

**Financial Statements**

**Island Park Village Association, Inc.**

**For the Year Ended  
September 30, 2017**

# Island Park Village Association, Inc.

## Contents

September 30, 2017

(Summarized Totals for September 30, 2016)

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## **Independent Auditor's Report**

Board of Directors  
Island Park Village Association, Inc.  
Island Park, Idaho

We have audited the accompanying financial statements of Island Park Village Association, Inc., which comprise the balance sheet as of September 30, 2017, and the related statements of income, expenses, changes in fund balances, cash flows and other operating income and expenses 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 Island Park Village Association, Inc. as of September 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on Page 12, 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 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.

***Other Matter***

The prior year summarized comparative information has been derived from the Association's September 30, 2016 financial statements and, in our report dated December 23, 2016 we expressed an unqualified opinion on those financial statements.

*FITZGERALD & ASSOCIATES, INC. CPAs*

Redlands, California  
January 15, 2018

# Island Park Village Association, Inc.

## Balance Sheet

For the Year Ended September 30, 2017

(Summarized Totals for September 30, 2016)

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Assets</b>						
Cash, including interest-bearing deposits	\$ 14,672	\$ 342,802	\$ -	\$ 248,385	\$ 605,859	\$ 572,885
Cash in bank - restricted	-	9,613	-	-	9,613	5,361
Accounts receivable, net	55	-	-	-	55	26
Prepaid expenses	346	-	-	-	346	2,791
Note receivable	-	-	-	-	-	75,000
Property and equipment, net	-	-	269,198	12,234	281,432	295,798
Interfund balances	188	-	-	(188)	-	-
Total assets	<u>\$ 15,261</u>	<u>\$ 352,415</u>	<u>\$269,198</u>	<u>\$ 260,431</u>	<u>\$ 897,305</u>	<u>\$ 951,861</u>
<b>Liabilities and Fund Balances</b>						
Accounts payable	\$ 18,184	\$ -	\$ -	\$ -	\$ 18,184	\$ 20,058
Accrued expenses	16,500	-	-	-	16,500	18,680
Prepaid assessment	75	-	-	-	75	1,680
Total liabilities	34,759	-	-	-	34,759	40,418
Fund balances (deficits)	<u>(19,498)</u>	<u>352,415</u>	<u>269,198</u>	<u>260,431</u>	<u>862,546</u>	<u>911,443</u>
Total liabilities and fund balances	<u>\$ 15,261</u>	<u>\$ 352,415</u>	<u>\$269,198</u>	<u>\$ 260,431</u>	<u>\$ 897,305</u>	<u>\$ 951,861</u>

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

# Island Park Village Association, Inc.

## Statement of Revenue, Expenses, and Changes in Fund Balances For the Year Ended September 30, 2017 (Summarized Totals for September 30, 2016)

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Revenue</b>						
Member assessments, net of discounts	\$ 65,383	\$ 39,895	\$ -	\$ -	\$ 105,278	\$ 104,715
Water assessments	-	-	-	30,262	30,262	29,134
Golf course and clubhouse	137,059	-	-	-	137,059	151,803
Golf surcharge income	-	8,949	-	-	8,949	7,868
Interest income	18	1,386	-	1,597	3,001	2,645
Gain (loss) on sale of property and equipment	-	-	-	-	-	2,829
Other income (schedule)	17,392	-	-	-	17,392	24,381
Total revenue	<u>219,852</u>	<u>50,230</u>	<u>-</u>	<u>31,859</u>	<u>301,941</u>	<u>323,375</u>
<b>Expenses</b>						
Golf course and clubhouse Facilities	160,193	-	-	-	160,193	152,335
Maintenance (schedule)	37,899	-	-	-	37,899	33,657
General and administrative Services (schedule)	68,580	-	-	11,433	80,013	79,642
Income taxes	508	-	-	-	508	870
Water system expenses	-	-	-	8,679	8,679	12,053
Utility expense (net of rebate)	2,550	-	-	-	2,550	2,091
Depreciation expense	-	-	19,604	-	19,604	19,669
Repairs and replacements	-	41,392	-	-	41,392	69,993
Total expenses	<u>269,730</u>	<u>41,392</u>	<u>19,604</u>	<u>20,112</u>	<u>350,838</u>	<u>370,310</u>
Excess revenue (expenses)	(49,878)	8,838	(19,604)	11,747	(48,897)	(46,935)
Fund balances, beginning	(8,768)	312,963	358,564	248,684	911,443	958,378
Fund transfers	39,148	30,614	(69,762)	-	-	-
Fund balances (deficits), ending	<u>\$ (19,498)</u>	<u>\$ 352,415</u>	<u>\$ 269,198</u>	<u>\$ 260,431</u>	<u>\$ 862,546</u>	<u>\$ 911,443</u>

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

# Island Park Village Association, Inc.

## Statement of Cash Flows For the Year Ended September 30, 2017 (Summarized Totals for September 30, 2016)

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Cash Flows From Operating Activities</b>						
Excess revenue (expenses)	\$ (49,878)	\$ 8,838	\$ (19,604)	\$ 11,747	\$ (48,897)	\$ (46,935)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:						
Depreciation	-	-	19,604	-	19,604	19,669
Changes in:						
Accounts receivable	(29)	-	-	-	(29)	221
Prepaid expenses	2,445	-	-	-	2,445	(381)
Note receivable	-	-	75,000	-	75,000	75,000
Accounts payable	(974)	-	-	(900)	(1,874)	2,210
Accrued expenses	(2,180)	-	-	-	(2,180)	3,743
Income taxes payable	-	-	-	-	-	(2,721)
Prepaid assessments	(1,605)	-	-	-	(1,605)	1,680
Net cash provided (used) by operating activities	<u>(52,221)</u>	<u>8,838</u>	<u>75,000</u>	<u>10,847</u>	<u>42,464</u>	<u>52,486</u>
<b>Cash Flows From Investing Activities</b>						
Purchase of property and equipment	-	-	(5,238)	-	(5,238)	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>(5,238)</u>	<u>-</u>	<u>(5,238)</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>						
Interfund balances	(32,669)	41,929	-	(9,260)	-	-
Fund transfers	39,148	30,614	(69,762)	-	-	-
Net cash provided (used) by financing activities	<u>6,479</u>	<u>72,543</u>	<u>(69,762)</u>	<u>(9,260)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(45,742)	81,381	-	1,587	37,226	52,486
Cash, beginning of year	60,414	271,034	-	246,798	578,246	525,760
Cash, end of year	<u>\$ 14,672</u>	<u>\$ 352,415</u>	<u>\$ -</u>	<u>\$ 248,385</u>	<u>\$ 615,472</u>	<u>\$ 578,246</u>

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

## Island Park Village Association, Inc.

### Statement of Other Operating Income and Expenses For the Year Ended September 30, 2017 (Summarized Totals for September 30, 2016)

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	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
<b>Other Income</b>		
Late fees	616	1,567
Snow removal	13,658	12,461
Bad debt recovery	493	1,446
Other	2,625	8,907
Total other income	<u>\$ 17,392</u>	<u>\$ 24,381</u>
<b>Maintenance</b>		
Exterior maintenance salaries and related	\$ 704	\$ 222
Outside services	16,860	9,916
Snow removal	20,335	23,519
Total maintenance	<u>\$ 37,899</u>	<u>\$ 33,657</u>
<b>General and Administrative Services</b>		
Audit and tax fees	\$ 5,550	\$ 5,004
Board meetings and board travel	55	903
Insurance	7,236	7,709
Legal and collection fees	1,044	9,315
Management and accounting fees	24,300	24,609
Property taxes	1,375	3,454
Telephone and television	1,942	2,211
General and administrative salaries and related	30,940	17,353
Bank and merchant fees	4,025	3,916
Printing and stationary	163	678
Postage and delivery	122	298
Supplies	536	587
G & A allocated to Water Utility Fund	(11,433)	(11,605)
Other general and administrative	2,725	3,605
Total general and administrative services	<u>\$ 68,580</u>	<u>\$ 68,037</u>

The accompanying notes are an integral part of these financial statements



# Island Park Village Association, Inc.

## Notes to Financial Statements

September 30, 2017

(Summarized Totals for September 30, 2016)

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### 1. Organization and Other Matters

Island Park Village Association, Inc. (the Association) is a nonprofit mutual benefit corporation, governed by a member-elected Board of Directors and organized in Idaho in July 1995. The Association is responsible for the operation and maintenance of the common property and amenities of the Island Park Village Resort. The resort consists of residential lots, a clubhouse, a nine-hole golf course and tennis courts.

### 2. Significant Accounting Policies

#### *Comparative Information*

The financial statements include certain 2016 comparative information. With respect to the balance sheet, the statement of revenue, expenses and changes in fund balances and the statement of cash flows, such prior year information is not presented by fund. Accordingly, such information should be read in conjunction with the Association's financial statement for the year ended September 30, 2016 from which the summarized information was derived.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Fund Accounting*

The Association's governing documents provide guidelines for managing its financial activities. To ensure compliance with limitations and restrictions on the use of financial resources, the Association maintains its records using fund accounting. They classify transactions for accounting and reporting purposes in funds established according to their nature and purpose.

Operating Fund - This fund is used to account for the financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to account for financial resources designated for future major repairs and replacements.

Capital Fund - This fund is used to account for capital assets purchased by the Association and the related depreciation expense over the life of the asset.

Water Utility Fund - This fund is used to account for operation and maintenance of the Association owned water utility

# Island Park Village Association, Inc.

## Notes to Financial Statements

September 30, 2017

(Summarized Totals for September 30, 2016)

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### 2. *Significant Accounting Policies* (concluded)

#### *Cash and Cash Equivalents*

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

#### *Member Assessments*

Members are subject to annual assessments to provide funds for operating expenses and future major repairs and replacements. The annual budget and assessments of Association members are determined by the board of directors. Assessments receivable at the reporting dates represent amounts due from Association members. The Association establishes an allowance for all unpaid accounts with delinquent balances outstanding for more than 90 days.

The Association's policy is to accrue interest on all amounts due, including delinquent assessments, reasonable collection costs and late charges commencing 30 days after assessments become due. Interest and related charges are recorded as income when billed to the Association member. In addition, the Association's policies permit various collection remedies for delinquent assessments, which include filing liens, foreclosing on the Association member, and obtaining judgment against the Association member. Any excess assessments at year-end are retained by the Association for use in the succeeding year. See Note 5 for additional information on assessments receivable.

#### *Major Repairs and Replacements*

Members pay a portion of their Association dues for reserve expenses, generally major repairs and replacements. The Association deposits these funds in separate interest-bearing bank accounts. See Note 9 for a further discussion of reserves.

#### *Property and Equipment*

The Association conforms to industry practice in recognizing real property and common areas as assets. Based on this practice, the Association only capitalizes property to which it has title and to which the board of directors has discretion to dispose of the property and retain the proceeds for the Association's use. Other real property and common areas are owned by the members in common and not by the Association and therefore are not capitalized. Depreciation is calculated using the straight-line method over the 5-31 year estimated useful life of the asset. For a further discussion of property and equipment, see Note 7.

#### *Prepaid Assessments*

Prepaid assessments consist of members' annual assessments received in advance. The Association recognizes these amounts as income when they are earned in the subsequent year.

# Island Park Village Association, Inc.

## Notes to Financial Statements

September 30, 2017

(Summarized Totals for September 30, 2016)

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### 3. Income Taxes

Homeowners associations may elect to be taxed either as a timeshare association or as a regular corporation. For the year ended September 30, 2017 and 2016, the Association elected to be taxed as a regular corporation in accordance with Internal Revenue Code Section 277. Under that election, the Association is subject to federal and state income tax only on income derived from non-member sources such as interest and rental income and is taxed at graduated corporate tax rates. Membership income is exempt from taxation if a vote of the general membership makes certain elections annually.

The Association's state and federal income tax filings are subject to audit by various taxing authorities. While the Association currently has no income tax returns under audit, the open tax audit periods, for which the statute of limitations has not expired, are September 30, 2014 through September 30, 2017. For the years ended September 30, 2017 and September 30, 2016, the Association paid \$-0- and \$-0- income tax interest and penalties.

### 4. Restricted Cash

Restricted cash consists of \$1 collected for each round of golf played. The restricted golf funds can only be used for operational improvements and equipment for the golf course. Restricted cash at the reporting date is as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance at October 1,	\$5,361	\$9,440
Golf course funds collected	8,949	7,868
Improvements and equipment purchased for the golf course	<u>(4,697)</u>	<u>(11,947)</u>
Total restricted cash	<u>\$9,613</u>	<u>\$5,361</u>

### 5. Accounts Receivable

Accounts receivable at the reporting dates consist of the following amounts:

	<u>2017</u>	<u>2016</u>
Member assessments	\$80	\$544
Allowance for doubtful accounts	<u>(25)</u>	<u>(518)</u>
Total assessments receivable	<u>\$55</u>	<u>\$26</u>

# Island Park Village Association, Inc.

## Notes to Financial Statements

September 30, 2017

(Summarized Totals for September 30, 2016)

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### 6. Prepaid Expenses

Prepaid expenses at the reporting dates consist of the following amounts:

	<u>2017</u>	<u>2016</u>
Insurance	\$-0-	\$669
Income taxes	346	610
Other expenses	-0-	<u>1,512</u>
Total prepaid expenses	<u>\$346</u>	<u>\$2,791</u>

### 7. Property and Equipment

Property and equipment at the reporting dates consist of the following amounts:

	<u>2017</u>	<u>2016</u>
Land	\$48,000	\$48,000
Building	173,932	173,932
Vehicles and equipment	156,483	151,245
Accumulated depreciation	(96,983)	(77,379)
Total property and equipment	<u>\$281,432</u>	<u>\$295,798</u>

### 8. Accrued Expenses

Accrued expenses at the reporting dates consist of the following amounts:

	<u>2017</u>	<u>2016</u>
Property taxes	\$10,647	\$12,656
Payroll and related	4,751	5,141
Sales tax	<u>1,102</u>	<u>883</u>
Total accrued expenses	<u>\$16,500</u>	<u>\$18,680</u>

### 9. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

# Island Park Village Association, Inc.

## Notes to Financial Statements

September 30, 2017

(Summarized Totals for September 30, 2016)

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### **9. Future Major Repairs and Replacements** (concluded)

Complex Solutions, LTD. conducted a study in July 2017 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 consider an annual inflation rate of 2.2 percent and interest of 1.35 percent, net of taxes, on amounts funded for future repairs and replacements. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study. See the supplemental information presented on page 12 for additional details.

The Board of Directors decided to fund 31 percent of the amount recommended by the reserve study for the year ended September 30, 2017. Accordingly, \$39,895 was included in the September 30, 2017 budget. Because actual expenditures may vary from estimated future expenditures and the variations may be material, 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.

### **10. Supplemental Cash Flow Information**

For the reporting period, cash flows from operating activities include the following amounts:

	<u>2017</u>	<u>2016</u>
State and federal income tax payments	<u>\$244</u>	<u>\$1,902</u>

### **11. Subsequent Events**

Management has evaluated subsequent events through January 15, 2018, the date which the financial statements were available for issue. Management has determined there are no subsequent events that require recognition or disclosure in these financial statements.

## Supplemental Information

# Island Park Village Association, Inc.

## Supplemental Information on Future Major Repairs and Replacements (Unaudited) September 30, 2017

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Complex Solutions Ltd. conducted a study in July 2017 to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 2.20% and interest of 1.35%, net of taxes, on amounts funded for future major repairs and replacements.

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

<b>Component</b>	<b>Estimated Remaining Useful Life (Years)</b>	<b>Estimated July 2017 Replacement Cost</b>	<b>Estimated 2018 Funding Requirement</b>	<b>Reserve Expenditures for the Year 9/30/17</b>	<b>Replacement Fund Balance 9/30/17</b>
Common area	0-25	\$ 583,555	\$ 33,455	\$ (11,563)	\$ 265,632
Golf course	0-29	251,805	14,436	(6,119)	114,621
Clubhouse	0-20	143,179	8,209	(23,710)	65,175
Cash deficit		-	-	-	(93,013)
Sub-total		978,539	56,100	(41,392)	352,415
Water utility	0-21	112,800	15,840	-	248,385
Totals		<u>\$ 1,091,339</u>	<u>\$ 71,940</u>	<u>\$ (41,392)</u>	<u>\$ 600,800</u>

See auditors' report.