

**PROPERTY OWNERS' ASSOCIATION
OF LAKE HAYWARD
EAST HADDAM, CONNECTICUT
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

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BOWMAN, BLACK & DEFILIO, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Governors 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 sheets as of June 30, 2021 and 2020, 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 association 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements 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.

We are required to be independent of Property Owners' Association of Lake Hayward and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our reviews, 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.

Cheshire, Connecticut
July 14, 2022

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

BALANCE SHEETS

JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
CURRENT ASSETS		
Cash And Cash Equivalents	141,344	149,758
Total Current Assets	<u>141,344</u>	<u>149,758</u>
FIXED ASSETS		
Pavilion	177,310	177,310
Improvements	255,142	255,142
Lots, Land and Land Rights	<u>35,537</u>	<u>35,537</u>
	467,989	467,989
Less: Accumulated Depreciation	<u>(254,073)</u>	<u>(243,764)</u>
Net Fixed Assets	<u>213,916</u>	<u>224,225</u>
TOTAL ASSETS	<u><u>355,260</u></u>	<u><u>373,983</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES		
Accounts Payable	3,657	3,657
Total Liabilities	<u>3,657</u>	<u>3,657</u>
FUND BALANCES		
Operating Fund	206,947	258,406
Reserve Fund	<u>144,656</u>	<u>111,920</u>
Total Fund Balances	<u>351,603</u>	<u>370,326</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>355,260</u></u>	<u><u>373,983</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, 2021

	Operating Fund <u>\$</u>	Reserve Fund <u>\$</u>	Total <u>\$</u>
REVENUE			
Property Taxes & Delinquent Interest	185,885	-	185,885
Reimbursements	7,500	-	7,500
Bank Interest	1,211	-	1,211
Promotional Items	1,029	-	1,029
Recreational Fees	661	-	661
Miscellaneous Income	526	-	526
Total Revenue	<u>196,812</u>	<u>-</u>	<u>196,812</u>
EXPENSES			
Waste Management	44,687	-	44,687
Roads and Beaches	34,648	-	34,648
Insurance and Bonds	31,367	-	31,367
Lake Quality Improvement	19,174	-	19,174
Repairs and Maintenance	17,269	-	17,269
Depreciation	10,309	-	10,309
Stipend - Treasurer	9,500	-	9,500
Social Items	8,993	-	8,993
Utilities	8,137	-	8,137
Stipend - Tax Collector	7,000	-	7,000
Legal and Accounting Fees	4,726	-	4,726
Police and Safety	3,937	-	3,937
Property Taxes	3,664	-	3,664
Tax Collector Expenses	3,307	-	3,307
Stipend - Webmaster	2,000	-	2,000
Stipend - Secretary	2,000	-	2,000
Printing	1,774	-	1,774
Supplies	1,455	-	1,455
Stipend - Financial Advisor	1,000	-	1,000
Postage	511	-	511
Website	77	-	77
Total Expenses	<u>215,535</u>	<u>-</u>	<u>215,535</u>
Deficit of Revenue Over Expenses	<u>(18,723)</u>	<u>-</u>	<u>(18,723)</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, 2020

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUE			
Property Taxes & Delinquent Interest	196,808	-	196,808
Reimbursements	6,667	-	6,667
Promotional Items	2,414	-	2,414
Miscellaneous Income	3,350	-	3,350
Bank Interest	5,379	-	5,379
Sale of Docks	4,000	-	4,000
Total Revenue	<u>218,618</u>	<u>-</u>	<u>218,618</u>
EXPENSES			
Waste Management	43,884	-	43,884
Roads and Beaches	38,002	-	38,002
Insurance and Bonds	27,022	-	27,022
Lake Quality Improvement	12,995	-	12,995
Depreciation	10,309	-	10,309
Stipend - Treasurer	9,500	-	9,500
Utilities	7,980	-	7,980
Social Items	7,602	-	7,602
Stipend - Tax Collector	7,000	-	7,000
Police and Safety	5,813	-	5,813
Repairs and Maintenance	9,540	-	9,540
Legal and Accounting Fees	4,619	-	4,619
Property Taxes	3,595	-	3,595
Tax Collector Expenses	3,482	-	3,482
Printing	2,788	-	2,788
Stipend - Webmaster	2,000	-	2,000
Stipend - Secretary	2,000	-	2,000
Stipend - Financial Advisor	987	-	987
Postage	931	-	931
Website	923	-	923
Supplies	311	-	311
Total Expenses	<u>201,283</u>	<u>-</u>	<u>201,283</u>
Excess of Revenue Over Expenses	<u>17,335</u>	<u>-</u>	<u>17,335</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, 2021 AND 2020

	Operating	Reserve Fund	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Fund Balance - July 1, 20119	241,991	111,000	352,991
Board Designated Transfer	(920)	920	-
Excess of Revenue Over Expenses	<u>17,335</u>	<u>-</u>	<u>17,335</u>
Fund Balance - June 30, 2020	258,406	111,920	370,326
Board Designated Transfer	(32,736)	32,736	-
Deficit of Revenue Over Expenses	<u>(18,723)</u>	<u>-</u>	<u>(18,723)</u>
Fund Balance - June 30, 2021	<u><u>206,947</u></u>	<u><u>144,656</u></u>	<u><u>351,603</u></u>

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes & Delinquent Interest Received from Property Owners	185,885	-	185,885
Other Income	9,716	-	9,716
Interest Income	1,211	-	1,211
Cash Paid for Expenses	<u>(205,226)</u>	<u>-</u>	<u>(205,226)</u>
Net Cash Used In Operating Activities	(8,414)	-	(8,414)
 Net Decrease In Cash and Cash Equivalents	(8,414)	-	(8,414)
 Cash and Cash Equivalents - Beginning	<u>37,838</u>	<u>111,920</u>	<u>149,758</u>
 Cash and Cash Equivalents - Ending	<u><u>29,424</u></u>	<u><u>111,920</u></u>	<u><u>141,344</u></u>
 RECONCILIATION OF DEFICIT OF REVENUE OVER EXPENSES TO NET CASH USED IN OPERATING ACTIVITIES			
Deficit of Revenue			
Over Expenses	(18,723)	-	(18,723)
Depreciation	<u>10,309</u>	<u>-</u>	<u>10,309</u>
 Net Cash Used In Operating Activities	<u><u>(8,414)</u></u>	<u><u>-</u></u>	<u><u>(8,414)</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, 2020

	Operating Fund <u>\$</u>	Reserve Fund <u>\$</u>	Total <u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes & Delinquent Interest Received from Property Owners	196,808	-	196,808
Other Income	12,431	-	12,431
Sale of Docks	4,000	-	4,000
Interest Income	5,379	-	5,379
Cash Paid for Expenses	(190,974)	-	(190,974)
Net Cash Provided by Operating Activities	<u>27,644</u>	-	<u>27,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(52,674)	-	(52,674)
Board Designated Transfer	(920)	920	-
Net Cash Provided by (Used In) Investing Activities	<u>(53,594)</u>	920	<u>(52,674)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(25,950)	920	(25,030)
Cash and Cash Equivalents - Beginning	<u>63,788</u>	<u>111,000</u>	<u>174,788</u>
Cash and Cash Equivalents - Ending	<u><u>37,838</u></u>	<u><u>111,920</u></u>	<u><u>149,758</u></u>
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of Revenue Over Expenses	17,335	-	17,335
Depreciation	<u>10,309</u>	-	<u>10,309</u>
Net Cash Provided by Operating Activities	<u><u>27,644</u></u>	<u><u>-</u></u>	<u><u>27,644</u></u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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

Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

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. There were no Taxes Receivable for the years ended June 30, 2021 and 2020.

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, 2021 and 2020 was \$10,309.

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, 2021 AND 2020

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.

The Association's financial instruments consist primarily of cash, receivables and payables. The carrying values of cash, receivables and payables are considered to be representative of their respective fair values (Level 1).

COVID – 19

The extent of the impact of COVID-19 on the Company's income and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Company operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

Subsequent Events

The Association evaluated all events or transactions that occurred after the Balance Sheet date of June 30, 2021 through July 14, 2022, the date these 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:

	2021	2020
	\$	\$
Operating Budget Contingency 2020	-	10,000
Promotional Items Reserve	3,414	1,000
Capital Maintenance Reserve	111,957	100,920
Watershed Management Project	5,075	-
Lake Preservation	4,210	-
Dam Repair Reserve	10,000	-
Basketball Court Resurface	7,000	-
South End Lake Sign	3,000	-
Total Reserve Accounts	<u>144,656</u>	<u>111,920</u>

PROPERTY OWNERS' ASSOCIATION OF LAKE HAYWARD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 – 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>
2021	.0046
2020	.0041
2019	.0046
2018	.0046
2017	.0035

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.