LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

FEBRUARY 29, 2016 AND FEBRUARY 28, 2015



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 29, 2016 and February 28, 2015, 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

July 12, 2016

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS
FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

ASSETS

	February 29, 2016			February 28, 2015
	Operating Fund	Replacement Fund	Total	
Current Assets:				
Cash and cash equivalents	$ 296,089	$ -0-	$ 296,089	$ 200,134
Investments	48,507	239,816	288,323	305,369
Dues and assessment receivables	40,475	-0-	40,475	44,579
Lots and lot deposits	2,522	-0-	2,522	4,191
Total current assets	387,593	239,816	627,409	554,273
Property and Equipment:				
Land and land improvements	696,007	-0-	696,007	696,007
Bridges	203,557	-0-	203,557	203,557
Buildings and tennis courts	398,273	-0-	398,273	398,273
Maintenance and restaurant equipment	629,201	-0-	629,201	610,695
Office equipment	20,194	-0-	20,194	20,194
	1,947,232	-0-	1,947,232	1,928,726
Accumulated depreciation	(762,450)	-0-	(762,450)	(707,154)
Property and equipment, net	1,184,782	-0-	1,184,782	1,221,572
Deferred Tax Asset	49,589	-0-	49,589	53,708
	$ 1,621,964	$ 239,816	$ 1,861,780	$ 1,829,553

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	$ 8,198	$ -0-	$ 8,198	$ 8,138
Payroll liabilities	10,811	-0-	10,811	9,446
Accrued property tax	1,074	-0-	1,074	4,371
Damage deposit	2,000	-0-	2,000	2,000
Dues and assessments received in advance	104,031	-0-	104,031	84,160
Deferred tax liability	31	-0-	31	1,223
Total liabilities	126,145	-0-	126,145	109,338
Fund Balances:				
Operating fund	1,495,819	-0-	1,495,819	1,514,433
Replacement reserve funds:				
Equipment replacement reserve	-0-	51,902	51,902	51,902
Erosion control reserve	-0-	12,672	12,672	12,672
Road paving reserve	-0-	30,000	30,000	30,000
Dam repairs reserve	-0-	53,649	53,649	53,649
Dredging reserve	-0-	91,593	91,593	57,559
Total fund balances	1,495,819	239,816	1,735,635	1,720,215
	$ 1,621,964	$ 239,816	$ 1,861,780	$ 1,829,553

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 29, 2016 AND FEBRUARY 28, 2015

	2016	2015
Revenues:		
Dues and assessments	$ 547,370	$ 529,229
Management and facilities fees	169,876	155,328
Boat permits	37,095	29,515
Mowing	20,563	20,152
Rental income	5,500	4,562
Trash bag sales	15,727	14,505
Delinquent fees	15,987	9,998
Cart fees	5,060	3,700
Slip fees	12,750	10,250
Interest and dividend income	8,170	9,311
Gain on sale of lots and assets	5,177	5,664
Loss on sale of investments	-0-	(4,852)
Unrealized gain (loss) on investments	(25,107)	5,399
Property tax appeal	19,668	-0-
Other	25,442	22,991
Total revenues	863,278	815,752
Operating Expenses:		
Maintenance	260,803	211,050
Administrative	287,675	323,885
Security	66,851	57,082
Recreation	24,278	6,826
Lake and beach	44,697	98,275
Community building	20,911	19,021
Trash	16,095	21,687
Sewer	61,946	63,733
Water	61,675	57,357
Total operating expenses	844,931	858,916
Excess (deficiency) of revenues over (under) expenses before income taxes	18,347	(43,164)
Income Tax Benefit (Expense)	(2,927)	2,882
Excess (deficiency) of revenues over (under) expenses	15,420	(40,282)
Fund Balances, Beginning of Year	1,720,215	1,760,497
Fund Balances, End of Year	$ 1,735,635	$ 1,720,215

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

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

	2016	2015
Cash Flows From Operating Activities:		
Excess (deficiency) of revenues over (under) expenses	$ 15,420	$ (40,282)
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided by (used in) operating activities:		
Depreciation	55,296	54,663
Loss on disposal of assets	-0-	(132)
Unrealized (gain) loss on investments	25,107	(5,399)
Deferred income taxes	2,927	(2,882)
Loss on sale of investments	-0-	4,852
Changes in assets and liabilities:		
Dues and assessment receivables	4,104	(899)
Lots and lot deposits	1,669	312
Accounts payable	60	(541)
Dues and assessments received in advance	19,871	(31,986)
Other liabilities	(1,932)	791
Net cash provided by (used in) operating activities	122,522	(21,503)
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(18,506)	(34,849)
Purchases of investments	(62,061)	(157,393)
Proceeds received from sale of investments	54,000	54,425
Net cash used in investing activities	(26,567)	(137,817)
Net increase (decrease)	95,955	(159,320)
Cash and Cash Equivalents, Beginning of Year	200,134	359,454
Cash and Cash Equivalents, End of Year	$ 296,089	$ 200,134

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

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 30 days past due, the property owner is assessed a 10% penalty, and beginning 60 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 $19,512 and $28,942 for the years ended February 29, 2016 and February 28, 2015, 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 $55,296 and $54,663 for the years ended February 29, 2016 and February 28, 2015, 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.

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 29, 2016 and February 28, 2015, 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 29, 2016, 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, 2013.

Subsequent Events

Subsequent events have been evaluated through July 12, 2016 which is the date the financial statements were available for issuance.

2. INVESTMENTS

Investments at February 29, 2016 and February 28, 2015 are classified as available for sale, and include the following:

February 29, 2016

	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents	$ 74,489	$ 75,527	$ 1,038
Certificates of deposit	92,038	91,032	(1,006)
Mutual funds	95,631	121,764	26,133
Total investments	$ 262,158	$ 288,323	$ 26,165

February 28, 2015

	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents	$ 20,487	$ 20,487	$ -0-
Certificates of deposit	145,000	144,895	(105)
Mutual funds	88,610	139,987	51,377
Total investments	$ 254,097	$ 305,369	$ 51,272

The market value of the Association's investments are measured by a Level I 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. 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:

	2016	2015
Federal:		
Current	$ -0-	$ -0-
Deferred	(1,120)	1,780
	(1,120)	1,780
State:		
Current	-0-	-0-
Deferred	(1,807)	1,102
	(1,807)	1,102
Income Tax Benefit (Expense)	$ (2,927)	$ 2,882

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, 2016, the Association has approximately $243,000 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 (liability) include the following:

	2016	2015
Current Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Investments	$ (31)	$ (1,223)
Long-Term Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Book depreciation in excess of tax depreciation	(4,470)	(4,253)
Net operating losses	54,059	57,961
	49,589	53,708
	$ 49,558	$ 52,485

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 $14,156 and $12,944 for the years ending February 29, 2016 and February 28, 2015. The agreement is subject to renewal annually, and has been renewed for fiscal year 2016, and may be terminated by either party with 90 days notice. The District paid $169,876 and $155,328 to the Association during the years ended February 29, 2016 and February 28, 2015, respectively.

5. CONCENTRATION OF CREDIT RISK

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.

For the years ended February 29, 2016 and February 28, 2015, 20% and 19%, respectively, of total revenues were from the District under the annual Management and Facilities Agreement (Note 4).