

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

Financial Statements and  
Supplementary Information

December 31, 2018

**Cole & Associates, LLC**

*Certified Public Accountants*

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# 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, 2018 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*  
April 3, 2019

VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Rental Operations	Total
<b>ASSETS:</b>				
Cash	\$ 27,979	\$ 61,608	\$ 47,833	\$ 137,420
Assessments receivable (Note 3)	39,699	-	-	39,699
Prepaid expenses	64,364	-	-	64,364
Investments in CD's	-	111,288	-	111,288
Net intra-association	(1,831)	-	1,831	-
Due from operating fund	-	5,016	-	5,016
Due to replacement fund	(5,016)	-	-	(5,016)
<b>TOTAL ASSETS</b>	<u>\$ 125,195</u>	<u>\$ 177,912</u>	<u>\$ 49,664</u>	<u>\$ 352,771</u>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 21,155	\$ 30,423	\$ 11,199	\$ 62,777
Payroll liabilities	5,231	-	-	5,231
Other liabilities	950	-	-	950
Prepaid assessments	18,198	-	-	18,198
<b>TOTAL LIABILITIES</b>	45,534	30,423	11,199	87,156
<b>FUND BALANCE</b>	<u>79,661</u>	<u>147,489</u>	<u>38,465</u>	<u>265,615</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 125,195</u>	<u>\$ 177,912</u>	<u>\$ 49,664</u>	<u>\$ 352,771</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, 2018

	Operating Fund	Replacement Fund	Rental Operations	Total
<b>REVENUE:</b>				
Assessment income	\$ 631,255	\$ 76,263	\$ -	\$ 707,518
Insurance reimbursement	49,414	-	-	49,414
Laundry income	5,869	-	-	5,869
Cable incentive	38,600	-	-	38,600
Clubhouse & beach house rental	6,080	-	-	6,080
Rental income	11,550	-	660,133	671,683
Interest income	27	1,649	-	1,676
Other income	7,050	-	-	7,050
<b>TOTAL REVENUE</b>	<u>749,845</u>	<u>77,912</u>	<u>660,133</u>	<u>1,487,890</u>
<b>EXPENDITURES:</b>				
Accounting & legal	20,650	-	-	20,650
Advertising & website	-	-	7,904	7,904
Bad debt	35,000	-	100	35,100
Building repairs & maintenance	30,711	-	16,894	47,605
Consulting	-	-	1,898	1,898
Contract grounds maintenance	9,276	-	2,066	11,342
Employee benefits	22,866	-	3,213	26,079
Insurance	48,038	-	12	48,050
Janitorial	-	-	17,653	17,653
Licenses, permits & taxes	4,543	-	740	5,283
Management fees	11,580	-	-	11,580
Management payroll	81,678	-	-	81,678
Office & other expenses	23,390	-	17,318	40,708
Other grounds maintenance	43,707	-	-	43,707
Other pool maintenance	12,652	-	-	12,652
Payroll expense	161,174	-	110,136	271,310
Pest control	66,872	-	1,850	68,722
Rental unit expenses	-	-	431,537	431,537
Safety & security	249	-	-	249
Trash removal	1,596	-	-	1,596
Utilities	168,041	-	1,762	169,803
Vehicle expense	869	-	5,245	6,114
Reserve expenditures	-	195,046	-	195,046
<b>TOTAL EXPENDITURES</b>	<u>742,892</u>	<u>195,046</u>	<u>618,328</u>	<u>1,556,266</u>
<b>REVENUE IN EXCESS OF EXPENDITURES</b>	6,953	(117,134)	41,805	(68,376)
<b>BEGINNING FUND BALANCE</b>	<u>72,708</u>	<u>264,623</u>	<u>(3,340)</u>	<u>333,991</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 79,661</u>	<u>\$ 147,489</u>	<u>\$ 38,465</u>	<u>\$ 265,615</u>

See accompanying notes and accountant's review report.

VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Rental Operations
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Assessment fees collected	\$ 653,131	\$ 71,247	\$ -
Rental income collected	11,550	-	660,133
Interest received	27	1,649	-
Laundry income	5,869	-	-
Cable incentive	38,600	-	-
Clubhouse & beach house rental	6,080	-	-
Insurance proceeds	49,414	-	-
Other income	7,050	-	-
Cash paid for operating expenses	(776,645)	-	(613,813)
Replacement expenses paid	-	(164,623)	-
Net cash provided (used) by operating activities	(4,924)	(91,727)	46,320
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Reinvested interest/dividends	-	(1,034)	-
Net cash provided (used) by investing activities	-	(1,034)	-
<b>NET CHANGE IN CASH</b>	(4,924)	(92,761)	46,320
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	32,903	154,369	1,513
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 27,979</u>	<u>\$ 61,608</u>	<u>\$ 47,833</u>

See accompanying notes and accountant's review report.

VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Rental Operations
	<u>          </u>	<u>          </u>	<u>          </u>
<b>RECONCILIATION OF EXCESS OF REVENUES OVER EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Excess of revenue over expenditures	\$ 6,953	\$ (117,134)	\$ 41,805
Adjustment to reconcile excess of revenue over expenditures to net cash provided by operating activities:			
Bad debt expense	35,000	-	100
(Increase) decrease in:			
Assessments receivable	(19,431)	-	(100)
Inter-association receivables	1,831	-	(1,831)
Prepaid expenses	(32,289)	-	-
Due from operating fund	-	(5,016)	-
Due to replacement fund	5,016	-	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(11,500)	30,423	6,346
Payroll liabilities	3,189	-	-
Prepaid assessments	6,307	-	-
Net cash provided (used) by operating activities:	<u>(4,924)</u>	<u>(91,727)</u>	<u>46,320</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Reinvested interest/dividends	-	(1,034)	-
Net cash provided (used) by investing activities:	<u>-</u>	<u>(1,034)</u>	<u>-</u>
<b>NET CHANGE IN CASH</b>	<u>(4,924)</u>	<u>(92,761)</u>	<u>46,320</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>32,903</u>	<u>154,369</u>	<u>1,513</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 27,979</u>	<u>\$ 61,608</u>	<u>\$ 47,833</u>

See accompanying notes and accountant's review report.

VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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, 2018**

**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, 2018, 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, 2018

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 September 2018, the Association had an independent reserve study conducted to estimate 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

The estimated required annual funding per the calculation from the previous reserve study was \$185,299. However, at a duly called meeting, the Association membership voted to fund for future repairs and replacements at a reduced rate of \$76,263 for the year ended December 31, 2018.

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 12/31/17	FUNDING DURING YEAR	INTEREST & OTHER INCOME	CHARGES TO FUND	BALANCE 12/31/18
Pooled	264,623	76,263	1,649	(195,046)	147,489
TOTAL	<u>\$ 264,623</u>	<u>\$ 76,263</u>	<u>\$ 1,649</u>	<u>\$ (195,046)</u>	<u>\$ 147,489</u>

**VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**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 \$49,241 on December 31, 2018.

**NOTE 4: INCOME TAXES**

Associations may be taxed as homeowners' associations or as regular corporations. In 2018, 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.

**NOTE 6: RELATED PARTIES**

The Association has engaged the services of Southern Construction to repair the stairs and decks, which is owned by a board member, after obtaining the required number of bids. The board member involved abstained from the selection. During 2018, was paid \$2,508 for its services.

## **SUPPLEMENTAL INFORMATION**

VACATION VILLAGE CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
(UNAUDITED)

December 31, 2018

In September 2018, the Association had an independent reserve study conducted to estimate 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 2018	2019 STATUTORY FUNDING REQUIRED
Roofs	6	\$ 789,955	\$ -	\$ -
Security / gates	6 - 13	40,729	-	-
Paving	0 - 23	272,425	-	-
Site improvement	0 - 31	136,776	-	-
Hurricane clean-up	12	60,000	-	-
Insurance deductible	15	80,000	-	-
Pool	0 - 19	169,817	-	-
Mailbox replacement	1	24,125	-	-
Common area interiors	0 - 23	119,801	-	-
Deck	21	8,600	-	-
Equipment	1 - 15	94,229	-	-
Mechanical / HVAC	0 - 14	64,520	-	-
Painting	1 - 5	127,225	-	-
Recreational amenities	1 - 6	26,240	-	-
Seawall - lake	23	41,965	-	-
Tennis court	4 - 17	25,044	-	-
Pooled	-	-	147,489	192,000
<b>TOTAL</b>		<u>\$ 2,081,451</u>	<u>\$ 147,489</u>	<u>\$ 192,000</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, 2018

	Operating Fund		
	Actual	Budget	Variance
<b>REVENUE:</b>			
Assessment income	\$ 707,518	\$ 707,518	\$ -
Insurance reimbursement	49,414	-	49,414
Laundry income	5,869	9,000	(3,131)
Cable incentive	38,600	75,000	(36,400)
Clubhouse & beach house rental	6,080	25,200	(19,120)
Rental income	11,550	12,600	(1,050)
Interest income	27	-	27
Other income	7,050	960	6,090
<b>TOTAL REVENUE</b>	<b>826,108</b>	<b>830,278</b>	<b>(4,170)</b>
<b>EXPENDITURES:</b>			
Accounting & legal	20,650	13,200	7,450
Bad debt	35,000	35,000	-
Building repairs & maintenance	30,711	22,018	8,693
Clubhouse maintenance	-	1,518	(1,518)
Contract grounds maintenance	9,276	50,000	(40,724)
Employee benefits	22,866	20,314	2,552
Insurance	48,038	50,900	(2,862)
Licenses, permits & taxes	4,543	1,168	3,375
Management fees	11,580	11,580	-
Management payroll	81,678	80,575	1,103
Office & other expenses	23,390	11,900	11,490
Other grounds maintenance	43,707	27,811	15,896
Other pool maintenance	12,652	7,000	5,652
Payroll expense	161,174	154,000	7,174
Pest control	66,872	70,400	(3,528)
Safety & security	249	1,000	(751)
Trash removal	1,596	1,224	372
Utilities	168,041	192,407	(24,366)
Vehicle expense	869	2,000	(1,131)
Reserve funding	76,263	76,263	-
<b>TOTAL EXPENDITURES</b>	<b>819,155</b>	<b>830,278</b>	<b>(11,123)</b>
<b>REVENUE IN EXCESS OF EXPENDITURES</b>	<b>\$ 6,953</b>	<b>\$ -</b>	<b>\$ 6,953</b>

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, 2018

	Operating Fund		
	2018	2017	Variance
<b>REVENUE:</b>			
Assessment income	\$ 707,518	\$ 618,576	\$ 88,942
Insurance reimbursement	49,414	-	49,414
Laundry income	5,869	15,461	(9,592)
Cable incentive	38,600	45,005	(6,405)
Clubhouse & beach house rental	6,080	10,894	(4,814)
Rental income	11,550	13,650	(2,100)
Interest income	27	236	(209)
Other income	7,050	7,560	(510)
<b>TOTAL REVENUE</b>	<b>826,108</b>	<b>711,382</b>	<b>114,726</b>
<b>EXPENDITURES:</b>			
Accounting & legal	20,650	17,768	2,882
Bad debt	35,000	7,000	28,000
Building repairs & maintenance	30,711	40,944	(10,233)
Clubhouse maintenance	-	150	(150)
Contract grounds maintenance	9,276	60,615	(51,339)
Employee benefits	22,866	16,663	6,203
Insurance	48,038	54,211	(6,173)
Licenses, permits & taxes	4,543	5,142	(599)
Management fees	11,580	11,580	-
Management payroll	81,678	81,999	(321)
Office & other expenses	23,390	17,538	5,852
Other grounds maintenance	43,707	56,947	(13,240)
Other pool maintenance	12,652	13,092	(440)
Payroll expense	161,174	143,242	17,932
Pest control	66,872	22,054	44,818
Safety & security	249	249	-
Trash removal	1,596	969	627
Utilities	168,041	153,867	14,174
Vehicle expense	869	2,029	(1,160)
Reserve funding	76,263	121,600	(45,337)
<b>TOTAL EXPENDITURES</b>	<b>819,155</b>	<b>827,659</b>	<b>(8,504)</b>
<b>REVENUE IN EXCESS OF EXPENDITURES</b>	<b>\$ 6,953</b>	<b>\$ (116,277)</b>	<b>\$ 123,230</b>

See independent accountant's report.