURES:</b>				
Accounting & legal	17,768	-	-	17,768
Advertising & website	-	-	1,130	1,130
Bad debt	7,000	-	-	7,000
Building repairs & maintenance	40,944	-	24,334	65,278
Clubhouse maintenance	150	-	-	150
Consulting	-	-	1,536	1,536
Contract grounds maintenance	60,615	-	884	61,499
Employee benefits	16,663	-	3,604	20,267
Insurance	54,211	-	3,717	57,928
Janitorial	-	-	8,516	8,516
Licenses, permits & taxes	5,142	-	740	5,882
Management fees	11,580	-	-	11,580
Management payroll	81,999	-	-	81,999
Office & other expenses	17,538	-	47,253	64,791
Other grounds maintenance	56,947	-	1,520	58,467
Other pool maintenance	13,092	-	-	13,092
Payroll expense	143,242	-	116,786	260,028
Pest control	22,054	-	2,450	24,504
Rental unit expenses	-	-	365,958	365,958
Safety & security	249	-	-	249
Trash removal	969	-	-	969
Utilities	153,867	-	4,901	158,768
Vehicle expense	2,029	-	3,581	5,610
Reserve expenditures	-	107,860	-	107,860
<b>TOTAL EXPENDITURES</b>	<b>706,059</b>	<b>107,860</b>	<b>586,910</b>	<b>1,400,829</b>
<b>REVENUE IN EXCESS OF EXPENDITURES</b>	<b>(116,277)</b>	<b>15,545</b>	<b>(38,005)</b>	<b>(138,737)</b>
<b>FUND TRANSFERS</b>	<b>50,803</b>	<b>(50,803)</b>	<b>-</b>	<b>-</b>
<b>BEGINNING FUND BALANCE</b>	<b>138,182</b>	<b>299,881</b>	<b>34,665</b>	<b>472,728</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 72,708</b>	<b>\$ 264,623</b>	<b>\$ (3,340)</b>	<b>\$ 333,991</b>

See accompanying notes and accountant's review report.

**VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Replacement Fund	Rental Operations
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Assessment fees collected	\$ 489,210	\$ 121,600	\$ -
Rental income collected	13,650	-	559,626
Interest received	236	1,805	-
Laundry income	15,461	-	(10,721)
Cable TV income	45,005	-	-
Clubhouse & beach house rental	10,894	-	-
Other income	7,560	-	-
Cash paid for operating expenses	(690,149)	-	(588,995)
Replacement expenses paid	-	(115,236)	-
Net cash provided (used) by operating activities	(108,133)	8,169	(40,090)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Reinvested interest/dividends	-	(1,032)	-
Fund transfer	50,803	(50,803)	-
Net cash provided (used) by investing activities	50,803	(51,835)	-
<b>NET CHANGE IN CASH</b>	(57,330)	(43,666)	(40,090)
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	90,233	198,035	41,603
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 32,903</u>	<u>\$ 154,369</u>	<u>\$ 1,513</u>

**VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Replacement Fund	Rental Operations
	<hr/>	<hr/>	<hr/>
<b>RECONCILIATION OF EXCESS OF REVENUES OVER EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Excess of revenue over expenditures	\$ (116,277)	\$ 15,545	\$ (38,005)
Adjustment to reconcile excess of revenue over expenditures to net cash provided by operating activities:			
Bad debt expense	7,000	-	-
(Increase) decrease in:			
Assessments receivable	(14,064)	-	-
Prepaid expenses	3,193	-	150
Increase (decrease) in:			
Accounts payable and accrued expenses	10,675	(7,376)	(2,235)
Payroll liabilities	2,042	-	-
Prepaid assessments	(702)	-	-
Net cash provided (used) by operating activities:	<hr/> (108,133)	<hr/> 8,169	<hr/> (40,090)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Reinvested interest/dividends	-	(1,032)	-
Fund transfer	50,803	(50,803)	-
Net cash provided (used) by investing activities:	<hr/> 50,803	<hr/> (51,835)	<hr/> -
<b>NET CHANGE IN CASH</b>	<hr/> (57,330)	<hr/> (43,666)	<hr/> (40,090)
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<hr/> 90,233	<hr/> 198,035	<hr/> 41,603
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u><u>\$ 32,903</u></u>	<u><u>\$ 154,369</u></u>	<u><u>\$ 1,513</u></u>

See accompanying notes and accountant's review report.



VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Vacation Village Condominium Association, Inc. (the "Association") is incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 193 residential units located in Lake County, Florida.

Financial Statements

The accompanying financial statements were prepared pursuant to the requirements of Florida Statutes and the American Institute of Certified Public Accountants.

Fund Accounting

The Association presents its financial statements on the accrual basis using fund accounting. The financial statements are therefore segregated into funds based upon different funding policies established for operating and capital expenditures.

The Operating Fund reflects the maintenance assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures from this fund are limited to those connected with daily operations.

The Replacement Fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenditures from this fund are typically restricted to those items for which assessments were specifically collected. Interest earned on replacement funds remains in the Replacement Fund and may only be expended for components previously funded.

The Rental Operations division is used to segregate the cash, receivables and liabilities associated with the Vacation Village Resort from the regular operating fund.

Revenue Recognition

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real and Common Area Property

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. Real and common area property acquired from the developer is not capitalized in the Association's financial statements, as it is owned by the individual unit owners in common and not by the Association. As a result, improvements made to the real property and common areas are expensed as incurred.

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 expenditures during the reporting period. Actual results could differ from those estimates.

Concentrations of Risk

The Association maintains cash balances at several banks. Deposits at banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2017, the uninsured portion of cash balances is \$0.

The Association has obtained insurance coverage for damages covered by windstorm. The Association would be responsible for losses up to the amount of the deductible and has the right to increase regular assessments, levy a special assessment or delay repairs until adequate funds are available.

Commitments and Contingency

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to administer the Association. These contracts have different expiration dates and renewal terms.

Subsequent Events

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date that the financial statements were issued.

The Association delayed repairs for damages caused by Hurricane Irma until 2018 when insurance proceeds were received.

VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, as well as Florida Statutes, require funds to be accumulated for future major repairs and replacements. The funds are segregated and are not generally available for expenditures for normal operations.

Florida statutes require disclosure of the amount of annual funding required to fully fund each reserve account over the remaining useful life of the applicable assets. This calculation is presented in the Supplementary Information on Future Repairs and Replacements based upon estimates of replacement values and remaining lives as discussed below.

In December 2015, the Association contracted a professional reserve study, which estimated the remaining useful lives and current replacement costs of common property components. Estimates were based on professional judgment, which may include contractor estimates for major components. The Association is funding for major repairs and replacements over the remaining useful lives, and considering amounts previously accumulated in the replacement fund.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The following table presents significant information about the components of common property:

COMPONENT	BALANCE 12/31/16	FUNDING DURING YEAR	INTEREST & OTHER INCOME	CHARGES TO FUND	TRANSFERS	BALANCE 12/31/17
Pooled	299,881	121,600	1,805	(107,860)	(50,803)	264,623
TOTAL	<u>\$ 299,881</u>	<u>\$ 121,600</u>	<u>\$ 1,805</u>	<u>\$(107,860)</u>	<u>\$ (50,803)</u>	<u>\$ 264,623</u>

NOTE 3: MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Association expenses are allocated on a pro-rata basis by percentage of ownership as established by the Association's Declaration. Assessments receivable at the balance sheet date represent fees due from unit owners. It is the Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments that have been deemed to be uncollectible as of the report date have been charged to bad debts. The allowance for uncollectible accounts is \$33,500 on December 31, 2017.

**VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**NOTE 4: INCOME TAXES**

Associations may be taxed as homeowners' associations or as regular corporations. In 2017, the Association elected to be taxed as a regular corporation due to the rental program proceeds. As a regular corporation, membership income is exempt from tax if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest income, at regular federal and state corporate rates. Income tax expense was \$0 for the year then ended.

**NOTE 5: RENTAL OPERATIONS DIVISION**

The Association operates a service for owners choosing to rent their units when not in use. The Association maintains separate financials for the service in order to properly allocate the expenses related specifically to the rental of units from the management of the Association.

## **SUPPLEMENTAL INFORMATION**



**VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
(UNAUDITED)**

**December 31, 2017**

In December 2015, the Association contracted a professional reserve study, which estimated the remaining useful lives and current replacement costs of common property components. Estimates were based upon professional judgment, which may include contractor estimates for major components. Florida statutes require disclosure of the amount of the annual funding required to fully fund each reserve account over the remaining useful life of the applicable asset.

The following is based on the estimate provided by the Association and presents significant information about the components of common property:

COMPONENT	ESTIMATED REMAINING USEFUL LIFE (YEARS)	ESTIMATED CURRENT REPLACEMENT COST	REPAIRS / REPLACEMENTS 2017	2018 STATUTORY FUNDING REQUIRED
Roofs	5	\$ 868,075	\$ -	\$ -
Paving	0 - 13	240,110	-	-
Site improvement	0 - 32	124,885	-	-
Pool	0 - 16	152,500	-	-
Mailbox replacement	2	24,125	-	-
Common area interiors	0 - 4	165,462	-	-
Deck	22	8,600	-	-
Equipment	1 - 16	82,200	-	-
Mechanical / HVAC	-	10,350	-	-
Painting	1 - 3	250,945	-	-
Recreational amenities	0 - 7	23,240	-	-
Seawall - lake	11	41,965	-	-
Tennis court	1 - 18	23,844	-	-
Pooled	-	-	264,623	185,299
<b>TOTAL</b>		<u><b>\$ 2,016,301</b></u>	<u><b>\$ 264,623</b></u>	<u><b>\$ 185,299</b></u>

See independent accountant's report.

**VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES AND EXPENDITURES  
ACTUAL TO BUDGET (UNAUDITED)**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

		Operating Fund	
	Actual	Budget	Variance
<b>REVENUE:</b>			
Assessment income	\$ 618,576	\$ 618,576	\$ -
Laundry income	15,461	15,000	461
Cable TV income	45,005	63,570	(18,565)
Clubhouse & beach house rental	10,894	25,200	(14,306)
Rental income	13,650	12,600	1,050
Interest income	236	-	236
Other income	7,560	1,440	6,120
<b>TOTAL REVENUE</b>	<u>711,382</u>	<u>736,386</u>	<u>(25,004)</u>
<b>EXPENDITURES:</b>			
Accounting & legal	17,768	14,900	2,868
Bad debt	7,000	35,000	(28,000)
Building repairs & maintenance	40,944	30,000	10,944
Clubhouse maintenance	150	5,000	(4,850)
Contract grounds maintenance	60,615	50,400	10,215
Employee benefits	16,663	20,300	(3,637)
Insurance	54,211	-	54,211
Licenses, permits & taxes	5,142	2,062	3,080
Management fees	11,580	11,580	-
Management payroll	81,999	65,000	16,999
Office & other expenses	17,538	13,000	4,538
Other grounds maintenance	56,947	42,500	14,447
Other pool maintenance	13,092	5,000	8,092
Payroll expense	143,242	150,000	(6,758)
Pest control	22,054	30,000	(7,946)
Safety & security	249	1,000	(751)
Trash removal	969	-	969
Utilities	153,867	138,044	15,823
Vehicle expense	2,029	1,000	1,029
Reserve funding	121,600	121,600	-
<b>TOTAL EXPENDITURES</b>	<u>827,659</u>	<u>736,386</u>	<u>91,273</u>
<b>EXPENDITURES IN EXCESS OF REVENUE</b>	<u>\$ (116,277)</u>	<u>\$ -</u>	<u>\$ (116,277)</u>

See independent accountant's report.

# VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

## SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES AND EXPENDITURES ACTUAL TO PRIOR YEAR (UNAUDITED)

**FOR THE YEAR ENDED DECEMBER 31, 2017**

		Operating Fund	
	2017	2016	Variance
<b>REVENUE:</b>			
Assessment income	\$ 618,576	\$ 578,220	\$ 40,356
Laundry income	15,461	14,011	1,450
Cable TV income	45,005	56,570	(11,565)
Clubhouse & beach house rental	10,894	10,218	676
Rental income	13,650	11,150	2,500
Interest income	236	514	(278)
Other income	7,560	4,868	2,692
<b>TOTAL REVENUE</b>	<u>711,382</u>	<u>675,551</u>	<u>35,831</u>
<b>EXPENDITURES:</b>			
Accounting & legal	17,768	22,257	(4,489)
Bad debt	7,000	11,400	(4,400)
Building repairs & maintenance	40,944	19,902	21,042
Clubhouse maintenance	150	17,557	(17,407)
Contract grounds maintenance	60,615	48,450	12,165
Depreciation	-	486	(486)
Employee benefits	16,663	15,330	1,333
Insurance	54,211	55,770	(1,559)
Licenses, permits & taxes	5,142	6,343	(1,201)
Management fees	11,580	11,580	-
Management payroll	81,999	82,256	(257)
Office & other expenses	17,538	35,970	(18,432)
Other grounds maintenance	56,947	31,027	25,920
Other pool maintenance	13,092	6,296	6,796
Payroll expense	143,242	121,542	21,700
Pest control	22,054	-	22,054
Safety & security	249	249	-
Trash removal	969	-	969
Utilities	153,867	138,015	15,852
Vehicle expense	2,029	522	1,507
Reserve funding	121,600	141,735	(20,135)
<b>TOTAL EXPENDITURES</b>	<u>827,659</u>	<u>766,687</u>	<u>60,972</u>
<b>EXPENDITURES IN EXCESS OF REVENUE</b>	<u>\$ (116,277)</u>	<u>\$ (91,136)</u>	<u>\$ (25,141)</u>

See independent accountant's report.