

**THE MALLARD LAKE COMMUNITY
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
The Mallard Lake Community Association, Inc.

We have audited the accompanying financial statements of The Mallard Lake Community Association, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balances 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 The Mallard Lake Community Association, 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 Summarized Comparative Information

We have previously audited the Association's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CERTIFIED PUBLIC ACCOUNTANTS

Ocean City, Maryland
December 23, 2019

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

BALANCE SHEETS

**DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

ASSETS

	2018		2017	
	Operating Fund	Replacement Fund	Total	Total
Cash	\$ 200,361	\$ 214,073	\$ 414,434	\$ 365,209
Certificates of deposit		355,828	355,828	351,291
Assessments receivable, net	15,797		15,797	24,731
Special assessments receivable, net		266,700	266,700	331,380
Accounts receivable - other				1,418
Prepaid expenses	337,392		337,392	337,355
Equipment	227,556		227,556	227,556
Vehicles	94,250		94,250	94,250
Accumulated depreciation	(194,037)		(194,037)	(158,588)
Due from other fund		177,697	177,697	133,738
Total assets	\$ 681,319	\$ 1,014,298	\$ 1,695,617	\$ 1,708,340

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 25,144	\$	\$ 25,144	\$ 29,354
Accrued payroll	4,016		4,016	585
Notes payable	3,965	107,490	111,455	153,319
Prepaid assessments	118,674		118,674	91,029
Due to other fund	177,697		177,697	133,738
Total liabilities	329,496	107,490	436,986	408,025
FUND BALANCE	351,823	906,808	1,258,631	1,300,315
Total liabilities and fund balances	\$ 681,319	\$ 1,014,298	\$ 1,695,617	\$ 1,708,340

The accompanying notes are an integral part of these financial statements.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

**YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018		2017	
	Operating Fund	Replacement Fund	Total	Total
REVENUES				
Member assessments	\$ 1,208,599	\$ 214,769	\$ 1,423,368	\$ 1,423,368
Special assessment				80,096
Amenities passes, net	30,609		30,609	10,351
Recreation activities	11,979		11,979	16,662
Late fees	9,761		9,761	10,128
Legal reimbursements	992		992	3,420
Miscellaneous income	250		250	350
Interest	80	5,904	5,984	4,446
Recovery of bad debt	7,375		7,375	12,437
Total revenues	<u>1,269,645</u>	<u>220,673</u>	<u>1,490,318</u>	<u>1,561,258</u>
EXPENSES				
Administrative	196,927	4,448	201,375	163,914
Insurance	547,327		547,327	529,202
Repairs and maintenance	213,670	54,965	268,635	324,030
Grounds	166,249		166,249	157,895
Utilities	21,823		21,823	19,414
Painting	20,922		20,922	31,797
Pool	47,837	75,627	123,464	55,289
Water system expense	15,883	100,210	116,093	121,767
Maintenance service agreements	58,665		58,665	49,355
Depreciation	35,449		35,449	54,403
Total expenses	<u>1,324,752</u>	<u>235,250</u>	<u>1,560,002</u>	<u>1,507,066</u>
Net revenues over (under) expenses	(55,107)	(14,577)	(69,684)	54,192
FUND BALANCES, BEGINNING OF YEAR	406,930	893,385	1,300,315	1,237,123
Capital contributions		28,000	28,000	9,000
FUND BALANCES, END OF YEAR	<u>\$ 351,823</u>	<u>\$ 906,808</u>	<u>\$ 1,258,631</u>	<u>\$ 1,300,315</u>

The accompanying notes are an integral part of these financial statements.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

**YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018			2017
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net revenues over (under) expenses	\$ (55,107)	\$ (14,577)	\$ (69,684)	\$ 54,192
Items not affecting cash				
Depreciation	35,449		35,449	54,403
Bad debt		35	35	308
(Increase) decrease				
Assessments receivable	8,934		8,934	(14,265)
Special assessments receivable		64,645	64,645	69,300
Accounts receivable - other	1,418		1,418	(933)
Prepaid expenses	(37)		(37)	(31,789)
Increase (decrease)				
Accounts payable	6,151	(10,361)	(4,210)	5,702
Accrued payroll	3,431		3,431	54
Prepaid assessments	27,645		27,645	41,554
Deferred special assessment				(80,096)
Net cash provided by operating activities	<u>27,884</u>	<u>39,742</u>	<u>67,626</u>	<u>98,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in fixed assets				(39,873)
Investment in certificates of deposit		(4,537)	(4,537)	(38,227)
Net cash used by investing activities		<u>(4,537)</u>	<u>(4,537)</u>	<u>(78,100)</u>

The accompanying notes are an integral part of these financial statements.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

**STATEMENTS OF CASH FLOWS
(Continued)**

**YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018			2017
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan proceeds				34,783
Principal payments on notes payable	(5,947)	(35,917)	(41,864)	(35,812)
Capital contributions		28,000	28,000	9,000
Interfund borrowings	43,959	(43,959)		
Net cash provided (used) by financing activities	38,012	(51,876)	(13,864)	7,971
Net increase (decrease) in cash	65,896	(16,671)	49,225	28,301
CASH, BEGINNING OF YEAR	134,465	230,744	365,209	336,908
CASH, END OF YEAR	<u>\$ 200,361</u>	<u>\$ 214,073</u>	<u>\$ 414,434</u>	<u>\$ 365,209</u>
SUPPLEMENTAL INFORMATION				
Cash paid for income taxes	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,506</u>
Interest expense	<u>\$</u>	<u>\$ 4,413</u>	<u>\$ 4,413</u>	<u>\$ 4,697</u>

The accompanying notes are an integral part of these financial statements.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

ORGANIZATION

The Association was incorporated in the State of Delaware in 1987. The Association is responsible for the operation and maintenance of the common property of Mallard Lake Community. Mallard Lake Community consists of 477 townhouse units and is located in Selbyville, Delaware.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are presented using the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

Fund accounting

In accordance with industry standards and practices, the Association has segregated its activities into two funds: the operating fund and the replacement fund.

Operating fund - provides working capital for operations, contingencies, and replacements where specific funds have not been designated. If the operating fund is inadequate to meet funding requirements for any reason, the Board of Directors may levy at any time a further assessment.

Replacement fund - provides funds for replacement of the common elements and equipment of the Association and for operating expenses of a non-recurring nature.

Total columns on combined statements

Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Cash equivalents

Investments with an original maturity of three months or less that are not restricted from immediate withdrawal and do not require a substantial penalty for early withdrawal are considered cash equivalents.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Real property and common areas acquired by the original owners from the developer are not capitalized on the Association financial statements, as they are owned by the individual owners and not the Association. Common areas are restricted to use by Association members, their tenants, and guests. Replacements and improvements to the real property and common areas are not capitalized, as the improvements would also belong to the owners and not the Association.

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. Depreciation expense for these assets was \$35,449 for the year ended December 31, 2018, based on the estimated useful lives using straight line and accelerated methods.

Replacement fund expenses for the purchase of property and equipment are reported as a permanent transfer and capitalized within the operating fund.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Association's management has evaluated subsequent events through December 23, 2019, which is the date the financial statements were available to be issued.

Reclassifications

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenses, capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date are reported at the amount management expects to collect from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. Based on an assessment of the current status of individual accounts, management provides for uncollectible amounts through a charge to expense with an offsetting entry to an allowance for doubtful accounts. As of December 31, 2018, the allowance for doubtful accounts for the operating fund and the replacement fund were \$39,224 and \$420, respectively. Any excess assessments at year end are retained by the Association for use in future years.

PREPAID ASSESSMENTS

Prepaid assessments are the subsequent year's assessments paid prior to current year end.

NOTES PAYABLE

In 2014, the Association purchased equipment and obtained a loan with Kubota credit for \$29,735. The note is payable over 60 months with monthly loan payments of \$496 at 0% interest. The outstanding balance is \$3,965 as of December 31, 2018.

In 2016, the Association obtained a loan with the Bank of Ocean City for \$150,000 in order to finance replacement fund projects. The note is payable over 60 months with monthly loan payments of \$2,729 at 3.5% interest. Interest expense of \$3,386 was incurred during the year. The outstanding balance of the loan is \$80,773 as of December 31, 2018.

In 2017, the Association purchased a vehicle and obtained a loan with the Bank of Ocean City for \$34,873. The note is payable over 60 monthly loan payments of \$634 at 3.5% interest. Interest expense of \$1,027 was incurred during the year. The outstanding balance of the loan is \$26,717 as of December 31, 2018.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTES PAYABLE (Continued)

Principal maturities of the notes payables during the next four years are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 41,157
2020	38,511
2021	26,160
2022	5,627
	<u>\$ 111,455</u>

INCOME TAXES

The Association has elected to file as a homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2018. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government. It is the Association's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses.

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes. It is the Association's policy that interest earned in the replacement fund remains in the replacement fund as an additional contribution.

The Association engaged an independent engineer who conducted a study in 2013 to estimate the remaining useful lives and replacement costs of the common property components. The study was based on estimated future costs. The table included in the unaudited supplementary information is based on the study.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs. Actual expenditures 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, the Association has the right, subject to member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. Contributions to the replacement fund totaled \$214,769 for the year ended December 31, 2018.

REPLACEMENT FUND EXPENSES

The Association incurred the following replacement fund expenses:

Water main replacement project	\$ 100,210
Pool refurbishment	75,627
Playground expenses	35,398
Gutter replacement	10,900
Building upgrades	8,601
Loan interest expense	4,413
Dock expenses	66
Bad debt expense	35
	<u>\$ 235,250</u>

CAPITAL CONTRIBUTIONS

The Association collects \$1,000 from each unit owner at the time of resale of the unit. The total billed for the year ended December 31, 2018 was \$28,000, and has been reported as a contribution to the replacement fund.

SPECIAL ASSESSMENT

The Association approved a special assessment of \$400,680 payable by all unit owners over a 6 year period in quarterly assessments of \$35 beginning January 1, 2017. The total assessment is to be used to finance half of the water main replacement project, while the other half will be paid for from the replacement fund. All revenue related to this special assessment has been recognized in previous years. As of December 31, 2018, \$267,120 remains to be collected.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

COMMITMENTS AND RELATED PARTY

In October 2015, the Association renewed its contract with Legum & Norman, Inc. to provide management services to the Association for a three-year term. The contract calls for monthly management fees of \$4,363. The contract will renew automatically in one-year increments with a 2% fee increase. The Association paid management fees of \$52,355 for the year ended December 31, 2018.

In addition, the Association paid Legum & Norman, Inc. \$8,319 for reimbursements of office and administrative expenses.

The Association entered into various agreements to provide for the maintenance and upkeep of buildings, grounds, and amenities. The agreements call for payments based on fee schedules which vary with the extent of services required.

CONTINGENCY

The Association is a defendant in a civil litigation pending in the Delaware Court of Chancery captioned as Mallard Lakes Sandy Interest Group et al. v. Mallard Lake Community Association, Inc. The Association is actively defending the suit.

The Association is also a defendant in a civil litigation pending in the Delaware Court of Chancery captioned as John Mingora and Jennifer Mingora v. Charlotte A. Hurley, et al. The Association is also actively defending this suit.

As of November 13, 2019, the Association's attorneys are unable to opine regarding the amount or range of potential loss, or as to whether the likelihood of an unfavorable outcome is either "probable" or "remote." The probability of prevailing in these matters could not be determined. As of the date of this report any liability, if any, to the Association is not determinable.

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors and Management
The Mallard Lake Community Association, Inc.

Report on Supplementary Information

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We have audited the financial statements of the The Mallard Lake Community Association, Inc. as of and for the year ended December 31, 2018, our report thereon dated December 23, 2019, which expressed an unmodified opinion on those financial statements appears on pages one and two. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenues and expenses - budget and actual, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked as "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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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 pages 18 through 20 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.

Ocean City, Maryland
December 23, 2019

CERTIFIED PUBLIC ACCOUNTANTS

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

**SCHEDULES OF OPERATING FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL**

**YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018		2017
	Budget (Unaudited)	Actual	Actual
REVENUES			
Member assessments	\$ 1,423,373	\$ 1,423,368	\$ 1,423,368
Less: replacement fund contributions	(200,769)	(200,769)	(199,600)
Less: water plant replacement contributions	(14,000)	(14,000)	(14,400)
Net member assessments	1,208,604	1,208,599	1,209,368
Amenities passes, net	30,000	30,609	10,351
Recreation activities	13,000	11,979	16,662
Late fees	5,000	9,761	10,128
Legal reimbursements	3,000	992	3,420
Miscellaneous income	500	250	350
Interest	500	80	59
Recovery of bad debt		7,375	12,437
Total revenues	<u>1,260,604</u>	<u>1,269,645</u>	<u>1,262,775</u>
EXPENSES			
Administrative			
Meeting expense	900	1,169	837
Bad debt	8,000		308
Office expenses	10,000	6,001	5,190
IT expenses	5,300	4,644	5,965
Miscellaneous	1,500	2,901	1,559
Activities expense	8,000	31,238	16,929
Printing and copying	1,600	1,930	1,716
Postage	1,400	1,627	1,999
Insurance losses		32,130	702
Security payroll	15,000	12,548	18,252
Vehicles expense	12,000	10,936	11,414
Auditor	5,500	7,500	7,500
Legal	20,000	31,716	32,021
Management fees	53,000	52,355	52,355
Taxes	200	232	2,470
	<u>142,400</u>	<u>196,927</u>	<u>159,217</u>

See independent auditors' report on supplementary information.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

**SCHEDULES OF OPERATING FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL (Continued)**

**YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018		2017
	Budget (Unaudited)	Actual	Actual
Insurance			
Master insurance	303,214	309,962	306,244
Flood insurance	250,440	237,365	222,958
	<u>553,654</u>	<u>547,327</u>	<u>529,202</u>
Repairs and maintenance			
Maintenance salaries	173,500	194,613	180,276
Maintenance supplies	10,500	19,057	16,411
	<u>184,000</u>	<u>213,670</u>	<u>196,687</u>
Grounds			
Grounds payroll	165,500	134,954	130,550
Landscaping	25,000	25,759	23,715
Grounds tools and equipment	2,500	5,536	3,630
	<u>193,000</u>	<u>166,249</u>	<u>157,895</u>
Utilities			
Common element electricity	15,000	15,539	12,931
Sewage service	5,000	4,426	4,443
Telephone	2,000	1,858	2,040
	<u>22,000</u>	<u>21,823</u>	<u>19,414</u>
Painting			
Sub contract labor	28,350	15,801	21,015
Painting supplies	9,000	5,121	10,782
	<u>37,350</u>	<u>20,922</u>	<u>31,797</u>
Pool			
Pool payroll - administration	3,000	1,268	1,286
Pool cleaner salaries	8,750	7,690	8,622
Pool payroll	22,000	17,521	17,404
Electricity - recreation	7,200	5,171	5,993
Pool telephone	1,500	2,526	1,478
Pool repairs and maintenance	2,900	3,279	1,811

See independent auditors' report on supplementary information.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

**SCHEDULES OF OPERATING FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL (Continued)**

**YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018		2017
	Budget (Unaudited)	Actual	Actual
Pool (Continued)			
Pool furniture	6,000	2,335	3,615
Pool supplies	7,000	8,047	8,713
	<u>58,350</u>	<u>47,837</u>	<u>48,922</u>
Water system expense			
Electricity - water plant	7,500	5,559	5,884
Telephone	1,700	1,013	992
Supplies	5,000	2,227	4,073
Repairs and maintenance	4,000	7,084	3,063
	<u>18,200</u>	<u>15,883</u>	<u>14,012</u>
Maintenance service agreements			
Trash removal	30,600	35,137	30,627
Pond maintenance	13,500	12,947	10,366
Pest control	6,750	6,438	6,438
Snow removal	4,000	343	724
Land lease	1,000	2,000	
Hydrants	1,800	1,800	1,200
	<u>57,650</u>	<u>58,665</u>	<u>49,355</u>
Depreciation		35,449	54,403
Total expenses	<u>1,266,604</u>	<u>1,324,752</u>	<u>1,260,904</u>
Net revenues over (under) expenses	<u>(6,000)</u>	<u>(55,107)</u>	<u>1,871</u>
BUDGET ITEMS			
Capital contributions	<u>6,000</u>		
Net change in fund balance	<u>\$</u>	<u>\$ (55,107)</u>	<u>\$ 1,871</u>

See independent auditors' report on supplementary information.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS**

**DECEMBER 31, 2018
(Unaudited)**

Miller Dodson conducted a study in April 2013 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements do not take inflation or interest into consideration on amounts funded for future major repairs and replacements.

The study recommends an annual contribution of \$198,520 using the cash flow funding method.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Useful Life (Years)	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs
Site improvements			
Asphalt seal coat	6	2 - 6	\$ 104,079
Asphalt pavement	18	2 - 16	884,673
Domestic water lines	10	20	45,000
Sanitary sewer laterals	10	15	8,000
4 x 4 rail fencing	5	4	3,960
Perimeter fence - panels	10	5	3,640
Trash enclosures	10	3	3,360
Entrance sign - carved wood	20	16	9,000
Trellis	25	7	38,200
Bridge - bulkheads and culvert	45	38	27,000
Rip-rap at 20%	20	16	91,152
Wood piers - decking (50%)	8	4	5,929
Wood piers - structure (50%)	16	12	24,430
Lake aerators	10	8	9,000
Concrete curb	54	18 - 36	4,626
Concrete sidewalks	60	6 - 60	44,890
Repoint paver, grouted	18	10	4,575
Paver, grouted, replace	36	28	11,895

See independent auditors' report on supplementary information.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (Continued)**

**DECEMBER 31, 2018
(Unaudited)**

Components	Estimated Useful Life (Years)	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs
Site components (continued)			
Wood walks	4	6	10,125
Lawn equipment shed	30	17	12,000
Building exterior			
Shingle asphalt/fiberglass, office	25	23	3,038
Shingle asphalt/fiberglass, pool house	25	23	2,006
Shingle asphalt/fiberglass, maintenance	25	3	5,348
Shingle asphalt/fiberglass, homes	25	1 - 25	2,146,500
Gutter and downspouts	4	9	7,372
Overhead door - maintenance	20	5	1,650
Siding and trim, cementitious	40	1 - 39	435,580
Swimming pool - front			
Structure	45	28	194,350
Whitecoat	10	8	15,698
Waterline tile	10	8	4,350
Coping	20	18	14,500
Cover	5	4	5,831
Rails	15	13	6,000
Concrete deck	40	10 - 40	62,948
Fence	30	17	5,625
Swimming pool - back			
Structure	45	28	125,125
Whitecoat	10	8	10,106
Waterline tile	10	8	2,700
Coping	20	18	9,000
Cover	5	4	3,754
Rails	15	13	6,000
Concrete deck	40	10 - 40	62,948
Fence	30	17	8,000

See independent auditors' report on supplementary information.

THE MALLARD LAKE COMMUNITY ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (Continued)**

**DECEMBER 31, 2018
(Unaudited)**

Components	Estimated Useful Life (Years)	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs
Tennis courts, front and back			
Color coat	5	5	20,000
Resurface/overlay	20	20	72,000
Posts and footing	20	20	10,400
Net	5	5	2,800
Fence	20	15	23,040
Light poles	30	25	12,000
Lights, double head	15	10	9,600
Basketball court concrete	45	17	23,800
Shuffleboard court	45	19	10,450
Tot lot, front and back			
MP structure	15	7 - 10	32,000
Perimeter border	30	17 - 20	13,485
Water plant			
Filtration tanks	39	30	36,000
U/G storage tanks	39	30	30,000
Backwash pump	30	6	2,250
Booster pump	20	19	8,900
Well pumps	20	5 - 15	14,000
Equipment			
2007 Dodge pickup	10	7	15,000
2010 Ford F250 4wd	10	6	12,000
1996 Kubota tractor	15	5	16,000
60" rider mower	15	6	10,000
48 inch X-Mack Metro mower	10	6	9,600
			<u>\$ 4,867,288</u>

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