
OWNERS ASSOCIATION AT COUNTRY LAKES

2019 Audit begins
(proceeding pages)

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.

Adjusting Entries - Detailed
12/31/2019

Date:	3/30/2021
Prepared By:	HM
Reviewed By:	ST

Page 1

AJE #	G/L Acct.	Account Name	Debit	Credit	
1	90400	Restricted Reserve Expense		21,644.59	ST
1	17200	Fixtures & Furnishings	21,644.59		ST
1	17700	Accumulated Depreciation		3,249.65	ST
1	54000	Depreciation Expense	3,249.65		ST
		To reclass fixed asset purchase from reserve expense and depreciate			
2	90400	Restricted Reserve Expense		11,571.44	ST
2	90190	Repl. Rsrv. - Pavement	11,571.44		ST
		To reclass reserve expenses to correct expense category			
3	70300	Plumbing		1,112.44	ST
3	60060	Water / Sewer	154.00		ST
3	60000	Electricity		1,443.00	ST
3	50240	Legal & Professional		377.00	ST
3	70290	Pest Control		87.00	ST
3	70350	Irrigation		1,827.00	ST
3	70300	Plumbing		490.00	ST
3	70311	Pool Repair		461.00	ST
3	70315	Lakes/Fountains/Pond Maint. & Dredging		157.00	ST
3	50000	Accounting / Audit		550.00	ST
3	50115	Holiday Décor		541.00	ST
3	70315	Lakes/Fountains/Pond Maint. & Dredging		3,440.00	ST
3	50240	Legal & Professional		1,396.00	ST
3	70315	Lakes/Fountains/Pond Maint. & Dredging		2,730.00	ST
3	70221	Landscape Maintenance	1,500.00		ST
3	70315	Lakes/Fountains/Pond Maint. & Dredging	1,500.00		ST
3	30400	Retained Earnings - Current Year	11,457.44		ST
		To reverse 2018 accruals			
4	40080	Delinquency Processing Fees	13,662.00		ST
4	50030	Delinquency Processing Fees		13,662.00	ST
		To netoff delinquency processing fess collected and paid as HOA is acting as intermediary			
5	60060	Water / Sewer	1,076.00		ST
5	70220	Landscape Enhancements	3,775.00		ST
5	70350	Irrigation	2,547.00		ST
5	70239	Lighting	473.00		ST
5	60000	Electricity		333.00	ST
5	70315	Lakes/Fountains/Pond Maint. & Dredging	3,054.00		ST
5	70221	Landscape Maintenance	974.00		ST
5	50030	Delinquency Processing Fees		116.00	ST
5	53070	Compensation - Onsite Mgmt. Wages		1,432.00	ST
5	70315	Lakes/Fountains/Pond Maint. & Dredging		1,500.00	ST
5	50050	IT Services		1,410.00	ST
5	20650	Accrued Expenses Payable		7,108.00	ST
		To provide for 2019 accrued expenses			
6	20851	Income Tax Payable		734.00	ST
6	81030	Taxes - Income	734.00		ST
		To provide for Income Tax Liability			
Page Totals / Difference			77,372.12	77,372.12	-

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
 Fixed Asset Analysis
 12/31/2019

Date:	3/30/2021
Prepared By:	HM
Reviewed By:	

G/L #	Description	Acquisition Date	Basis	Beginning Balance	Additions	Retirements	Ending Balance
17500	Land		-	-	-	-	-
	TOTALS		-	-	-	-	-

Furniture & Equipment	Acquisition Date	Basis	Useful Life	Depr. Method	Beginning Balance	Additions	Retirements	Ending Balance
Furniture	4/1/2019	21,644.59	5	s/l	-	21,644.59	-	21,644.59
TOTALS		21,644.59			-	21,644.59	-	21,644.59

17700	Accumulated Depreciation	Acquisition Date	Basis	Useful Life	Depr. Method	Beginning Balance	Debit	Credit	Ending Balance
	Furniture	4/1/2019	21,644.59	5	s/l	-	-	3,249.65	3,249.65
	TOTALS		21,644.59			-	-	3,249.65	3,249.65

NET VALUE - FIXED ASSETS 18,394.94

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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, 2019, 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, 2019, 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 10 – 11 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

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OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
BALANCE SHEET
DECEMBER 31, 2019

ASSETS			
	OPERATING FUND	REPLACEMENT FUND	TOTAL
CURRENT ASSETS			
Cash, including interest-bearing deposits	\$ 356,552	\$ 89,592	\$ 446,144
Assessments receivable, less allowance for doubtful accounts of \$ 31,379	21,484		21,484
Accounts receivable - other	229		229
Prepaid insurance	1,657		1,657
TOTAL CURRENT ASSETS	379,922	89,592	469,514
PROPERTY AND EQUIPMENT, AT COST			
Furniture & fixtures	21,645		21,645
Less: accumulated depreciation	(3,250)		(3,250)
PROPERTY AND EQUIPMENT, NET	18,395	-	18,395
TOTAL OTHER ASSETS	-	-	-
TOTAL ASSETS	\$ 398,317	\$ 89,592	\$ 487,909
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts payable	\$ 31,739	\$ -	\$ 31,739
Assessments received in advance	166,831		166,831
Income tax payable	734		734
TOTAL CURRENT LIABILITIES	199,304	-	199,304
OTHER LIABILITIES			
Miscellaneous	3,038		3,038
TOTAL OTHER LIABILITIES	3,038	-	3,038
TOTAL LIABILITIES	202,342	-	202,342
FUND BALANCES / (DEFICITS)	195,975	89,592	285,567
TOTAL LIABILITIES AND FUND BALANCES	\$ 398,317	\$ 89,592	\$ 487,909

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, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Regular assessments	\$ 652,871	\$ 111,698	\$ 764,569
Miscellaneous owner fees	5,762		5,762
Rental / vending income	901		901
Interest income	2,831	1,450	4,281
Late/collection charges	5,814		5,814
Keys / pool tags / gate remotes	650		650
Unrealized gain / (loss) on investments			
TOTAL REVENUES	<u>668,829</u>	<u>113,148</u>	<u>781,977</u>
OPERATING EXPENSES			
Landscaping & lawn maintenance	237,732		237,732
Utilities expense	104,416		104,416
Management fees - compensation	80,102		80,102
Repairs - irrigation	47,061		47,061
Lake & fountain maintenance	46,616	19,667	66,283
Management fees - contract	36,350		36,350
Pool maintenance & repairs	30,757		30,757
Pool monitor service	20,645		20,645
Repairs - other	20,475		20,475
Insurance expense	17,600		17,600
Office supplies & admin. costs	15,954		15,954
Repairs - janitorial supplies	11,444		11,444
Cable / telephone expense	6,749		6,749
Social events	3,448		3,448
Depreciation expense	3,250		3,250
Taxes - income	734		734
Taxes - real property	71		71
Restricted reserve expense		28,856	28,856
Repairs - parking / pavement		11,572	11,572
Legal & professional fees	(2,389)		(2,389)
TOTAL OPERATING EXPENSES	<u>681,015</u>	<u>60,095</u>	<u>741,110</u>
EXCESS REVENUES / (EXPENSES)	<u>\$ (12,186)</u>	<u>\$ 53,053</u>	<u>\$ 40,867</u>
BEGINNING FUND BALANCE / (DEFICIT)	186,508	58,192	244,700
INTER-FUND TRANSFERS	21,653	(21,653)	-
ENDING FUND BALANCE / (DEFICIT)	<u>\$ 195,975</u>	<u>\$ 89,592</u>	<u>\$ 285,567</u>

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, 2019

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOW FROM OPERATING ACTIVITIES:			
Excess revenues/ (expenses)	\$ (12,186)	\$ 53,053	\$ 40,867
Add: Depreciation	3,250	-	3,250
Decrease / (Increase) in:			
Accounts receivable	(5,909)	-	(5,909)
Accounts receivable - other	355	-	355
Prepaid expenses	107	-	107
Increase / (Decrease) in:			
Accounts payable	1,744	-	1,744
Prepaid assessments	10,461	-	10,461
Miscellaneous payable	(150)	-	(150)
Income tax payable	734	-	734
Collection fee escrow	(2,165)	-	(2,165)
Miscellaneous liabilities	3,038	-	3,038
NET CASH PROVIDED/ (USED) BY OPERATIONS	<u>(720)</u>	<u>53,053</u>	<u>52,333</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Investment in certificates of deposit	-	-	-
Purchase of investments	-	-	-
Fair market value adjustments	-	-	-
Decrease / (Increase) in:			
Accrued interest receivable	-	-	-
Notes receivable	-	-	-
Retirement / (Purchase) of property and equipment	(21,645)	-	(21,645)
Other comprehensive income / (deficit)	-	-	-
NET CASH PROVIDED/ (USED) BY INVESTING	<u>(21,645)</u>	<u>-</u>	<u>(21,645)</u>
CASH FLOW FROM FINANCING ACTIVITIES:			
Increase / (Decrease) in:			
Interest payable	-	-	-
Insurance notes payable	-	-	-
Notes payable	-	-	-
Working capital contributions	-	-	-
Change in inter-fund borrowings	-	-	-
Inter-fund transfers	21,653	(21,653)	-
NET CASH PROVIDED/ (USED) BY FINANCING	<u>21,653</u>	<u>(21,653)</u>	<u>-</u>
NET INCREASE/ (DECREASE) IN CASH	<u>(712)</u>	<u>31,400</u>	<u>30,688</u>
CASH BALANCE, BEGINNING OF YEAR	357,264	58,192	415,456
CASH BALANCE, END OF YEAR	<u>\$ 356,552</u>	<u>\$ 89,592</u>	<u>\$ 446,144</u>
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, 2019

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 the 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.

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See the accompanying Independent Auditors' Report.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

FOOTNOTE 3: (CONTINUED):

REPLACEMENT FUND ASSESSMENT REVENUES: The Association has applied ASC 605 revenue recognition whereby “rules based” specific guidance was defined for CIRAs rather than ASC 606 which provides “principles based” broad standards that do not include specific guidance for CIRAs. Furthermore, Replacement Fund Assessments cannot apply the following four tests required under ASC 606: (1.) Assessments are not related to a “customer or customers” (2.) Assessments do not have a performance obligation (3.) There is no transaction price for replacement expenses (4.) Cannot allocate Assessments to a future performance obligation. As a result, we do not believe that the application of ASC 606 would fairly present the financial position to the CIRA financial readers.

EXPENDITURES: Expenses are recognized when incurred, rather than when paid. Unbudgeted, non-emergency expenditures must be approved by a member of the Board of Directors. All other expenditures, projects and services are contracted using competitive bidding policies. The Board of Directors has the final approval on all contracts.

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, 2019, the allowance for doubtful accounts of \$ 31,379 represents approximately 59 % of the total accounts receivable and approximately 67 % 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. The depreciation expense for the year was \$ 3,250.

See the accompanying Independent Auditors’ Report.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

FOOTNOTE 3: (CONTINUED)

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, 2019, the Association has elected to file under Section 528. Income tax for the year was \$ 734.

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 return years have been selected for audit by the IRS.

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.

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See the accompanying Independent Auditors' Report.

OWNERS ASSOCIATION AT COUNTRY LAKES, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 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.

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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, 2019

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, 2019, the Association added approximately \$ 111,698 in regular assessments, before earnings of \$ 1,450 to the replacement fund. Accumulated cash funds, which aggregate approximately \$ 89,592 at December 31, 2019, are held in separate accounts and are generally not available for operating purposes.

In October 2012, the Association commissioned a reserve study by Reserve Advisors 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	4
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	3
Repair stone pilasters	4,000	0
Building Exterior		
Replace cabana shingle roof	2,640	6
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	11
Mechanical		
Replace electrical panels and access control	3,520	4
Replace lake fountains and pumps	6,750	9
Replace lake fountains and pumps	1,500	0
Replace lake fountains and pumps	9,818	2

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, 2019

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	1
Amenities		
Replace Playground Equipment	6,080	15
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	4
Replace Perimeter Metal Fencing Around Pool	8,008	13
Repaint Perimeter Metal Pool Fence	817	0
Replace Ornamental Pol Light	4,160	6
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.