

**Lakeland Village Community Club
(A Washington Homeowners' Association)**

**COMPILED FINANCIAL STATEMENTS
March 31, 2021**

**Olympic Tax & Business Consulting, LLC
Certified Public Accountants**

TABLE OF CONTENTS

	Page
ACCOUNTANTS' COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Income and Fund Balance	3
Statement of Cash Flows	4
Notes to Financial Statements	5-12

**Lakeland Village Community Club
A Washington Homeowners Association
Balance Sheet
March 31, 2021**

Mar 31, 2021

ASSETS

Current Assets

Cash	\$	296,254
Assessments Receivable		16,683
Prepaid Insurance		3,321
Total Current Assets		316,258

Land, Property & Equipment, at Cost

Navy Easement Land		3,980
Automobile		10,500
Equipment		48,336
Community Improvements		150,584
Office Equipment		1,352
Accumulated Depreciation		(176,399)
Total Fixed Assets		38,353

Total Assets	\$	354,612
---------------------	-----------	----------------

LIABILITIES & FUND BALANCE

Current Liabilities

Accounts & Payroll Taxes Payable	\$	6,889
Prepaid Dues & Assessments		129,234
Association Taxes Payable		274
Total Current Liabilities		136,397

Fund Balance		218,215
---------------------	--	---------

Total Liabilities and Fund Balance	\$	354,612
---	-----------	----------------

Lakeland Village Community Club
A Washington Homeowners Association
Statement of Income, Expenses, and Fund Balances
For the year ended March 31, 2021

	Mar 31, 2021
Revenues	
Assessments	\$ 240,129
Interest Income	1,012
	<u>241,141</u>
 Expenses	
Utilities	
Communications	3,077
Electricity	12,247
Garbage	1,231
Sewer	1,367
Water	285
	<u>18,207</u>
 Administration	
Bank Charges	49
Depreciation Expense	422
Insurance	9,311
Office Expense	3,601
Payroll Expense	45,719
Postage and Delivery	2,384
Printing	1,556
Professional Fees	14,867
Contract Services	9,214
Rent	1,440
Special Events	1,336
Taxes - Federal	274
Travel	628
	<u>90,801</u>
 Maintenance & Operations	
Depreciation Expense	8,852
Equipment Maintenance	8,912
Insurance	7,136
Lake Maintenance	14,040
Maintenance	22,193
Payroll Expense	38,374
Vehicle & Security Expense	5,804
Lein Expense	106
Bad debt Expense	-
	<u>105,417</u>
 Total Expenses	214,425
 Excess Revenues (Expenses)	26,716
 Fund Balance - Beginning of Year	191,499
Fund Balance - End of Year	<u><u>\$ 218,215</u></u>

LAKELAND VILLAGE COMMUNITY CLUB
A Washington Homeowners Association
Statement of Cash Flows
For the year ended March 31, 2021

	<u>March 31, 2021</u>
Cash Flows From Operating Activities	
Excess revenues (expenses)	\$ 26,716
Adjustments to reconcile excess revenues to net cash provided by operating activities:	
Depreciation	9,274
(Increase) decrease in current assets	
Assessments receivable	(5,387)
Prepaid insurance	62
Increase (decrease) in current liabilities	
Accounts/Payroll taxes payable	1,223
Prepaid dues and assessments	26,144
Association taxes payable	135
Net Cash Provided (Used) by Operating Activities	58,167
Cash Flows Used by Investing Activities	
Purchase of equipment and improvements	-
Net Cash Used by Investing Activities	-
Net Increase (Decrease) in Cash	58,167
Cash - beginning of year	238,088
Cash - end of year	\$ 296,254
Supplemental Disclosures	
Cash paid during the year for income taxes	\$ 139

Lakeland Village Community Club
A Washington Homeowners Association
Notes to Financial Statements
March 31, 2021

Note 1 – Organization

Lakeland Village Community Club 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

A. 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.

B. Cash and Cash Equivalents

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

The Association maintains checking accounts with local banks which are insured by the Federal Deposit Insurance Corporation (FDIC). The Association had no uninsured balances because each individual bank account balance was not in excess of \$250,000 as March 31, 2021.

See independent accountants' report.

C. Allowance for Uncollectible Accounts

The Association has the right to place liens on the property of members for unpaid dues and charges. As of March 31, 2021, there were 8 outstanding liens. As a result of this lien right, no provision has been made for uncollectible assessment.

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

E. New Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2018, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2018. Adoption of the new guidance resulted in changes to the accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

Note 3 – Unearned Revenues

Some of the owners pay their dues in advance. On March 31, 2021, the amount of \$129,234 was included in liabilities as unearned revenue.

See independent accountants' report.

Note 4 – 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, 2021, the Association elected to file as a homeowners' association. Income taxes paid during fiscal year ending March 31, 2021, totaled \$274. The Association considers the payment and expense in the year incurred. Income taxes are considered an expense in the year incurred. Returns are subject to review by the Internal Revenue Service. Generally, the current and two prior years are subject to audit. There are currently no notices or adjustments associated with the open returns.

Note 5 – Replacement Reserves

The Association has set aside funds in a reserve account to meet repair and replacement needs of assets. The funds have been placed in an insured savings. As of March 31, 2021, the balance of the reserve account was \$38,115.

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 24%. (See supplemental information section for additional information regarding this study).

Note 6 – Long-term Debt

The Association has no long-term debt or obligations under long-term leases as of March 31, 2021.

Note 7 – Fixed Assets

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, 2021, depreciation expense is \$9,274 and accumulated depreciation is \$176,399.

See independent accountants' report.

Note 8 – 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. 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. On March 31, 2021, the Association had delinquent assessments in the amount of \$13,803. It is the opinion of the board of director 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 \$16,683 in assessments receivable as of March 31, 2021.

Note 9 – Related Party Disclosure

The Association did not have any transactions with any related parties during the year ended March 31, 2021.

See independent accountants' report.

SUPPLEMENTARY INFORMATION

LAKELAND VILLAGE COMMUNITY CLUB
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (UNAUDITED)

March 31, 2021

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.

Note: All numbers provided are the engineer's opinion of probable life and cost in 2020 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	\$0.52	1	5	\$2,080
Asphalt repairs to the cart path and the parking lot	1	LS	\$5,000	6	10	\$5,000
Replace wood fencing	110	LF	\$46.50	10	25	\$5,115
Replace swimming docks and the fishing dock at the north end of the lake	3	EA	\$22,000	10	40	\$66,000
Replace the fishing docks at the south end of the lake	2	EA	\$28,000	10	40	\$56,000
Replace the boat ramp dock	1	EA	\$12,000	35	40	\$12,000
<i>All roads in this community are municipally owned</i>						

See independent accountants' report.

<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	33	40	\$19,500
	Replace the auxiliary slide gate	1	EA	\$15,000	3	40	\$15,000
	Slide gate inspection and underwater inspection of all docks	1	LS	\$4,000	3	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	5	5	\$3,000
	Replace playground set	1	LS	\$25,000	10	25	\$25,000
	Replace swing set	1	LS	\$16,500	28	30	\$16,500
	Tennis court resurfacing (materials only) with volunteer applicators	1	LS	\$8,000	9	10	\$8,000
<i>No Reserve Funds anticipated associated with the basketball court</i>							

See independent accountants' report.

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	18	30	\$12,800
Clean and seal the picnic shelter barbecue and spot point mortar	1	LS	\$4,000	8	10	\$4,000
Resurface roof of bathroom building	2	SQ	\$550	2	20	\$1,100
Resurface roof of maintenance building	4	SQ	\$800	7	20	\$3,200
3.6 MISCELLANEOUS						
Replace community pick-up truck with a similar used pick-up truck	1	EA	\$15,000	5	10	\$15,000
Office computer allotment	1	LS	\$3,500	3	5	\$3,500
Replace riding lawn mower	1	EA	\$4,000	7	10	\$4,000
Replace push mower	1	EA	\$600	7	10	\$600
Maintenance tool replacement allotment	1	LS	\$3,000	5	5	\$3,000

See independent accountants' report.

Table 1.5: Recommendations and Assumptions for Future Reserve Contributions

Assumed Average Future Inflation Rate over 30 Years	3%
Assumed Average Future Interest Rate over 30 Years	3%
Option 1 – Immediate Full Funding	
Immediate Special Assessment Required <u>IF</u> the Association is to be Fully Funded Immediately	\$118,991
Annual Reserve Fund Contribution Required for the Reserve Fund to remain Fully Funded	\$13,374
Option 2 – Path to Full Funding in 5 Years	
Annual Reserve Fund Contribution Required for the Reserve Fund to be Fully Funded in <u>5 years</u>	\$38,600 of which \$15,504 will be “make-up” funding
Option 3 - Path to Full Funding in 10 Years	
Annual Reserve Fund Contribution Required for the Reserve Fund to be Fully Funded in <u>10 years</u>	\$26,917 of which \$17,974 will be “make-up” funding
Option 4 - Path to Full Funding in 30 Years*	
Annual Reserve Fund Contribution Required for the Reserve Fund to be Fully Funded in <u>30 years</u>	\$19,268 of which \$5,894 will be “make-up” funding
Option 5 – Baseline Funding*	
Annual Reserve Fund Contribution Required for Baseline Funding (Keeping the Reserve Fund above Zero over the 30 Year Period)	\$20,360

**These funding levels are required by WA State RCW 64.90.550. They are “bare minimum” funding plans and therefore carry a higher level of risk. Because of this, they are not recommended by Jeff Samdal & Associates.*

See independent accountants’ report.