

**PROPERTY OWNERS' ASSOCIATION
OF LAKE HAYWARD
EAST HADDAM, CONNECTICUT
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

TABLE OF CONTENTS

JUNE 30, 2017 AND 2016

	<u>PAGE</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
REVIEWED FINANCIAL STATEMENTS	
Balance Sheets	2
Statement of Revenue and Expenses	3-4
Statements of Changes in Fund Balances	5
Statement of Cash Flows	6-7
Notes to Financial Statements	8-10



BOWMAN, BLACK & DEFILIO, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

which comprise the balance sheet as of June 30, 2017 and 2016, and the related statements of revenue and expenses, changes in fund balances and statements of cash flows for the years 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 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'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 the 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

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 accordance with accounting principles generally accepted in the United States of America.

Bow. Black & DeFilio

Cheshire, Connecticut
April 27, 2018

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

BALANCE SHEETS

JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
CURRENT ASSETS		
Cash And Cash Equivalents	132,054	170,130
Tax Assessments Receivable	30	911
Total Current Assets	<u>132,084</u>	<u>171,041</u>
FIXED ASSETS		
Pavilion	177,310	177,310
Improvements	200,652	173,257
Lots, Land and Land Rights	23,431	23,431
	<u>401,393</u>	<u>373,998</u>
Less: Accumulated Depreciation	(191,002)	(173,905)
Net Fixed Assets	<u>210,391</u>	<u>200,093</u>
TOTAL ASSETS	<u><u>342,475</u></u>	<u><u>371,134</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES		
Prepaid Tax Assessments	-	3,730
Accounts Payable	3,657	3,657
Total Liabilities	<u>3,657</u>	<u>7,387</u>
FUND BALANCES		
Operating Fund	218,818	268,747
Reserve Fund	120,000	95,000
Total Fund Balances	<u>338,818</u>	<u>363,747</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>342,475</u></u>	<u><u>371,134</u></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, 2017

	Operating Fund \$	Reserve Fund \$	Total \$
REVENUE			
Property Taxes	155,461	-	155,461
Reimbursements and Grant	9,752	-	9,752
Miscellaneous Income	3,725	-	3,725
Promotional Items	2,411	-	2,411
Bank Interest	734	-	734
Recreational Fees	957	-	957
Total Revenue	173,040	-	173,040
EXPENSES			
Waste Management	43,884	-	43,884
Insurance and Bonds	25,843	-	25,843
Lake Quality Improvement	26,006	-	26,006
Roads and Beaches	18,322	-	18,322
Depreciation	17,097	-	17,097
Repairs and Maintenance	8,730	-	8,730
Social Items	8,522	-	8,522
Salaries - Tax Collector	5,500	-	5,500
Salaries - Treasurer	8,250	-	8,250
Police and Safety	4,070	-	4,070
Utilities	7,606	-	7,606
Tax Collector Expenses	4,331	-	4,331
Legal and Accounting Fees	4,767	-	4,767
Printing	4,492	-	4,492
Supplies	1,731	-	1,731
Property Taxes	3,311	-	3,311
Salaries- Webmaster	2,000	-	2,000
Promotional Items	1,002	-	1,002
Salaries - Secretary	1,654	-	1,654
Postage	851	-	851
Total Expenses	197,969	-	197,969
Deficit of Revenue Over Expenses	(24,929)	-	(24,929)

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, 2016

	Operating Fund \$	Reserve Fund \$	Total \$
REVENUE			
Property Taxes	155,668	-	155,668
Reimbursements and Grant	22,078	-	22,078
Miscellaneous Income	3,122	-	3,122
Promotional Items	1,772	-	1,772
Bank Interest	820	-	820
Recreational Fees	548	-	548
Total Revenue	184,008	-	184,008
EXPENSES			
Waste Management	43,884	-	43,884
Insurance and Bonds	30,999	-	30,999
Lake Quality Improvement	20,691	-	20,691
Roads and Beaches	18,186	-	18,186
Depreciation	16,815	-	16,815
Repairs and Maintenance	13,635	-	13,635
Social Items	10,446	-	10,446
Salaries - Tax Collector	10,000	-	10,000
Salaries - Treasurer	7,500	-	7,500
Police and Safety	5,671	-	5,671
Utilities	4,689	-	4,689
Tax Collector Expenses	3,999	-	3,999
Legal and Accounting Fees	3,784	-	3,784
Printing	3,751	-	3,751
Supplies	3,694	-	3,694
Property Taxes	3,233	-	3,233
Salaries- Webmaster	2,000	-	2,000
Promotional Items	1,968	-	1,968
Salaries - Secretary	1,575	-	1,575
Postage	921	-	921
Miscellaneous	25	-	25
Decrease in Allowance for Doubtful Accounts	(1,000)	-	(1,000)
Total Expenses	206,466	-	206,466
Deficit of Revenue Over Expenses	(22,458)	-	(22,458)

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, 2017 AND 2016

	Operating	Reserve Fund	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Fund Balance - July 1, 2015	241,205	145,000	386,205
Board Designated Transfer	50,000	(50,000)	-
Deficit of Revenue			
Over Expenses	<u>(22,458)</u>	<u>-</u>	<u>(22,458)</u>
Fund Balance - June 30, 2016	268,747	95,000	363,747
Board Designated Transfer	(25,000)	25,000	-
Deficit of Revenue			
Over Expenses	<u>(24,929)</u>	<u>-</u>	<u>(24,929)</u>
Fund Balance - June 30, 2017	<u>218,818</u>	<u>120,000</u>	<u>338,818</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, 2017

	Operating Fund \$	Reserve Fund \$	Total \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes Received from Property Owners	152,612	-	152,612
Other Income	16,845	-	16,845
Interest Income	734	-	734
Cash Paid for Expenses	(180,872)	-	(180,872)
Net Cash Used In Operating Activities	(10,681)	-	(10,681)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(27,395)	-	(27,395)
Board Designated Transfer	(25,000)	25,000	-
Net Cash Provided by (Used In) Investing Activities	(52,395)	25,000	(27,395)
Net Increase (Decrease) In Cash and Cash Equivalents	(63,076)	25,000	(38,076)
Cash and Cash Equivalents - Beginning	75,130	95,000	170,130
Cash and Cash Equivalents - Ending	12,054	120,000	132,054
RECONCILIATION OF DEFICIT OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Deficit of Revenue			
Over Expenses	(24,929)	-	(24,929)
Depreciation	17,097	-	17,097
Changes In:			
Accounts Receivable	881	-	881
Prepaid Tax Assessments	(3,730)	-	(3,730)
Net Cash Used In Operating Activities	(10,681)	-	(10,681)

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	Operating Fund \$	Reserve Fund \$	Total \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes Received from Property Owners	164,741	-	164,741
Other Income	27,520	-	27,520
Interest Income	820	-	820
Cash Paid for Expenses	(189,651)	-	(189,651)
Net Cash Provided by Operating Activities	<u>3,430</u>	<u>-</u>	<u>3,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(12,000)	-	(12,000)
Board Designated Transfer	50,000	(50,000)	-
Net Cash Provided By (Used in) Investing Activities	<u>38,000</u>	<u>(50,000)</u>	<u>(12,000)</u>
Net Increase (Decrease)In Cash and Cash Equivalents	41,430	(50,000)	(8,570)
Cash and Cash Equivalents - Beginning	<u>33,700</u>	<u>145,000</u>	<u>178,700</u>
Cash and Cash Equivalents - Ending	<u><u>75,130</u></u>	<u><u>95,000</u></u>	<u><u>170,130</u></u>
RECONCILIATION OF DEFICIT OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Deficit of Revenue			
Over Expenses	(22,458)	-	(22,458)
Depreciation	16,815	-	16,815
Changes In:			
Accounts Receivable	10,710	-	10,710
Prepaid Tax Assessments	<u>(1,637)</u>	<u>-</u>	<u>(1,637)</u>
Net Cash Provided By Operating Activities	<u><u>3,430</u></u>	<u><u>-</u></u>	<u><u>3,430</u></u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016 was \$ - and \$241, 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, 2017 and 2016 was \$17,097 and \$16,815, per year, respectively.

Revenue Recognition

The Association recognizes its revenue when taxes are assessed annually. Revenue includes interest on delinquent accounts.

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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 April 27, 2018 which is the date the financial statements were available to be issued.

NOTE 3 – FUND BALANCESOperating 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:

	2017	2016
	\$	\$
Lake Quality	90,000	65,000
Operating Budget Contingency 2018	15,000	-
Operating Budget Contingency 2017	-	15,000
Promotional Items Reserve	5,000	5,000
Capital Maintenance Reserve	10,000	-
Total Reserve Accounts	<u>120,000</u>	<u>95,000</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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 5 – OTHER INFORMATION

The Association prepares an annual cash basis 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 JUNE 30,</u>	<u>MIL RATE</u>
2018	.0046
2017	.0035
2016	.0035
2015	.004
2014	.004

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 Cash Basis Budget to reduce the revenue requirement of the second succeeding year. 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 cash basis budget. For the year ended June 30, 2017, the Board voted to use \$8,949 of the Operating Contingency Reserve. The majority of these funds were used to purchase four sanitary stations.