
OWNERS ASSOCIATION AT COUNTRY LAKES

2018 Audit begins
(proceeding pages)

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.

Adjusting Entries - Detailed

12/31/2018

Date:	3/24/2021
Prepared By:	HM
Reviewed By:	ST

Page 1

AJE #	G/L Acct.	Account Name	Debit	Credit	
1	50000	Accounting / Audit		449.00	ST
1	30400	Retained Earnings - Prior Year	449.00		ST
		To reclass prior period expense			
2	90400	Restricted Reserve Expense		68,559.91	ST
2	90421	Repl. Rsrv. - Lake/Fountain/Dredging	14,199.16		ST
2	90190	Repl. Rsrv. - Pavement	54,360.75		ST
		To reclass reserve expenses			
3	70350	Irrigation		1,039.86	ST
3	30400	Retained Earnings - Prior Year	1,039.86		ST
		To reclass prior year expense			
4	49911	Miscellaneous Income Prior Year Income	2,060.25		ST
4	30400	Retained Earnings - Prior Year		2,060.25	ST
		To reclass 2017 bad debt recovery			
5	40080	Delinquency Processing Fees	11,381.00		ST
5	50030	Delinquency Processing Fees		11,381.00	ST
		To netoff delinquency processing fess collected and paid as HOA is acting as intermediary			
6	70300	Plumbing	1,112.44		ST
6	60060	Water / Sewer		154.00	ST
6	60000	Electricity	1,443.00		ST
6	50240	Legal & Professional	377.00		ST
6	70290	Pest Control	87.00		ST
6	70350	Irrigation	1,827.00		ST
6	70300	Plumbing	490.00		ST
6	70311	Pool Repair	461.00		ST
6	70315	Lakes/Fountains/Pond Maint. & Dredging	157.00		ST
6	50000	Accounting / Audit	550.00		ST
6	50115	Holiday Décor	541.00		ST
6	70315	Lakes/Fountains/Pond Maint. & Dredging	3,440.00		ST
6	50240	Legal & Professional	1,396.00		ST
6	70315	Lakes/Fountains/Pond Maint. & Dredging	2,730.00		ST
6	70221	Landscape Maintenance		1,500.00	ST
6	70315	Lakes/Fountains/Pond Maint. & Dredging		1,500.00	ST
6	20650	Accrued Expenses Payable		11,457.44	ST
		To create accrued expense provision for 2018			

Page Totals / Difference

98,101.46

98,101.46

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OWNERS ASSOCIATION AT COUNTRY LAKES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Owners Association At Country Lakes, Inc.
Argyle, Texas

We have audited the accompanying financial statements of Owners Association at Country Lakes, Inc. which comprise the Balance Sheet as of December 31, 2018, 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.

Auditors' 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 auditors' 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.

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 Owners Association at Country Lakes, Inc. as of December 31, 2018, and the results of its operations, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on pages 9 – 10 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 the 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.

Very truly yours,

Timothy, DeVolt and Company, P.C.
Certified Public Accountants
April XX, 2021

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
BALANCE SHEET
DECEMBER 31, 2018

	ASSETS		
	OPERATING FUND	REPLACEMENT FUND	TOTAL
CURRENT ASSETS			
Cash, including interest-bearing deposits	\$ 357,264	\$ 58,192	\$ 415,456
Assessments receivable, less allowance for doubtful accounts of \$ 38,771	15,575		15,575
Accounts receivable - other	584		584
Prepaid insurance	1,614		1,614
Prepaid expense - other	150		150
TOTAL CURRENT ASSETS	375,187	58,192	433,379
TOTAL ASSETS	<u>\$ 375,187</u>	<u>\$ 58,192</u>	<u>\$ 433,379</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Accounts payable	\$ 29,994	\$	\$ 29,994
Assessments received in advance	156,370		156,370
Owner fees payable to management	150		150
TOTAL CURRENT LIABILITIES	186,514	-	186,514
OTHER LIABILITIES			
Miscellaneous	2,165		2,165
TOTAL OTHER LIABILITIES	2,165	-	2,165
TOTAL LIABILITIES	188,679	-	188,679
FUND BALANCES / (DEFICITS)	186,508	58,192	244,700
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 375,187</u>	<u>\$ 58,192</u>	<u>\$ 433,379</u>

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Regular assessments	\$ 650,643	\$ 27,000	\$ 677,643
Miscellaneous owner fees	8,937		8,937
Late/collection charges	4,950		4,950
Interest income	2,318	703	3,021
Rental / vending income	126	694	820
Other income	125		125
TOTAL REVENUES	667,099	28,397	695,496
OPERATING EXPENSES			
Landscaping & lawn maintenance	214,707		214,707
Utilities expense	112,609		112,609
Management fees - compensation	83,898		83,898
Lake & fountain maintenance	47,800	14,199	61,999
Pool monitor service	43,392		43,392
Management fees - contract	34,626		34,626
Repairs - irrigation	26,403		26,403
Pool maintenance & repairs	25,423		25,423
Insurance expense	16,817		16,817
Repairs - other	14,208		14,208
Office supplies & admin. costs	12,747		12,747
Repairs - janitorial supplies	12,112		12,112
Cable / telephone expense	7,130		7,130
Legal & professional fees	5,313		5,313
Social events	2,599		2,599
Repairs - parking / pavement		54,361	54,361
TOTAL OPERATING EXPENSES	659,784	68,560	728,344
EXCESS REVENUES / (EXPENSES)	\$ 7,315	\$ (40,163)	\$ (32,848)
BEGINNING FUND BALANCE / (DEFICIT)	178,622	98,355	276,977
PRIOR PERIOD ADJUSTMENTS	571	-	571
ENDING FUND BALANCE / (DEFICIT)	\$ 186,508	\$ 58,192	\$ 244,700

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES:			
Excess revenues/ (expenses)	\$ 7,315	\$ (40,162)	\$ (32,847)
Decrease / (Increase) in:			
Accounts receivable	(9,322)	-	(9,322)
Accounts receivable - other	(312)	-	(312)
Prepaid expenses	(458)	-	(458)
Increase / (Decrease) in:			
Accounts payable	11,786	-	11,786
Prepaid assessments	29,619	-	29,619
Miscellaneous payable	(2,100)	-	(2,100)
Collection fee escrow	(1,330)	-	(1,330)
Miscellaneous liabilities	2,165	-	2,165
NET CASH PROVIDED/ (USED) BY OPERATIONS	37,363	(40,162)	(2,799)
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of investments	191,207	-	191,207
NET CASH PROVIDED/ (USED) BY INVESTING	191,207	-	191,207
CASH FLOW FROM FINANCING ACTIVITIES:			
Increase / (Decrease) in:			
Change in inter-fund borrowings	(6,716)	6,716	-
Inter-fund transfers	-	-	-
NET CASH PROVIDED/ (USED) BY FINANCING	(6,716)	6,716	-
NET INCREASE/ (DECREASE) IN CASH	221,854	(33,446)	188,408
CASH BALANCE, BEGINNING OF YEAR	135,410	91,638	227,048
CASH BALANCE, END OF YEAR	\$ 357,264	\$ 58,192	\$ 415,456
SUPPLEMENTAL DISCLOSURE:			
Cash paid during the year for:			
Federal Income Tax	\$ -	\$ -	\$ -
Interest Expense	\$ -	\$ -	\$ -

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

FOOTNOTE 1: Owners Association at Country Lakes, Inc. is a Texas non-profit corporation formed April 3, 2007. The purpose of the corporation is to operate and maintain Owners Association at Country Lakes project. The project consists of 1,059 units and associated common elements located in Argyle, Texas.

FOOTNOTE 2: In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April XX, 2021, the date that the financial statements were available to be issued.

FOOTNOTE 3: The books and records for Owners Association at Country Lakes, Inc. are maintained on the accrual basis of accounting.

FUND ACCOUNTING: The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restriction 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 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.

CASH AND CASH EQUIVALENTS: For the purposes of these financial statements, cash and cash equivalents are deemed to be cash in bank checking, savings and money market accounts and time deposits with a maturity date of ninety days or less.

REVENUES: Revenues are accrued each month as the member assessments become due. Both the rate for members' assessments and the amount of any special assessments due are determined by the vote of the Board of Directors.

EXPENDITURES: Expenditures are recognized when incurred, rather than when paid. Unbudgeted, non-emergency expenditures exceeding \$ 1,000 must be approved by the President, Treasurer, or other member of the Board. All other expenditures, projects and services are contracted for using competitive bidding policies. The Board of Directors has the final approval on all contracts.

See the accompanying Independent Auditors' Report.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

FOOTNOTE 3: (CONTINUED):

ACCOUNTS RECEIVABLE: 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 ninety days or more delinquent. The Association has a lien right against each unit until all dues or assessments are paid, such liens being subordinate to governmental and mortgage liens and legal fees associated with foreclosure proceedings. Any excess assessments at year end are retained by the Association for use in the succeeding year.

ALLOWANCE FOR DOUBTFUL ACCOUNTS: The allowance for doubtful accounts has been determined by the Association based on historical losses and by estimates based on current economic conditions. At December 31, 2018, the allowance for doubtful accounts of \$ 38,771 represents approximately 71 % of the total accounts receivable and approximately 78 % of the outstanding amounts in excess of ninety days old.

PROPERTY AND EQUIPMENT: The Association assumed, from the developer, the responsibility to maintain and preserve the common areas of the project. 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 the Association cannot dispose of this property. The Association capitalizes personal property, if any, at cost and depreciates it using the straight-line method, over applicable useful lives.

FEDERAL INCOME TAX: The Association must make an annual election to file its Federal Income Tax return either under the provisions of the Internal Revenue code dealing specifically with Homeowners Associations (Section 528) or (Section 277 Sub-Chapter A), dealing with corporations in general. Section 528 would impose a tax rate of 30 % to the extent of the Association's non-exempt function net income, primarily vending, rental and interest income. Alternatively, Section 277 Sub-Chapter A imposes a tax rate of 21 % on the Association's overall net income, if any.

As a result of the Association's operations for the year ended December 31, 2018, the Association has elected to file under Section 528. Income tax for the year was \$ -0-.

Currently, the open tax years available to audit by the IRS are 2017, 2018 and 2019. However, the Association has not been notified that any of these tax return years have been selected for audit by the IRS.

See the accompanying Independent Auditors' Report.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

FOOTNOTE 3: (CONTINUED)

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.

FOOTNOTE 4: COMMITMENTS: The Association enters into various contracts for management and accounting, lawn maintenance, and other services. These contracts are generally for a term of one year and may generally be canceled by either party giving 30 days' notice.

FOOTNOTE 5: FAIR VALUE: The Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable (level 2 measurements), and the lowest priority to unobservable inputs (level 3 measurements).

The carrying amounts reflected in the December 31, 2018 balance sheet for cash and cash equivalents approximate the respective fair values. All cash and cash equivalents, including money market accounts, are held in banks. The Association currently has no money market accounts with non-federally insured institutions.

FOOTNOTE 6: PRIOR YEAR ADJUSTMENT: As of December 31, 2018, there was a prior year adjustment of \$ 571 made to the following accounts to properly record 2017 expenses:

Audit	\$ 449
Irrigation	1,040
Bad Debt recovery	(2,060)
TOTAL	<u>\$ 571</u>

See the accompanying Independent Auditors' Report.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

REPLACEMENT FUND: The Association's governing documents generally provide for the levying of special assessments or the increasing of regular assessments when major repairs and replacements are needed. The Board of Directors, however, has chosen to establish a replacement fund and to accumulate funds for the estimated costs of future major repairs and replacements. For the year ended December 31, 2018, the Association added \$ 27,000, before earnings of \$ 1,397 to the replacement fund. Accumulated cash funds, which aggregate approximately \$ 58,192 at December 31, 2018, are held in separate accounts and are generally not available for operating purposes.

In October 2012, the Association commissioned a reserve study by Criterium Dotson Engineers effective January 1, 2013 to determine the amounts necessary for future repairs and replacements. Estimates of the remaining useful lives of components and the cost to replace various items have been estimated based upon the expertise of the engineering firm. These estimates are as follows:

COMPONENT	REPLACE. COST	REM. LIFE
Site		
Replace vinyl ranch perimeter fencing	\$ 62,790	5
Replace wood surface of walking trail bridges	2,000	0
Stone mortar repairs at Country Lakes Blvd bridge	2,000	0
Repair/replace concrete walking trail	12,600	0
Repair/replace cabana parking lot	1,500	0
Replace irrigation controllers	3,125	0
Clean/repaint ornamental iron at bridges	857	0
Repair/replace brick perimeter fence	1,131	4
Repair stone pilasters	4,000	0
Building Exterior		
Replace cabana shingle roof	2,640	7
Replace repaint wood siding	450	0
Wash stain cedar framing	2,100	0
Building Interior		
Replace restroom fixtures	640	0
Replace cabana ornamental fixtures	2,500	12
Mechanical		
Replace electrical panels and access control	3,520	5
Replace lake fountains and pumps	6,750	10
Replace lake fountains and pumps	1,500	0
Replace lake fountains and pumps	9,818	3

See the accompanying Independent Auditors' Report.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

REPLACEMENT FUND: (CONTINTUED)

COMPONENT	REPLACE. COST	REM. LIFE
Mechanical – (Continued)		
Replace Pool Filtration Equipment	\$ 2,385	0
Replace Deep Well Pump At Southwest Lakes	4,583	0
Replace Deep Well Pump At Southwest Lakes	722	2
Amenities		
Replace Playground Equipment	6,080	16
Resurface Pool and Spa	5,417	0
Repair/Replace Concrete Kool-Deck	4,623	0
Replace Wood Benches at Pool Area	2,000	0
Replace Pool Furniture	1,334	5
Replace Perimeter Metal Fencing Around Pool	8,008	14
Repaint Perimeter Metal Pool Fence	817	0
Replace Ornamental Pol Light	4,160	7
Other		
Reserve Study Updates	-0-	0
Contingency	2,800	0
TOTAL	<u>\$ 162,850</u>	

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 to increase regular assessments or levy special assessments, or it may postpone needed repairs until funds are available. The Association has adopted a new reserve study effective in 2020. The new reserve study will be included in subsequent reports.

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See the accompanying Independent Auditors' Report.