

THE TOWNS AT LAKESIDE ASSOCIATION, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

Together With Independent Auditor's Report

THE TOWNS AT LAKESIDE ASSOCIATION, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balance	4
Statement of Cash Flows	5 - 6
Notes to Financial Statements	7 - 10
Supplementary Information	
Expenses	11
Future Major Repairs and Replacements	12



Members: American Institute of Certified Public Accountants • Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Towns at Lakeside
Association, Inc.
North Port, Florida

We have audited the accompanying financial statements of The Towns at Lakeside Association, Inc. which comprise the balance sheet as of December 31, 2020, 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.

Auditor's 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 auditor's 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 Towns at Lakeside Association, Inc. as of December 31, 2020, 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.

Board of Directors
The Towns at Lakeside
Association, Inc.
Page Two

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 5 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information of estimated remaining lives and replacement costs of the common property on page 12 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.



MENCHINGER & TYACK CPAs, LLC
Ringling Office, Sarasota, FL
June 30, 2021

The Towns At Lakeside Association, Inc.
Balance Sheet
December 31, 2020

	Operating Fund	Replacement Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 247,954	\$ 1,196,711	\$ 1,444,665
Certificates of deposit	-	226,161	226,161
Accounts receivable - net allowance for bad debts of \$28,682	14,600	-	14,600
Prepaid expenses	8,427	-	8,427
Interfund borrowing	116,825	-	116,825
Total Assets	\$ 387,806	\$ 1,422,872	\$ 1,810,678
 <u>LIABILITIES</u>			
Income tax liability	\$ 2,616	\$ -	\$ 2,616
Prepaid assessments	17,445	-	17,445
Interfund borrowing	-	116,825	116,825
Contract liabilities (Assessments received in advance-replacement fund)	-	1,284,076	1,284,076
Total Liabilities	20,061	1,400,901	1,420,962
 <u>FUND BALANCES</u>	 367,745	 21,971	 389,716
Total Liabilities and Fund Balances	\$ 387,806	\$ 1,422,872	\$ 1,810,678

Read Accompanying Notes to Financial Statements

The Towns At Lakeside Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balance
For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>REVENUES</u>			
Member assessments	\$ 229,180	\$ 87,023	\$ 316,203
Capital contributions	7,800	-	7,800
Interest earned	1,527	14,931	16,458
Late fees & other	<u>4,925</u>	<u>-</u>	<u>4,925</u>
Total Revenues	<u>243,432</u>	<u>101,954</u>	<u>345,386</u>
<u>EXPENSES</u>			
General and administrative	56,376	-	56,376
Insurance	8,500	-	8,500
Maintenance	138,698	-	138,698
Utilities	7,786	-	7,786
Replacement	<u>-</u>	<u>116,825</u>	<u>116,825</u>
Total Expenses	<u>211,360</u>	<u>116,825</u>	<u>328,185</u>
Excess of Revenues over Expenses	32,072	(14,871)	17,201
Beginning Fund Balances	<u>335,673</u>	<u>36,842</u>	<u>372,515</u>
Ending Fund Balances	<u>\$ 367,745</u>	<u>\$ 21,971</u>	<u>\$ 389,716</u>

Read Accompanying Notes to Financial Statements

The Towns At Lakeside Association, Inc.
Statement Of Cash Flows
For The Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash received from members	\$ 204,818	\$ 96,500	\$ 301,318
Cash paid to suppliers & contract servicers	(200,297)	(116,825)	(317,122)
Interest received	1,527	14,931	16,458
Late fees received	4,925	-	4,925
Income taxes paid	(5,667)	-	(5,667)
Capital contributions received	<u>7,800</u>	<u>-</u>	<u>7,800</u>
Net Cash Provided (Used) by Operating Activities:	13,106	(5,394)	7,712
Cash Flows From Investing Activities:			
Interfund borrowings	(116,825)	116,825	-
Redemption of Certificate of Deposit Not Cash Equivalents	<u>152,318</u>	<u>504,458</u>	<u>656,776</u>
Net Cash Provided by Investing Activities:	<u>35,493</u>	<u>621,283</u>	<u>656,776</u>
Net Decrease in Cash and Cash Equivalents	48,599	615,889	664,488
Cash and Cash Equivalents at Beginning of Year	<u>199,355</u>	<u>580,822</u>	<u>780,177</u>
Cash and Cash Equivalents at Year End	<u>\$ 247,954</u>	<u>\$ 1,196,711</u>	<u>\$ 1,444,665</u>

Read Accompanying Notes to Financial Statements

The Towns At Lakeside Association, Inc.
Statement Of Cash Flows
For The Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Reconciliation of Excess of (Deficiency) Revenues over Expenses to Net Cash Provided (Used) by Operating Activities:			
Excess (Deficiency) of Revenues over Expenses	\$ 32,072	\$ (14,871)	\$ 17,201
Bad debt	13,182	-	13,182
Adjustments to Reconcile:			
Increase in accounts receivable	(21,521)	-	(21,521)
Increase in prepaid expense	(4,020)	-	(4,020)
Decrease in prepaid assessments	(2,841)	-	(2,841)
Decrease in accounts payable	(715)	-	(715)
Decrease in income tax liability	(3,051)	-	(3,051)
Contract liabilities Assessments received in advance-replacement fund	-	9,477	9,477
Total Adjustments	(18,966)	9,477	(9,489)
Net Cash Provided (Used) by Operating Activities	\$ 13,106	\$ (5,394)	\$ 7,712

Read Accompanying Notes to Financial Statements

The Towns At Lakeside Association, Inc
Notes to Financial Statements
December 31, 2020

ORGANIZATION

The Towns at Lakeside Association, Inc is a not-for-profit corporation under Chapter 618 Florida Statutes. The Association was also organized under chapter 720 Florida Statutes to provide an entity for the administration operation and management of the single family townhome community known as “The Towns at Lakeside” which consists of 236 home sites. The Association was incorporated on May 13, 2004.

Owners of the home sites automatically become members of the Association and become subject to the Association’s declaration of covenants, conditions, restrictions and easements as well as the bylaws of the Association. Home sites are also subject to the covenants, conditions and restrictions set forth in the Panacea Master Covenants.

Assessments against the members of the Association, which are the principal source of revenue, are based upon estimated amounts to maintain the common property.

MANAGEMENT REVIEW

The Association has evaluated events and transactions for potential recognition or disclosure through June 30, 2021 the date the financial statements were available to be issued.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the fund method of accounting on the accrual basis.

The fund method of accounting requires funds, such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for repair and replacement of the common element.

Allocation of Income and Expenses

The allocation of the general operating income and expense to the unit owners, as indicated in the documents, is based on an equal share per unit.

The Towns At Lakeside Association, Inc
Notes to Financial Statements
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates and assumptions.

Income Taxes

The Association has an option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under section 277 of the Internal Revenue Code whereby non-exempt function income and net membership income are taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net, non-function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. The Association has filed its tax return for 2020 in accordance with Section 528 resulting in a tax liability of \$2,616.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Interest Earned on Reserve Fund

The Association's policy is to include, as additional funding to the reserves, any interest earned on reserve fund investments. For 2020, the amount of interest earned on reserve fund investments was \$14,931.

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned real property. The commonly owned real property includes property that is directly associated with the unit which includes property without which the units could not be occupied and exterior property that is normally part of a freestanding unit. Commonly owned assets also include the property that is not directly associated with the unit and is not necessary for the primary use of the unit, although individual unit owners may benefit from its use.

The Association's policy is not to capitalize and depreciate the commonly owned assets as ownership is vested directly or indirectly in the unit owners and these assets are not deemed to be severable.

The Towns At Lakeside Association, Inc
Notes to Financial Statements
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CONTRACT LIABILITIES (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balance of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$1,274,599 and \$1,284,076, respectively.

NOTE 2 – MEMBER ASSESSMENTS

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

The Association bills members in advance on a monthly basis assessments based upon approved annual budgets which estimate the amount of funds needed to provide for the administration, operation and management of the Association. The assessments are allocated on a pro-rata basis which each lot owner responsible for 1/236 of the approved annual budget. The monthly fees totaled \$115 per lot including reserves of \$34.75 per lot.

As of December 31, 2020, receivables from owners totaled \$43,282. Management has made an assessment of uncollected assessments and have determined that an allowance for doubtful accounts of \$28,682 was needed.

NOTE 3 – INCOME TAXES

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Association had no uncertain positions that could have significant effect on the financial statements for the year ended December 31, 2020.

As of the date of the financial statements, the Association's federal income tax returns for years ended December 31, 2018, 2019 and 2020 are subject to examination by the Internal Revenue Service. These returns are open to examination generally for three years after they are filed.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK FOR CASH DEPOSITS

The Association maintains cash balances at local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in the aggregate. As of December 31, 2020 uninsured cash balances totaled \$673,782. Management considers the risk to be minimal.

The Towns At Lakeside Association, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 5 - RESERVES FOR REPAIRS AND REPLACEMENTS

Florida Statutes require the Association to fund reserves for future major repairs and replacements computed by means of a formula which is based upon estimated life and replacement costs of the reserve components. Florida Statutes also provide that the majority of the unit owners, at a duly called meeting of the Association, may vote to adopt a budget with reserve funding less adequate than what is required by law or to vote to provide no reserve. The Florida Statutory requirement was not waived.

Starting January 1, 2009, the Association began funding reserves under the pooling or cash flow method. The membership funded this reserve by \$96,500 during 2020. A summary of the pooling method reserve follows:

	Contract Liabilities	Fund Balance	Total
Beginning Balance 1/1/20	\$ 1,117,933	\$ 16,726	\$ 1,134,659
Member Contributions	96,500	-	96,500
Interest Earned	-	13,076	13,076
Expenditures	(87,023)	(29,802)	(116,825)
Ending Balance 12/31/20	\$ 1,127,410	\$ -	\$ 1,127,410

Prior to January 1, 2009, the Association had funded reserves under the straight line component method.

A summary of this reserve follows:

	Contract Liabilities 1/1/2020	Member Contributions	Expenses	Interest Earned	Total 12/31/2020
Roof Replacement	\$ 39,359	\$ -	\$ -	\$ -	\$ 39,359
Exterior Pressure Wash	11,511	-	-	-	11,511
Exterior Painting	101,557	-	-	-	101,557
Road Paving Repair	4,239	-	-	-	4,239
Ending Balance	\$ 156,666	\$ -	\$ -	\$ -	\$ 156,666
Fund Balance	\$ 20,116	\$ -	\$ -	\$ 1,855	\$ 21,971
Total Reserves					\$ 1,306,047

These reserve funds are based upon current estimates of future needs. Actual expenditures may vary from the estimated future expenditures and the variation may be material, therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 6 - RISKS AND UNCERTAINTIES

The financial impact of the novel coronavirus ("COVID 19"), on the operations and the cash flows of the Association is uncertain. The spread of the COVID 19 and continuing developments surrounding the global pandemic continue to have negative impacts on the economy and may have an impact on the member's ability to meet future assessment obligations.

SUPPLEMENTARY INFORMATION

The Towns At Lakeside Association, Inc.
Supplementary Schedule of Expenses
For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
<u>General and Administrative</u>			
Management fees	\$ 22,980	\$ -	\$ 22,980
Accounting	4,922	-	4,922
Legal	8,935	-	8,935
Other administrative	3,741	-	3,741
Provision for income taxes	2,616	-	2,616
Bad debt	13,182	-	13,182
	<u>56,376</u>	<u>-</u>	<u>56,376</u>
<u>Insurance</u>			
Insurance	<u>8,500</u>	<u>-</u>	<u>8,500</u>
<u>Maintenance</u>			
Grounds contract	68,315	-	68,315
Building maintenance	2,418	-	2,418
Mulch	14,294	-	14,294
Irrigation	27,995	-	27,995
Pest control	1,990	-	1,990
Pressure washing	15,380	-	15,380
Landscape maintenance	8,306	-	8,306
Roof	-	116,825	116,825
	<u>138,698</u>	<u>116,825</u>	<u>255,523</u>
<u>Utilities electricity & water</u>			
	<u>7,786</u>	<u>-</u>	<u>7,786</u>
Total Expenses	<u>\$ 211,360</u>	<u>\$ 116,825</u>	<u>\$ 328,185</u>

Read Independent Auditor's Report

The Towns At Lakeside Association, Inc.
Supplementary Information on Future Major
Repairs and Replacements
December 31, 2020

Unaudited

During 2018, the Association had a formal reserve study conducted by an independent engineering firm to determine reserve components, estimated total useful and remaining lives and projected future replacement costs. The information below is based on that study.

<u>Component</u>	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>2021 Required Contributions</u>	<u>Contract Liabilities 12/31/2020</u>
<u>Exterior Building</u>				
Light fixtures	14 years	\$ 28,565	\$ -	\$ -
Roofing	1-3 years	2,956,168	-	39,359
Walls, stucco	0 years	1,017,018	-	101,557
Exterior pressure wash (1)	N/A	N/A	-	11,511
<u>Property Site</u>	0-27 years	662,075	-	4,239
Unallocated interest		-	-	21,971
Totals		4,663,826	-	178,637
Reserve Pool		-	98,400	1,127,410
Totals		<u>\$ 4,663,826</u>	<u>\$ 98,400</u>	<u>\$ 1,306,047</u>

(1) Starting in 2008 exterior pressure washing has been included in the Association's operating maintenance budget.

Read Independent Auditor's Report