
**PROPERTY OWNERS' ASSOCIATION
OF LAKE HAYWARD**

EAST HADDAM, CONNECTICUT

FINANCIAL STATEMENTS

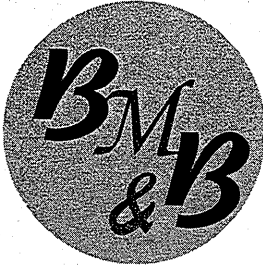
JUNE 30, 2014 AND 2013

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

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BOWMAN, MONACO & BLACK, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To The Board of Directors of
Property Owners' Association of Lake Hayward:

We have reviewed the accompanying balance sheets of

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

as of June 30, 2014 and 2013, and the related statements of revenue, expenses, changes in fund balance and statements of cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company 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 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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.

Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying Revenue and Expenses – Actual versus Budget and variance is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

Bowman, Monaco & Black, PC

Bowman, Monaco & Black, PC
March 5, 2015

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

BALANCE SHEETS

JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
CURRENT ASSETS		
Cash And Cash Equivalents	149,086	157,633
Tax Assessments Receivable, Net of Allowance for Doubtful Accounts of \$10,000 in 2014 and 2013	42,911	49,495
Total Current Assets	<u>191,997</u>	<u>207,128</u>
FIXED ASSETS		
Construction in Progress	-	168,177
Pavilion	177,310	-
Improvements	161,257	161,257
Lots, Land and Land Rights	23,431	23,431
	<u>361,998</u>	<u>352,865</u>
Less: Accumulated Depreciation	<u>(140,301)</u>	<u>(123,512)</u>
Net Fixed Assets	<u>221,697</u>	<u>229,353</u>
TOTAL ASSETS	<u><u>413,694</u></u>	<u><u>436,481</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES		
Accounts Payable	<u>4,745</u>	<u>49,167</u>
FUND BALANCES		
Operating Fund	259,863	274,966
Reserve Fund	149,086	112,348
Total Fund Balances	<u>408,949</u>	<u>387,314</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>413,694</u></u>	<u><u>436,481</u></u>

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUE			
Property Taxes	167,857	-	167,857
Miscellaneous Income	8,219	-	8,219
Promotional Items	4,249	-	4,249
Recreational Fees	1,150	-	1,150
Bank Interest	643	-	643
Total Revenue	<u>182,118</u>	<u>-</u>	<u>182,118</u>
EXPENSES			
Waste Management	38,085	-	38,085
Insurance and Bonds	25,671	-	25,671
Roads and Beaches	23,245	-	23,245
Depreciation	16,789	-	16,789
Weed Control	15,062	-	15,062
Social Items	5,819	-	5,819
Police and Safety	4,706	-	4,706
Promotional Items	4,343	-	4,343
Salaries - Treasurer	4,000	-	4,000
Printing	3,072	-	3,072
Salaries - Tax Collector	3,000	-	3,000
Property Taxes	2,523	-	2,523
Utilities	2,264	-	2,264
Accounting Fees	2,000	-	2,000
Salaries - Secretary	1,500	-	1,500
Contingency Funds	1,385	-	1,385
Recreation Director	1,320	-	1,320
Tax Collector Expenses	1,133	-	1,133
Postage	1,031	-	1,031
Salaries- Webmaster	1,000	-	1,000
Recreation Assistants	930	-	930
Miscellaneous	561	-	561
Supplies	568	-	568
Recreation - Miscellaneous	476	-	476
Total Expenditures	<u>160,483</u>	<u>-</u>	<u>160,483</u>
Excess of Revenue Over Expenses	<u>21,635</u>	<u>-</u>	<u>21,635</u>

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Operating Fund \$</u>	<u>Reserve Fund \$</u>	<u>Total \$</u>
REVENUE			
Property Taxes	178,093	-	178,093
Excess of Insurance Proceeds over Net Book Value of Assets Destroyed	23,200	-	23,200
Lake Hayward Days	3,694	-	3,694
Miscellaneous Income	3,219	525	3,744
Social Events	3,167	-	3,167
Promotional Items	2,674	-	2,674
Recreational Fees	1,785	-	1,785
Bank Interest	1,313	-	1,313
Total Revenue	<u>217,145</u>	<u>525</u>	<u>217,670</u>
EXPENSES			
Waste Management	44,850	-	44,850
Weed Control	18,175	-	18,175
Insurance and Bonds	14,838	-	14,838
Roads and Beaches	14,831	-	14,831
Depreciation	12,243	-	12,243
Repairs and Maintenance	11,594	-	11,594
Social Items	7,995	-	7,995
Property Taxes	4,564	-	4,564
Police and Safety	4,479	-	4,479
Salaries - Treasurer	4,000	-	4,000
Recreation Director	3,640	-	3,640
Recreation - Lake Hayward Days	3,349	-	3,349
Salaries - Tax Collector	3,000	-	3,000
Printing	2,551	-	2,551
Promotional Items	2,459	-	2,459
Utilities	2,057	-	2,057
Accounting Fees	2,000	-	2,000
Recreation - Miscellaneous	1,731	-	1,731
Tax Collector Expenses	1,635	-	1,635
Salaries - Secretary	1,500	-	1,500
Recreation Assistants	1,400	-	1,400
Contingency Funds	747	675	1,422
Supplies	602	-	602
Salaries - Webmaster	500	-	500
Postage	487	-	487
Miscellaneous	60	-	60
Reduction in Allowance for Doubtful Accounts	(10,000)	-	(10,000)
Total Expenditures	<u>155,287</u>	<u>675</u>	<u>155,962</u>
Excess (Deficit) of Revenue Over Expenditures	<u>61,858</u>	<u>(150)</u>	<u>61,708</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Operating	Reserve Fund	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Fund Balance - July 1, 2012	202,181	123,425	325,606
Board Designated Transfer	10,927	(10,927)	-
Excess of Revenue			
Over Expenses	<u>61,858</u>	<u>(150)</u>	<u>61,708</u>
Fund Balance - June 30, 2013	274,966	112,348	387,314
Board Designated Transfer, net	(36,738)	36,738	-
Excess of Revenue			
Over Expenses	<u>21,635</u>	<u>-</u>	<u>21,635</u>
Fund Balance - June 30, 2014	<u>259,863</u>	<u>149,086</u>	<u>408,949</u>

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes Received from Property Owners	175,186	-	175,186
Other Income	12,873	-	12,873
Interest Income	643	-	643
Cash Paid for Expenditures	(188,116)	-	(188,116)
Net Cash Provided By Operating Activities	586	-	586
CASH FLOWS FROM INVESTING ACTIVITIES			
Pavilion Costs	(9,133)	-	(9,133)
Board Designated Transfer	(36,738)	36,738	-
Net Cash Provided by (Used In) Investing Activities	(45,871)	36,738	(9,133)
Net Increase (Decrease) In Cash and Cash Equivalents	(45,285)	36,738	(8,547)
Cash and Cash Equivalents - Beginning	45,285	112,348	157,633
Cash and Cash Equivalents - Ending	0	149,086	149,086
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of Revenue			
Over Expenses	21,635	-	21,635
Depreciation	16,789	-	16,789
Changes In:			
Accounts Receivable	6,584	-	6,584
Accounts Payable	(44,422)	-	(44,422)
Net Cash Provided By Operating Activities	586	-	586

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Operating Fund \$	Reserve Fund \$	Total \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes Received from Property Owners	151,463	-	151,463
Other Income	37,739	525	38,264
Interest Income	1,313	-	1,313
Cash Paid for Expenditures	(107,327)	(675)	(108,002)
Net Cash Provided by (Used In) Operating Activities	83,188	(150)	83,038
CASH FLOWS FROM INVESTING ACTIVITIES			
Construction in Progress	(168,177)	-	(168,177)
Board Designated Transfer	10,927	(10,927)	-
Net Cash Used in Investing Activities	(157,250)	(10,927)	(168,177)
Net Increase (Decrease) In Cash and Cash Equivalents	(74,062)	(11,077)	(85,139)
Cash and Cash Equivalents - Beginning	119,347	123,425	242,772
Cash and Cash Equivalents - Ending	45,285	112,348	157,633
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of Revenue Over Expenses	61,858	(150)	61,708
Depreciation	12,243	-	12,243
Changes In:			
Accounts Receivable	(36,630)	-	(36,630)
Accounts Payable	45,717	-	45,717
Net Cash Provided By (Used In) Operating Activities	83,188	(150)	83,038

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 1 – ORGANIZATION AND OPERATIONS

The Property Owners' Association of Lake Hayward (the Association) was formed as a chartered municipality by the State of Connecticut. The Association is responsible for the operations and maintenance of the common areas of a lakeside residential community located in East Haddam, Connecticut. The Association's funding is provided by property taxes charged and collected within the tax district.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash Equivalents

The Association recognizes cash held in highly liquid accounts such as checking, savings and money market accounts as cash equivalents for the purpose of the statement of cash flows.

Taxes Receivable

The Association property owners are subject to annual tax assessments based on the value of their property to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Taxes receivable at the balance sheet date represents taxes due from property owners. The Association's policy is to charge interest on property taxes that are delinquent more than thirty days. The amount of interest included in taxes receivable for the years ended June 30, 2014 and 2013 was \$12,161 and \$22,391, respectively.

Bad Debts

The Association uses the reserve method for bad debts.

Fixed Assets

The Association records real and personal property and related improvements to such property at cost and provides for depreciation on fixed assets using the straight line method to allocate the cost of the assets over their estimated useful lives. Additions, improvements and expenditures that significantly add to the productive capacity or extend the useful life of an asset are capitalized. The Association periodically reviews the carrying value of its property, plant and equipment to assess whether any impairment may exist when events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. Upon retirement or sale, the cost of assets disposed of and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in current period results. The pavilion will be depreciated over 39 years, improvements are being depreciated over 10 years and any equipment is being depreciated over 7 years. Depreciation for the years ended June 30, 2014 and 2013 was \$16,789 and \$12,638, per year, respectively.

Revenue Recognition

The Association recognizes its revenue when taxes are assessed annually.

Income Taxes

The Association is a chartered municipality of the State of Connecticut and therefore is not subject to Federal or State income taxes.

Fair Value of Financial Instruments

The Company follows the *Fair Value Measurements* topic of the FASB Codification, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Company's own credit risk. In addition to defining fair value, the *Fair Value Measurements* topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs.

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters, such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Subsequent Events

The Association has evaluated subsequent events and transactions for potential recognition or disclosure through March 5, 2015, which is the date the financial statements were available to be issued.

NOTE 3 – FUND BALANCES

Operating Fund

The balance in the fund is the accumulated excess of the Association's operating revenue over its expense.

Reserve Fund

The Board of Governors has designated certain special purpose funds (reserve funds) for allocating resources of the Association. The reserve fund balances increase or decrease depending on whether or not actual expenditures exceed the annual allocation to that account. For the years ended June 30, the reserve account balances are as follows:

	2014	2013
	\$	\$
Lake Quality	65,000	-
Operating Budget Contingency 2015	10,000	-
Operating Budget Contingency 2016	15,000	-
Second Beach Dredging Project	38,000	-
Capital Maintenance Reserve 2016	10,000	-
Promotional Item Reserve	5,000	-
Excess Revenue to Reduce		
2015-2016 Revenues	6,086	-
Weed Control	-	20,000
Pavilion Construction	-	21,823
Contingency Fund	-	70,000
Memorial Fund	-	525
Total Reserve Accounts	<u>149,086</u>	<u>112,348</u>

NOTE 4 – CONTINGENCIES

The Association maintains cash accounts at local banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times throughout the year the Association had uninsured balances.

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 5 – EXCESS OF INSURANCE PROCEEDS OVER NET BOOK VALUE OF ASSET

During the year ended June 30, 2013, the Association had a fire and filed a claim with its insurance carrier. The Association received proceeds from the insurance claim to pay for replacement of the pavilion and the associated equipment. A committee was formed to oversee the reconstruction project. The Association voted to reconstruct and enhance the pavilion and to use the insurance proceeds plus a portion of the reserve fund. The construction of the new pavilion began during the year and those costs are included as construction in progress. The total amount of insurance proceeds received of \$23,200 was included in revenue for the year ended June 30, 2013.

NOTE 6 – OTHER INFORMATION

The Association prepares an annual budget approximately 12 months in advance of the beginning of a fiscal year. The members approve the Budget at the Annual Meeting. The Budget Committee works closely with the Officers and Committees to identify the major components of the annual operating budget and any special appropriations such as the Second Beach Dredging project. The mil rate is determined by using the aggregate of the assessed value of real estate of Association members in the Association tax district. Mil rates have varied based on the level of the annual budget and the periodic revaluation of properties required by statute. Mil rates in the past 5 years are as follows:

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>MIL</u> <u>RATE</u>
2015	.004
2014	.004
2013	.0028
2012	.0028
2011	.0027

The Association, based on the recommendation of the Budget Committee and the Board of Governors voted to utilize any excess of revenues over expenses of the Annual Budget to reduce the revenue requirement of the second succeeding year. For the year ended June 30, 2014, the excess of revenues over expenses on the cash basis was approximately \$44,000. The amount of approximately \$38,000 was appropriated for the Second Beach Dredging project. The balance of \$6,086 was reserved to reduce the revenue requirement of the 2015-16 budget.

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

REVENUE AND EXPENSES - ACTUAL VERSUS BUDGET AND VARIANCE

FOR THE YEAR ENDED JUNE 30, 2014

OPERATING FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue			
Property Taxes	167,857	166,000	1,857
Miscellaneous Income	7,474	-	7,474
Promotional Items	4,249	-	-
Recreational Fees	1,150	-	1,150
Bank Interest	643	1,500	(857)
	<u>181,373</u>	<u>167,500</u>	<u>9,624</u>
Expenses			
Waste Management	38,085	45,000	6,915
Weed Control	15,062	19,000	3,938
Insurance and Bonds	25,671	20,985	(4,686)
Roads and Beaches	23,245	24,000	755
Depreciation	16,789	-	(16,789)
Repairs and Maintenance	-	2,000	2,000
Social Items	5,819	11,000	5,181
Property Taxes	2,523	8,000	5,477
Police and Safety	4,706	5,000	294
Salaries - Treasurer	4,000	4,000	-
Recreation Director	1,320	2,200	880
Salaries - Tax Collector	3,000	3,000	-
Printing	3,072	5,015	1,943
Promotional Items	4,343	3,000	(1,343)
Utilities	2,264	3,000	736
Accounting Fees	2,000	2,200	200
Recreation - Miscellaneous	476	500	24
Tax Collector Expenses	1,133	2,000	867
Salaries - Secretary	1,500	1,500	-
Recreation Assistants	930	1,500	570
Contingency Fund	1,345	1,000	(345)
Supplies	568	-	(568)
Webmaster / Newsletter	1,000	1,000	-
Postage	1,031	-	(1,031)
Miscellaneous	561	-	(561)
Legal	-	1,000	1,000
Lake Water Quality	-	1,600	1,600
Total Expenses	<u>160,443</u>	<u>167,500</u>	<u>7,057</u>

SEE ACCOMPANYING NOTES

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

REVENUE AND EXPENSES - ACTUAL VERSUS BUDGET AND VARIANCE

FOR THE YEAR ENDED JUNE 30, 2013

OPERATING FUND

	Actual	Budget	Variance - Favorable (Unfavorable)
	\$	\$	\$
Revenue			
Property Taxes	167,857	161,400	6,457
Miscellaneous Income	7,474	2,000	5,474
Promotional Items	4,249	-	-
Recreational Fees	1,150	2,400	(1,250)
Bank Interest	643	600	43
Total Revenue	181,373	166,400	10,724
Expenses			
Waste Management	38,085	45,000	6,915
Weed Control	15,062	20,000	4,938
Insurance and Bonds	25,671	22,000	(3,671)
Roads and Beaches	23,245	17,000	(6,245)
Depreciation	16,789	2,400	(14,389)
Repairs and Maintenance	2,400	5,000	2,600
Social Items	5,819	15,200	9,381
Property Taxes	2,523	8,000	5,477
Police and Safety	4,706	5,000	294
Salaries - Treasurer	4,000	4,000	-
Recreation Director	1,320	2,400	1,080
Salaries - Tax Collector	3,000	3,000	-
Printing	3,072	2,400	(672)
Promotional Items	4,343	5,000	657
Utilities	2,264	3,000	736
Accounting Fees	2,000	2,200	200
Recreation - Miscellaneous	476	2,400	1,924
Tax Collector Expenses	1,133	1,400	267
Salaries - Secretary	1,500	1,500	-
Recreation Assistants	930	2,400	1,470
Contingency Fund	1,385	2,400	1,015
Supplies	568	2,400	1,832
Webmaster / Newsletter	1,000	1,000	-
Postage	1,031	3,500	2,469
Miscellaneous	761	2,400	1,639
Lake Water Quality	-	200	200
Total Expenses	163,083	181,200	18,117

SEE ACCOMPANYING NOTES