

PROPERTY OWNERS' ASSOCIATION
OF LAKE HAYWARD

COLCHESTER, CONNECTICUT

FINANCIAL STATEMENTS

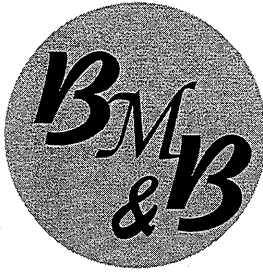
JUNE 30, 2013 AND 2012

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, 2013 and 2012, 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
February 20, 2014

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

BALANCE SHEETS

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
CURRENT ASSETS		
Cash And Cash Equivalents	157,633	242,772
Tax Assessments Receivable, Net of Allowance for Doubtful Accounts of \$10,000 and \$20,000 in 2013 and 2012	<u>49,495</u>	<u>12,865</u>
Total Current Assets	<u>207,128</u>	<u>255,637</u>
FIXED ASSETS		
Construction in Progress	168,177	-
Pavilion	-	22,428
Improvements	161,257	166,138
Lots, Land and Land Rights	23,431	23,431
Equipment	-	1,286
	<u>352,865</u>	<u>213,283</u>
Less: Accumulated Depreciation	<u>(123,512)</u>	<u>(139,864)</u>
Net Fixed Assets	<u>229,353</u>	<u>73,419</u>
TOTAL ASSETS	<u>436,481</u>	<u>329,056</u>

LIABILITIES AND FUND BALANCES

LIABILITIES		
Accounts Payable	<u>49,167</u>	<u>3,450</u>
FUND BALANCES		
Operating Fund	274,966	202,181
Reserve Fund	<u>112,348</u>	<u>123,425</u>
Total Fund Balances	<u>387,314</u>	<u>325,606</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>436,481</u>	<u>329,056</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 Expenses	<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

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	Operating Fund	Reserve Fund	Total
	\$	\$	\$
REVENUE			
Property Taxes	151,469	-	151,469
Lake Hayward Days	2,735	-	2,735
Social Events	2,218	-	2,218
Recreational Fees	1,940	-	1,940
Promotional Items	1,710	-	1,710
Bank Interest	1,631	-	1,631
Miscellaneous Income	1,575	300	1,875
Total Revenue	<u>163,278</u>	<u>300</u>	<u>163,578</u>
EXPENSES			
Waste Management	41,400	-	41,400
Roads and Beaches	15,682	-	15,682
Insurance and Bonds	13,396	-	13,396
Depreciation	12,243	-	12,243
Weed Control	8,000	-	8,000
Repairs and Maintenance	4,895	-	4,895
Property Taxes	4,472	-	4,472
Social Items	4,356	-	4,356
Salaries - Treasurer	4,000	-	4,000
Police and Safety	3,364	-	3,364
Recreation Director	3,210	-	3,210
Salaries - Tax Collector	3,000	-	3,000
Recreation - Lake Hayward Days	2,602	-	2,602
Utilities	2,417	-	2,417
Contingency Fund	2,117	-	2,117
Promotional Items	2,100	-	2,100
Accounting Fees	2,000	-	2,000
Printing	1,759	-	1,759
Salaries - Secretary	1,500	-	1,500
Recreation Assistants	1,400	-	1,400
Supplies	1,323	-	1,323
Miscellaneous	716	200	916
Tax Collector Expenses	707	-	707
Recreation - Miscellaneous	579	-	579
Postage	419	-	419
Total Expenditures	<u>137,657</u>	<u>200</u>	<u>137,857</u>
Excess of Revenue Over Expenses	<u>25,621</u>	<u>100</u>	<u>25,721</u>

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Operating Fund \$</u>	<u>Reserve Fund \$</u>	<u>Total \$</u>
Fund Balance - July 1, 2011	201,560	98,325	299,885
Board Designated Transfer	(25,000)	25,000	-
Excess of Revenue Over Expenses	<u>25,621</u>	<u>100</u>	<u>25,721</u>
Fund Balance - June 30, 2012	202,181	123,425	325,606
Board Designated Transfer, net	10,927	(10,927)	-
Excess (Deficit) of Revenue Over Expenses	<u>61,858</u>	<u>(150)</u>	<u>61,708</u>
Fund Balance - June 30, 2013	<u><u>274,966</u></u>	<u><u>112,348</u></u>	<u><u>387,314</u></u>

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

	<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	151,463	-	151,463
Other Income	37,739	525	38,264
Interest Income	1,313	-	1,313
Cash Paid for Expenditures	<u>(107,327)</u>	<u>(675)</u>	<u>(108,002)</u>
Net Cash Provided By Operating Activities	83,188	(150)	83,038
CASH FLOWS FROM INVESTING ACTIVITIES			
Construction in Progress	(168,177)	-	(168,177)
Board Designated Transfer	10,927	<u>(10,927)</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(157,250)</u>	<u>(10,927)</u>	<u>(168,177)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(74,062)	(11,077)	(85,139)
Cash and Cash Equivalents - Beginning	<u>119,347</u>	<u>123,425</u>	<u>242,772</u>
Cash and Cash Equivalents - Ending	<u><u>45,285</u></u>	<u><u>112,348</u></u>	<u><u>157,633</u></u>
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	<u>45,717</u>	<u>-</u>	<u>45,717</u>
Net Cash Provided By Operating Activities	<u><u>83,188</u></u>	<u><u>(150)</u></u>	<u><u>83,038</u></u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Operating</u> <u>Fund</u> <u>\$</u>	<u>Reserve</u> <u>Fund</u> <u>\$</u>	<u>Total</u> <u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes Received from Property Owners	155,196	-	155,196
Other Income	10,178	300	10,478
Interest Income	1,631	-	1,631
Cash Paid for Expenditures	<u>(125,413)</u>	<u>(200)</u>	<u>(125,613)</u>
Net Cash Provided By Operating Activities	41,592	100	41,692
CASH FLOWS FROM INVESTING ACTIVITIES			
Board Designated Transfer	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	16,592	25,100	41,692
Cash and Cash Equivalents - Beginning	<u>102,755</u>	<u>98,325</u>	<u>201,080</u>
Cash and Cash Equivalents - Ending	<u><u>119,347</u></u>	<u><u>123,425</u></u>	<u><u>242,772</u></u>
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of Revenue Over Expenses	25,621	100	25,721
Depreciation	12,243	-	12,243
Changes In:			
Accounts Receivable	3,728	-	3,728
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u><u>41,592</u></u>	<u><u>100</u></u>	<u><u>41,692</u></u>

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013 and 2012 was \$22,391 and \$14,810, 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 equipment is being depreciated over 7 years. Depreciation for the years ended June 30, 2013 and 2012 was \$12,638 and \$12,243, 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.

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Values of Financial Instruments

The Association has a financial instrument which is not being held for trading purposes. The Association estimates that the fair value of the financial instrument at June 30, 2013 and 2012 does not differ materially from the aggregate carrying value of its financial instrument recorded in the accompanying statement of financial position.

Subsequent Events

The Association has evaluated subsequent events and transactions for potential recognition or disclosure through February 20, 2014, 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:

	<u>2013</u>	<u>2012</u>
	\$	\$
Weed Control	20,000	122,550
Contingency Fund	70,000	-
Pavilion Construction	21,823	-
Memorial Fund	525	875
Total Reserve Accounts	<u>112,348</u>	<u>123,425</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.

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.

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

REVENUE AND EXPENSES - ACTUAL VERSUS BUDGET AND VARIANCE

FOR THE YEAR ENDED JUNE 30, 2013

OPERATING FUND

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue			
Property Taxes	178,093	156,422	21,671
Excess of Insurance Proceeds over Net Book Value of Asset	23,200	-	23,200
Lake Hayward Days	3,694	1,800	1,894
Social Events	3,167	2,000	1,167
Recreational Fees	1,785	2,400	(615)
Promotional Items	2,674	2,000	674
Bank Interest	1,313	1,500	(187)
Miscellaneous Income	3,219	-	3,219
	<u>217,145</u>	<u>166,122</u>	<u>51,023</u>
Total Revenue			
Expenses			
Waste Management	44,850	45,000	150
Weed Control	18,175	2,000	(16,175)
Insurance and Bonds	14,838	13,322	(1,516)
Roads and Beaches	14,831	20,000	5,169
Depreciation	12,243	-	(12,243)
Repairs and Maintenance	11,594	8,000	(3,594)
Social Items	7,995	15,000	7,005
Property Taxes	4,564	5,000	436
Police and Safety	4,479	5,000	521
Salaries - Treasurer	4,000	4,000	-
Recreation Director	3,640	3,500	(140)
Recreation - Lake Hayward Days	3,349	-	(3,349)
Salaries - Tax Collector	3,000	3,000	-
Printing	2,551	-	(2,551)
Promotional Items	2,459	2,000	(459)
Utilities	2,057	3,000	943
Accounting Fees	2,000	2,200	200
Recreation - Miscellaneous	1,731	-	(1,731)
Tax Collector Expenses	1,635	800	(835)
Salaries - Secretary	1,500	1,500	-
Recreation Assistants	1,400	-	(1,400)
Contingency Fund	747	-	(747)
Supplies	602	-	(602)
Webmaster / Newsletter	500	500	-
Postage	487	-	(487)
Miscellaneous	60	-	(60)
Bad Debt Expense	(10,000)	6,200	16,200
Lake Water Quality	-	100	100
Legal Fees	-	1,000	1,000
	<u>155,287</u>	<u>141,122</u>	<u>(14,165)</u>
Total Expenses			

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

REVENUE AND EXPENSES - ACTUAL VERSUS BUDGET AND VARIANCE

FOR THE YEAR ENDED JUNE 30, 2012

OPERATING FUND

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue			
Property Taxes	151,469	149,200	2,269
Lake Hayward Days	2,735	1,800	935
Social Events	2,218	2,000	218
Recreational Fees	1,940	2,400	(460)
Promotional Items	1,710	2,000	(290)
Bank Interest	1,631	1,500	131
Miscellaneous Income	1,575	-	1,575
	<u>163,278</u>	<u>158,900</u>	<u>4,378</u>
Expenses			
Waste Management	41,400	45,000	3,600
Roads and Beaches	15,682	20,000	4,318
Insurance and Bonds	13,396	12,000	(1,396)
Depreciation	12,243	-	(12,243)
Weed Control	8,000	2,000	(6,000)
Repairs and Maintenance	4,895	7,000	2,105
Property Taxes	4,472	5,000	528
Social Items	4,356	3,200	(1,156)
Salaries - Treasurer	4,000	5,500	1,500
Police and Safety	3,364	5,000	1,636
Recreation Director	3,210	5,000	1,790
Salaries - Tax Collector	3,000	3,000	-
Recreation - Lake Hayward Days	2,602	2,500	(102)
Utilities	2,417	3,000	583
Contingency Fund	2,117	2,000	(117)
Promotional Items	2,100	2,000	(100)
Accounting Fees	2,000	2,000	-
Printing	1,759	2,500	741
Salaries - Secretary	1,500	-	(1,500)
Recreation Assistants	1,400	2,000	600
Supplies	1,323	-	(1,323)
Miscellaneous	716	-	(716)
Tax Collector Expenses	707	800	93
Recreation - Miscellaneous	579	800	221
Postage	419	1,000	581
Webmaster / Newsletter	-	500	500
Legal Fees	-	1,000	1,000
Recreation Equipment	-	500	500
Lake Water Quality	-	100	100
	<u>137,657</u>	<u>133,400</u>	<u>(4,257)</u>