

LAKEVIEW CONDO OWNERS ASSOCIATION

INDEPENDENT AUDITOR'S REPORT

AND

AUDITED FINANCIAL STATEMENTS

FOR THE

YEAR ENDED DECEMBER 31, 2016

AND

UNAUDITED SUPPLEMENTARY INFORMATION

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LAKEVIEW CONDO OWNERS ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Lakeview Condo Owners Association

We have audited the accompanying financial statements of Lakeview Condo Owners Association, which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT--Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeview Condo Owners Association as of December 31, 2016, and the results of its operations and its cash flows for year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on common property on pages 11-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Joseph H. Vandal, CPA PS
Bellevue, Washington

June 27, 2017

**LAKEVIEW CONDO OWNERS ASSOCIATION
BALANCE SHEET
December 31, 2016**

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
<u>ASSETS</u>			
Cash-Checking	\$ 18,419	\$ -	\$ 18,419
Cash-Replacement Reserve	-	15,706	15,706
Assessments Receivable	8,077	-	8,077
Allowance for Doubtful Accounts	(6,349)		(6,349)
Prepaid Insurance	360	-	360
Total Assets	\$ 20,507	\$ 15,706	\$ 36,213
<u>LIABILITIES AND FUND BALANCE</u>			
Accounts Payable	\$ 1,031	\$ -	\$ 1,031
Prepaid Assessments	752	-	752
Total Liabilities	1,783	-	1,783
Fund Balance	18,724	15,706	34,430
Total Liabilities & Fund Balance	\$ 20,507	\$ 15,706	\$ 36,213

LAKEVIEW CONDO OWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
For the Year Ended December 31, 2016

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
REVENUES			
Assessments			
Regular	\$ 34,800	\$ 10,584	\$ 45,384
Other	9,434	-	9,434
TOTAL REVENUE	44,234	10,584	54,818
EXPENSES			
Management Fee	4,750		4,750
Administration	68	-	68
Professional Services	357	-	357
Licenses and Permits	10	-	10
Insurance	4,171	-	4,171
Bad Debt	1,900	-	1,900
Repairs and Maintenance	16,647	-	16,647
Grounds and Landscape	3,062	-	3,062
Utilities	9,441	-	9,441
TOTAL EXPENSES	40,406	-	40,406
REVENUES OVER/(UNDER) EXPENSES	3,828	10,584	14,412
BEGINNING FUND BALANCE	15,930	4,088	20,018
Transfer to (from)	(1,034)	1,034	-
ENDING BALANCE	\$ 18,724	\$ 15,706	\$ 34,430

See Independent Auditor's Report and Notes to Financial Statements

LAKEVIEW CONDO OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	<u>OPERATING FUND</u>	<u>REPLACEMENT RESERVE FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
REVENUE OVER/(UNDER) EXPENSES	\$ 3,828	\$ 10,584	\$ 14,412
Adjustments to reconcile excess of expenses over revenues to net cash provided by activities:			
(Increase) Decrease in:			
Assessments Receivable	74	-	74
Prepaid Insurance	(21)	-	(21)
Increase (Decrease) in:			
Accounts Payable	258	-	258
Prepaid Assessments	(1,687)	-	(1,687)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>2,452</u>	<u>10,584</u>	<u>13,036</u>
<u>CASH FLOWS FROM</u>			
<u>FINANCING ACTIVITIES</u>			
Interfund transfers	(1,034)	1,034	-
<u>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</u>	<u>(1,034)</u>	<u>1,034</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	1,418	11,618	13,036
CASH & EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>17,001</u>	<u>4,088</u>	<u>21,089</u>
CASH & EQUIVALENTS AT END OF THE PERIOD	<u>\$ 18,419</u>	<u>\$ 15,706</u>	<u>\$ 34,125</u>

See Independent Auditor's Report and Notes to Financial Statements

LAKEVIEW CONDO OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – NATURE OF ORGANIZATION

Lakeview Condo Owners Association is a statutory condominium Association in the State of Washington organized and incorporated in 2006. The Association is responsible for the operation and maintenance of the common property of Lakeview Condo Owners Association. Lakeview Condo Owners Association consists of 20 residential units located in Vancouver, Washington.

NOTE B – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 27, 2017, the date that the financial statements were available to be issued.

NOTE C-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund-This fund is used to account for the financial resources available for the general operations of the Association.

Replacement Fund-This fund is used to accumulate financial resources designated for future major repairs and replacements, insurance proceeds (if any), insurance repairs (if any), and litigation costs (if any) relating to the afore mentioned proceeds.

Cash and Cash Equivalents

The Association considers cash on deposit, cash on hand, money market funds (if any) and certificates of deposit (if any) and any other highly-liquid securities to be cash and or cash equivalents. Any penalties for early withdrawal would not have a material effect on the financial statements.

LAKEVIEW CONDO OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE C-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. If assessments are inadequate, the Board of Directors, subject to the limitations of their authority described in the Association's governing documents, may have to increase regular assessments or pass special assessments. At December 31, 2016, the Association had assessments delinquent 90 days or more of approximately \$6,349.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

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.

NOTE D-COMMITMENTS

The Association has various contracts for services including but not limited to management, maintenance, and landscaping.

LAKEVIEW CONDO OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE E-INCOME TAXES

Condominium Associations may be taxed either as homeowners' Associations or as regular corporations. In 2016, the Association elected to be taxed as a homeowners' Association. Under that election, the Association is taxed on its nonexempt function income, such as net interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

As of December 31, 2016, the tax years that remain subject to examination by taxing authorities begin with 2013.

NOTE F-FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds (assets less liabilities as reported on the balance sheet), which in aggregate are approximately \$15,706 at December 31, 2016, are held in separate accounts and are generally not available for operating purposes. Cash balances shown on the balance sheet that are part of these funds are held in separate bank accounts.

The Association engaged a specialist who conducted a study in 2013 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is partially funding for such major repairs and replacements over the estimated lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to the limitations of the authority described in the Association's governing documents, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

LAKEVIEW CONDO OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE G-ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2016:

	<u>Operating Fund</u>
Assessments	\$ 8,077
Allowance for Doubtful Accounts	<u>(6,349)</u>
	<u>\$ 1,728</u>

Bad debt expense for the year ended December 31, 2016, is \$1,900.

SUPPLEMENTARY INFORMATION

For Discussion Only

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**LAKEVIEW CONDO OWNERS ASSOCIATION
UNAUDITED SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2016**

A specialist conducted a study in 2013 to estimate the remaining useful lives and the 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. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information on pages 11-12 is based on the study and present significant information about the components of common property.

THE SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS THAT HAS
NOT BEEN AUDITED APPEARS ON PAGES 11-12

UNAUDITED SUPPLEMENTARY INFORMATION

Lakeview Condo Owners Association
Base Line Funding Model Assessment by Capital & Non-Capital

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Capital							
Asphalt-Overlay	2019	25	0	6	31,618	0	24,030
Asphalt-Repairs	2013	5	14	0	3,644	3,644	3,644
Carport-Wood Structure-Replace	2041	30	0	28	41,040	0	2,736
Concrete-Flatwork	2013	5	14	0	2,170	2,170	2,170
Deck-Wood-Replace	2025	20	0	12	50,995	0	20,398
Doors-Garage	2023	18	0	10	15,525	0	6,900
Doors-Units-Common Area	2023	18	0	10	22,475	0	9,989
Doors-Units-Sliders	2023	18	0	10	4,625	0	2,056
Electrical Bldg-Roof & Floor	2032	20	0	19	2,712	0	136
Flooring-Slate/Tile-Hallways	2025	20	0	12	2,269	0	908
Gutters & Downspouts-Bldg 1	2018	24	0	5	919	727	727
Gutters & Downspouts-Bldg 2	2030	24	0	17	875	0	255
Gutters & Downspouts-Bldg 3	2030	24	0	17	700	0	204
Gutters & Downspouts-Carports	2034	24	0	21	1,312	0	164
Mailboxes	2019	14	0	6	1,000	0	571
Monument	2018	30	38	5	1,953	1,809	1,809
Paint-Carports-Walls-Concrete	2013	6	1	0	3,930	3,930	3,930
Paint-Cedar Lap-Bldg 1	2013	6	1	0	3,537	3,537	3,537
Paint-Cedar Lap-Bldg 2	2013	6	1	0	8,174	8,174	8,174
Paint-Fiber Cement-Bldg 3	2013	6	1	0	3,406	3,406	3,406
Paint-Interior-Hallways	2013	6	2	0	3,144	3,144	3,144
Railings-Stairs-Building-Wood	2026	15	0	13	703	0	94
Railings-Stairs-Metal	2056	45	0	43	605	0	27
Retaining Walls-Concrete	2013	10	53	0	2,712	2,712	2,712
Roof-Membrane-Bldg 1	2024	12	0	11	18,259	0	1,522
Roof-Membrane-Bldg 2	2018	12	0	5	32,482	15,301	18,948
Roof-Membrane-Bldg 3	2018	12	0	5	11,532	0	6,727
Siding-Cedar Lap-Bldg 1	2039	45	0	26	21,546	0	9,097
Siding-Cedar Lap-Bldg 2	2039	45	0	26	49,795	0	21,025
Siding-Fiber Cement-Bldg 3	2051	45	0	38	17,888	0	2,783
Stairs-Non-Slip Treads	2013	5	-3	0	271	271	271
Stairs-Wood-Replace	2026	15	0	13	5,425	0	723
Storm Drains & Waste Product Lines	2030	25	0	17	4,500	0	1,440
Utilities-Underground	2035	30	0	22	7,500	0	2,000
Windows	2035	30	0	22	47,306	0	12,615
Capital - Total					\$426,549	\$48,826	\$178,872
Non-Capital							
Asphalt-Sealcoat	2013	5	3	0	3,812	3,812	3,812
Bark Dust	2013	4	3	0	2,604	2,604	2,604
Landscape-Renovation	2016	10	0	3	1,085	759	759
Lights-Exterior	2025	20	0	12	7,188	0	2,875
Trees-Maintenance	2016	10	56	3	2,712	2,589	2,589
Non-Capital - Total					\$17,401	\$9,765	\$12,640

See Independent Auditor's Report and Notes to Financial Statements

UNAUDITED SUPPLEMENTARY INFORMATION

Lakeview Condo Owners Association
 Base Line Funding Model Assessment by Capital & Non-Capital

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Total Asset Summary					\$443,950	\$58,591	\$191,511
			Fully Funded Level			31%	

For Discussion Only

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