

LAKELAND VILLAGE COMMUNITY CLUB

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR-ENDED MARCH 31, 2022

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**CLARKE WHITNEY, CPA, INC.
CERTIFIED PUBLIC ACCOUNTANTS
610 WARREN AVENUE
BREMERTON, WA 98337**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lakeland Village Community Club
Bainbridge Island, Washington

Opinion

We have audited the accompanying financial statements of Lakeland Village Community Club, (a nonprofit organization), which comprise the balance sheet as of March 31, 2022, and the related statements of revenue, expense, and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeland Village Community Club as of March 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakeland Village Community Club and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeland Village Community Club's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lakeland Village Community Club's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeland Village Community Club's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

The supplementary information about future repairs and replacements on page 11 is not a required part of the basic financial statements, but is supplementary information required by the American Institute of Certified Public Accountants.

We have compiled the supplementary information from information that is the representation of management of Lakeland Village Community Club, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Clarke Whitney, CPA, Inc.

Clarke Whitney, CPA, Inc.
Bremerton, Washington
December 12, 2022

LAKELAND VILLAGE COMMUNITY CLUB

**BALANCE SHEET
MARCH 31, 2022**

	Operating Fund	Replacement Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 292,223	\$ 63,000	\$ 355,223
Assessments receivable	97,506	-	97,506
Prepaid insurance	5,520	-	5,520
Total current assets	395,249	63,000	458,249
Property and equipment, net	30,265	-	30,265
TOTAL ASSETS	\$ 425,514	\$ 63,000	\$ 488,514
 LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable	\$ 4,324	\$ -	\$ 4,324
Accrued liabilities	3,904	-	3,904
Assessments received in advance-operating fund	134,557	-	134,557
Due between funds	2,681	(2,681)	-
Contract liabilities (unspent reserve assessments)	-	65,681	65,681
TOTAL LIABILITIES	145,466	63,000	208,466
FUND BALANCES	280,048	-	280,048
TOTAL LIABILITIES AND FUND BALANCES	\$ 425,514	\$ 63,000	\$ 488,514

The accompanying notes are an integral part of these financial statements.

LAKELAND VILLAGE COMMUNITY CLUB

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2022**

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 228,870	\$ 5,963	\$ 234,833
Property transfer fees	25,200	-	25,200
Collections proceeds	25,261	-	25,261
Other fees and fines	8,703	-	8,703
Miscellaneous	2,147	-	2,147
Interest income	4,829	503	5,332
TOTAL REVENUES	295,010	6,466	301,476
EXPENSES			
Administrative	127,312	-	127,312
Community events	1,934	-	1,934
Depreciation	8,088	-	8,088
Insurance	16,024	-	16,024
Operations and maintenance	64,582	6,466	71,048
Utilities	15,237	-	15,237
TOTAL EXPENSES	233,177	6,466	239,643
EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES BEFORE OTHER INCOME AND EXPENSES			
	61,833	-	61,833
FUND BALANCE, BEGINNING OF YEAR	218,215	-	218,215
FUND BALANCE, END OF YEAR	\$ 280,048	\$ -	\$ 280,048

The accompanying notes are an integral part of these financial statements.

LAKELAND VILLAGE COMMUNITY CLUB

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022**

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 61,833	\$ -	\$ 61,833
Adjustments to operating activities			
Depreciation	30,265	-	30,265
Decrease (increase) in assets:			
Accounts receivable	(80,823)	-	(80,823)
Prepaid insurance	(2,199)	-	(2,199)
Increase (decrease) in liabilities:			
Accounts payable	1,458	-	1,458
Payroll and related payables	(130)	-	(130)
Prepaid assessments	5,323	-	5,323
Association taxes payable	(262)	-	(262)
Due between funds	18,619	(18,619)	-
Contract liabilities	-	43,504	43,504
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	34,084	24,885	58,969
NET INCREASE (DECREASE) IN CASH	34,084	24,885	58,969
CASH AT BEGINNING OF YEAR	258,139	38,115	296,254
CASH AT END OF YEAR	\$ 292,223	\$ 63,000	\$ 355,223
SUMMARY OF CASH ACCOUNTS			
Cash and cash equivalents	\$ 292,223	\$ -	\$ 292,223
Cash and cash equivalents - reserve fund	-	63,000	63,000
	\$ 292,223	\$ 63,000	\$ 355,223
SUPPLEMENTAL DISCLOSURE			
Cash paid for:			
Income tax	\$ 12	\$ -	\$ 12

The accompanying notes are an integral part of these financial statements.

LAKELAND VILLAGE COMMUNITY CLUB

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 - NATURE OF ORGANIZATION

Lakeland Village Community Club (the Association) is a non-profit homeowners association organized under Washington State law. The Association provides common area maintenance for the membership it serves. There are currently 950 lots that are part of the Association. Lakeland Village Community Club was incorporated in February 4, 1972 as a non-profit Washington Corporation. The Association was formed for the purpose of representing the property owners and to manage the common areas of the Lakeland Village community or property owners. Over 95% of the Association income is derived directly from members for dues and services associated with the Association's primary activity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared using accounting principles generally accepted in the United States of America (US GAAP), in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

The Association cash includes cash on hand, checking accounts, money market accounts and certificates of deposit. The Association holds no short-term investments

Credit Risk

The Organization maintains its cash in deposit accounts at two different financial institutions. Both are insured up to \$250,000 one by the Federal Deposit Insurance Corporation (FDIC) and the other by the National Credit Union Administration (NCUA). As of March 31, 2022 the Organization maintained a cash balance that did not exceed the FDIC nor the NCUA limits.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund. This fund is used to account for the financial resources available for the general operations of the Association

Replacement Fund. This fund is used to accumulate financial resources designated for future major repairs or replacements.

Member Assessments

Association members are subjected to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected.

LAKELAND VILLAGE COMMUNITY CLUB

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Assessments (continued)

The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners.

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are over two years delinquent. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experiences and susceptibility to factors outside the Association's control. The Association had \$97,506 in assessments receivable as of March 31, 2022.

Contract Liabilities (Unspent Reserve Assessments)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (unspent reserve assessments) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

Property and Equipment

The Associations property and equipment are carried at cost if purchased. Donated property and equipment are carried at the fair market value on the date contributed.

Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the related assets, normally 5 to 20 years.

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. For the year ended March 31, 2022, depreciation expense is \$8,088 and accumulated depreciation is \$184,487.

LAKELAND VILLAGE COMMUNITY CLUB

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in Preparation for Financial Statements

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - FEDERAL INCOME TAXES

Federal regulations allow a homeowner's association an alternate method of paying income taxes. Under the regulations, the Association pays 30% tax on all non-exempt income including interest and income from non-exempt activities. The alternative method normally employed by the district eliminates the need for any deferred income tax credits. There are no carry-over provisions or timing differences under the alternative method. For fiscal year ended March 31, 2022, the Association elected to file as a homeowners' association. Income taxes paid during fiscal year ending March 31, 2022, totaled \$12. The Association considers the payment and expense in the year incurred. Income taxes are considered an expense in the year incurred.

The Association is subject to routine audits by taxing jurisdictions, however there are currently no audits for any periods in progress. The Association believes it is no longer subject to income tax examinations for years prior to 2018.

NOTE 4 - CONTRACT LIABILITIES FOR UNSPENT RESERVE ASSESSMENTS

The balance of contract liabilities for unspent reserve assessments as of April 1, 2021, and March 31, 2022, were as follows:

Contract liabilities, at April 1, 2021	\$ 38,115
Assessments for replacement reserve	31,351
Interest income	-
Reserve released to match reserve expenses	<u>(6,466)</u>
Contract liabilities, at March 31, 2022	<u>\$ 63,000</u>

LAKELAND VILLAGE COMMUNITY CLUB

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 5 - PROPERTY AND EQUIPMENT

The total depreciation expense incurred by the Association for the year-ended March 31, 2022 is \$8,088. As of March 31, 2022, the Association had property and equipment that consisted of the following:

	<u>2021</u>
Property and equipment	\$ 48,336
Improvements	150,584
Office equipment	1,352
Vehicles	<u>10,500</u>
Total property and equipment	210,772
Accumulated depreciation	<u>(184,487)</u>
Navy easement land	<u>3,980</u>
Total property and equipment, net	<u><u>\$ 30,265</u></u>

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has set aside funds in a reserve account to meet major future repairs and replacement needs of assets. The funds have been placed in an insured savings. As of March 31, 2022, the balance of the reserve account was \$63,000.

In June of 2020 the Association contracted with Jeff Samdal & Associates, Inc. to complete the annual reserve study, which will be updated each year. The study indicated that the Reserve Fund was funded at 37% as of year-end March 31, 2022, which was 13% more than prior year. (See supplemental information section for additional information regarding this study).

The Association is funding for such major repairs and replacements over the estimated remaining useful lives of the components based on the study's estimates of current replacement costs, and considering amounts previously accumulated in the replacement fund. Inflation is estimated at 3% per year between the date of the study and the date that the components will require repair or replacement. Refer to the unaudited reserve study on page 11.

NOTE 7 - SUBSEQUENT EVENTS

There were no subsequent events through December 12, 2022, which represents the date the financial statements and independent auditor's report were available to be issued.

SUPPLEMENTAL INFORMATION

LAKELAND VILLAGE COMMUNITY CLUB

**SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
MARCH 31, 2022**

The Association contracted with an outside firm to conduct a reserve study in June of 2020 to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

The following information is based on the study and presents significant information about the components of common property.

Table 3.1A: Component Assessment and Valuation

Note: All numbers provided are the engineer's opinion of probable life and cost in 2021 dollars. Exact numbers may vary.

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.2 SITE						
Seal coat and restripe the parking lot at the north end of the lake	4,000	SF	\$0.53	5	5	\$2,120
Asphalt repairs to the cart path and the parking lot	1	LS	\$5,000	5	10	\$5,000
Replace wood fencing	110	LF	\$46.50	9	25	\$5,115
Replace swimming docks and the fishing dock at the north end of the lake	3	EA	\$22,000	9	40	\$66,000
Replace the fishing docks at the south end of the lake	2	EA	\$28,000	9	40	\$56,000
Replace the boat ramp dock	1	EA	\$12,000	34	40	\$12,000
<i>All roads in this community are municipally owned</i>						
<i>No funding budgeted for the boat launch or the boat storage lot</i>						
3.3 LAKE MAINTENANCE AND ELEVATION CONTROL						
Replace the main slide gate	1	EA	\$19,500	32	40	\$19,500
Replace the auxiliary slide gate	1	EA	\$15,000	2	40	\$15,000
Slide gate inspection and underwater inspection of all docks	1	LS	\$4,000	2	10	\$4,000
<i>No funding has been budgeted for capital maintenance of the weir</i>						
<i>Invasive weed control is done annually via the operating budget</i>						
3.4 AMENITIES						
Picnic assets allotment	1	LS	\$3,000	4	5	\$3,000
Replace playground set	1	LS	\$25,000	9	25	\$25,000
Replace swing set	1	LS	\$16,500	27	30	\$16,500
Repair, re-seal, and stripe basketball court	1	LS	\$8,913	9	10	\$8,913
<i>Tennis court is leased and not maintained by the HOA</i>						

LAKELAND VILLAGE COMMUNITY CLUB

**SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
MARCH 31, 2022**

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost
3.5 STRUCTURES						
<i>We understand that the exteriors of all buildings are maintained and painted by volunteers and supplies are paid for via the general operating budget</i>						
<i>The clubhouse is not owned and maintained by LakeLand Village Community Club</i>						
Replace the wood shake roof surface on the picnic shelter	8	SQ	\$1,600	17	30	\$12,800
Clean and seal the picnic shelter barbecue and spot point mortar	1	LS	\$4,000	7	10	\$4,000
Resurface roof of bathroom building	2	SQ	\$550	13	20	\$1,100
Resurface roof of maintenance building	4	SQ	\$800	13	20	\$3,200
3.6 MISCELLANEOUS						
Replace community pick-up truck with a similar used pick-up truck	1	EA	\$15,000	4	10	\$15,000
Office computer allotment	1	LS	\$3,500	2	5	\$3,500
Replace riding lawn mower	1	EA	\$4,000	6	10	\$4,000
Replace push mower	1	EA	\$600	6	10	\$600
Maintenance tool replacement allotment	1	LS	\$3,000	4	5	\$3,000

Table 3.1B: Table of Categorized Expenses over the Duration of the Study

Category	Total Expenditure over 30 Years	Percentage
Site	\$211,931	35.5%
Lake Maintenance and Lake Elevation Control	\$33,525	5.6%
Amenities	\$147,790	24.7%
Structures	\$47,887	8.0%
Miscellaneous	<u>\$156,389</u>	26.2%
TOTAL	\$597,522	