LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

FEBRUARY 28, 2019 AND 2018



LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

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ACCOUNTANT'S COMPILATION REPORT

Board of Directors
Lake Santee Property Owners Association, Inc.
Greensburg, Indiana

Management is responsible for the accompanying financial statements of Lake Santee Property Owners Association, Inc., which comprise the balance sheets as of February 28, 2019 and 2018, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Alerding CPA Group

August 9, 2019

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS
FEBRUARY 28, 2019 AND 2018

ASSETS

	2019			2018
	Operating Fund	Replacement Fund	Total	
Current Assets:				
Cash and cash equivalents	$ 368,669	$ 21,353	$ 390,022	$ 304,835
Investments	-0-	202,696	202,696	230,852
Dues and assessment receivables	70,190	-0-	70,190	61,510
Lots and lot deposits	4,455	-0-	4,455	1,397
Total current assets	443,314	224,049	667,363	598,594
Property and Equipment:				
Land and land improvements	730,907	-0-	730,907	698,973
Bridges	203,557	-0-	203,557	203,557
Buildings and tennis courts	400,272	-0-	400,272	400,793
Maintenance and restaurant equipment	637,643	-0-	637,643	638,490
Office equipment	17,987	-0-	17,987	23,775
	1,990,366	-0-	1,990,366	1,965,588
Accumulated depreciation	(764,045)	-0-	(764,045)	(784,286)
Property and equipment, net	1,226,321	-0-	1,226,321	1,181,302
Deferred Tax Asset	39,457	-0-	39,457	54,939
	$ 1,709,092	$ 224,049	$ 1,933,141	$ 1,834,835

LIABILITIES AND FUND BALANCES

Current Liabilities:				
Accounts payable	$ 10,654	$ -0-	$ 10,654	$ 6,029
Payroll liabilities	27,056	-0-	27,056	14,947
Accrued property tax	3,963	-0-	3,963	3,061
Damage deposit	2,000	-0-	2,000	2,000
Dues and assessments received in advance	94,199	-0-	94,199	100,814
Total current liabilities	137,872	-0-	137,872	126,851
Fund Balances:				
Operating fund	1,571,220	-0-	1,571,220	1,546,385
Replacement reserve funds:				
Equipment replacement reserve	-0-	55,817	55,817	60,624
Erosion control reserve	-0-	14,147	14,147	13,176
Road paving reserve	-0-	69,476	69,476	37,176
Dredging reserve	-0-	84,609	84,609	50,623
Total fund balances	1,571,220	224,049	1,795,269	1,707,984
	$ 1,709,092	$ 224,049	$ 1,933,141	$ 1,834,835

See Accountant's Compilation Report.
See accompanying Notes to Financial Statements.

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED FEBRUARY 28, 2019 AND 2018

	2019	2018
Revenues:		
Dues and assessments	$ 582,336	$ 550,466
Management and facilities fees	197,286	186,845
Boat permits	50,695	48,215
Mowing	13,779	15,150
Rental income	6,037	5,500
Trash bag sales	16,853	16,068
Delinquent fees	10,975	13,816
Cart fees	10,500	9,660
Slip fees	23,650	22,000
Interest and dividend income	8,902	8,669
Gain on sale of lots and assets	10,797	57,775
Realized and unrealized gain (loss) on investments	(2,425)	(2,042)
Other	28,741	28,653
Total revenues	958,126	960,775
Operating Expenses:		
Maintenance	273,373	260,834
Administrative	278,131	310,815
Security	112,168	61,164
Recreation	8,680	10,057
Lake and beach	60,251	180,219
Community building	15,417	14,565
Trash	21,630	16,409
Sewer	47,478	66,909
Water	38,231	63,987
Total operating expenses	855,359	984,959
Excess (deficiency) of revenues over (under) expenses before income taxes	102,767	(24,184)
Income Tax Benefit (Expense)	(15,482)	15,482
Excess (deficiency) of revenues over (under) expenses	87,285	(8,702)
Fund Balances, Beginning of Year	1,707,984	1,716,686
Fund Balances, End of Year	$ 1,795,269	$ 1,707,984

See Accountant's Compilation Report.
See accompanying Notes to Financial Statements.

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Excess (deficiency) of revenues over (under) expenses	$ 87,285	$ (8,702)
Adjustments to reconcile deficiency of revenues over (under) expenses to net cash provided by (used in) operating activities:		
Depreciation	42,790	50,077
(Gain) loss on disposal of assets	(3,714)	(46,647)
Unrealized (gain) loss on investments	39,344	3,569
Realized gain on investments	(36,919)	(1,527)
Deferred income taxes	15,482	(15,482)
Changes in assets and liabilities:		
Dues and assessment receivables	(8,680)	(15,394)
Lots and lot deposits	(3,058)	1,766
Accounts payable	4,625	2,084
Dues and assessments received in advance	(6,615)	(11,121)
Other liabilities	13,011	1,500
Net cash provided by (used in) operating activities	143,551	(39,877)
Cash Flows From Investing Activities:		
Proceeds from sale of assets	8,009	-0-
Acquisition of property and equipment	(92,104)	(37,724)
Purchases of investments	(87,136)	(153,842)
Proceeds received from sale of investments	112,867	208,390
Net cash provided by (used in) investing activities	(58,364)	16,824
Net increase (decrease)	85,187	(23,053)
Cash and Cash Equivalents, Beginning of Year	304,835	327,888
Cash and Cash Equivalents, End of Year	$ 390,022	$ 304,835

See Accountant's Compilation Report.
See accompanying Notes to Financial Statements.

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Santee Property Owners Association, Inc., (the "Association"), located in Greensburg, Indiana was formed to own, manage, maintain, reserve, repair, and reconstruct the Community Area and Common Facilities and to provide architectural control of the Lots at Lake Santee. Its members are property owners of the Lake Santee Subdivision, a private residential community located on 1,256 acres in Decatur County, Indiana. The subdivision is comprised of 1,680 lots platted around a 250-acre lake. In addition, the Association is formed for the promotion of the health, safety, and welfare of the owners of Lots at Lake Santee, their tenants, and for other nonprofit purposes.

The significant accounting policies followed by the Association in the preparation of its financial statements are summarized below:

Fund Accounting

The Association has an Operating Fund and a Replacement Fund. Member assessments for operating purposes are set annually by the Board of Directors as part of the budget preparation process. Special assessments, if required for expensive projects, are required to be approved by a simple majority vote of the members.

The Operating Fund is an unrestricted fund to account for administrative and operating costs as well as general maintenance of common areas of the community.

The Replacement Fund is a Board designated fund for major repairs or capital improvements to the community. Expenditures from the Replacement Fund must be initiated and approved by the Board of Directors.

Cash and Cash Equivalents

Cash and cash equivalents include general checking and money market funds.

Investments

The Association values investments at fair value for financial reporting purposes. Realized gains and losses are determined on a first-in, first-out ("FIFO") basis.

Dues and Assessment Receivables

Dues and assessment receivables are reported at the amount invoiced, and primarily include unpaid dues and assessments. At thirty days past due, the property owner is assessed a 10% penalty, and beginning sixty days past due, interest at 1½% is charged monthly for the next twelve months. At the discretion of Management, the Association may place a lien on the assessed property for unpaid dues and assessments or may pursue collections by use of legal services. Management periodically reviews unpaid dues and assessment receivables, and those determined to be uncollectible are written off to bad debt expense. Bad debt expense was $8,807 and $16,328 for the years ended February 28, 2019 and 2018, respectively, and is included in administrative expenses.

Revenue Recognition

Membership dues are invoiced in advance of the year to which they relate and are non-refundable. Accordingly, membership dues revenues are recognized March 1st of each fiscal year. Management and facilities fees are received and recognized on a monthly basis. Other revenues are recognized in the period of which the service or fee relates.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Major repairs to property and equipment are capitalized while minor repairs are expensed as incurred. The Association provides for depreciation of property and equipment for financial reporting purposes using the straight-line method at rates designed to depreciate the cost of such assets over their estimated useful lives. The ranges of estimated useful lives are as follows:

Description	Ranges of useful lives
Bridges	50 years
Buildings and tennis courts	15 - 40 years
Maintenance and restaurant equipment	5 - 39 years
Office equipment	3 - 10 years

Depreciation expense was $42,790 and $50,077 for the years ended February 28, 2019 and 2018, respectively, and is included in administrative expense.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 sales and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring the use of significant estimates include the collectability of dues and assessment receivables and deferred tax assets and liabilities, and depreciable lives of property and equipment.

Income Taxes

Homeowners' associations may be taxed as homeowners' associations or as a Corporation. If the Association elects to be taxed as a homeowners' association, they acquire a tax-exempt status for the years. For the years ended February 28, 2019 and 2018, the Association elected to be taxed as a Corporation (Note 3).

Management of the Association evaluates all significant income tax positions as required by U.S. GAAP. As of February 28, 2019, Management does not believe the Association has taken any income tax positions that would require the recording of an income tax liability, nor do they believe that there are any unrealized income tax benefits that would be realized within the next twelve months. The Association's Federal and various state income tax returns remain open and subject to examination beginning with the tax year ended February 28, 2015.

Subsequent Events

Subsequent events have been evaluated through August 9, 2019 which is the date the financial statements were available for issuance.

2. INVESTMENTS

Investments at February 28, 2019 and 2018 are classified as available for sale, and include the following:

February 28, 2019

	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,367	$ 1,367	$ -0-
Certificates of deposit	70,000	69,888	(112)
Mutual funds	127,162	131,441	4,279
Total investments	$ 198,529	$ 202,696	$ 4,167

February 28, 2018

	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents	$ 6,537	$ 6,537	$ -0-
Certificates of deposit	93,000	92,935	(65)
Mutual funds	87,804	131,380	43,576
Total investments	$ 187,341	$ 230,852	$ 43,511

The market value of the Association's investments are measured by a Level 1 input in accordance with Financial Accounting Standards Board Accounting Standards Codification 820 ("ASC 820"), defined as quoted prices in active markets for identical investments that can be accessed as of the measurement date. All liquid investments with original maturity dates of three months or less are classified as cash equivalents. The investments may be liquidated for use in general operations at the discretion of Management. However, the Association does not actively trade the investments.

3. INCOME TAXES

Income tax benefit (expense) includes the following:

	2019	2018
Federal:		
Current	$ -0-	$ -0-
Deferred	(6,572)	5,921
	(6,572)	5,921
State:		
Current	-0-	-0-
Deferred	(8,910)	9,561
	(8,910)	9,561
Income Tax Benefit (Expense)	$ (15,482)	$ 15,482

The difference between the actual income taxes and the amount obtained by applying the Federal statutory rate to the income before income taxes relates primarily to the effect of non-taxable unrealized gains and losses on investments and the deduction for Federal tax purposes of state income taxes. At February 28, 2019, the Association has approximately $212,000 of net operating loss carry forwards available to offset future Federal taxable income which begin to expire in the fiscal year ending February 28, 2028.

The components of the deferred income tax asset include the following:

	2019	2018
Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Investments	$ 10,904	$ 793
Book depreciation in excess of tax depreciation	(30,129)	(16,744)
Net operating losses	58,682	70,890
	$ 39,457	$ 54,939

4. MANAGEMENT AND FACILITIES FEES

Under the terms of a Management and Facilities Agreement, the Association provides operational and administrative services, office space, supplies and equipment to Lake Santee Regional Waste & Water District (the "District") requiring monthly payments to the Association aggregating $16,441 and $15,570 for the years ending February 28, 2019 and 2018, respectively. The agreement is subject to renewal annually, and has been renewed for fiscal year 2019, and may be terminated by either party with 90 days notice. The District paid $197,286 and $186,845 to the Association during the years ended February 28, 2019 and 2018, respectively.

5. CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents:

The Association maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed the Federally insured limit. The Association has not experienced any losses in such accounts, and Management does not believe the Association is exposed to any significant credit risk on cash and cash equivalents.

Revenue:

For the years ended February 28, 2019 and 2018, twenty-one (21) percent and nineteen (19) percent, respectively, of total revenues were from the District under the annual Management and Facilities Agreement (Note 4).