

**POND PLACE ASSOCIATION, INC.**  
Audited Financial Statements  
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For the Year Ended June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Governors  
Pond Place Association, Inc.

We have audited the accompanying financial statements of Pond Place Association, Inc., which comprise the balance sheet as of June 30, 2017, 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 Pond Place Association, Inc. as of June 30, 2017, 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 Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of General Fund Revenues and Expenses-Budget and Actual 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 the Supplementary Information on Future Major Repairs and Replacements on page 11 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.

*King, King & Associates*

King, King & Associates, CPAs  
Winsted, CT  
November 21, 2017

**POND PLACE ASSOCIATION, INC.**  
**BALANCE SHEET**  
**JUNE 30, 2017**

	<u>General Fund</u>	<u>Land Lease</u>	<u>Total</u>
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 11,971	\$ 1,000	\$ 12,971
Accounts Receivable	50	-	50
Association Dues Receivable	945	-	945
Fines Receivable	24,350	-	24,350
Prepaid Expenses	156	-	156
Land Lease Receivable, Current Portion	-	88,046	88,046
<b>Total Current Assets</b>	<u>37,472</u>	<u>89,046</u>	<u>126,518</u>
<i>Other Assets:</i>			
Land Lease Receivable, Long-Term	-	712,312	712,312
<b>Total Other Assets</b>	<u>-</u>	<u>712,312</u>	<u>712,312</u>
<b>Total Assets</b>	<u><b>\$ 37,472</b></u>	<u><b>\$ 801,358</b></u>	<u><b>\$ 839,014</b></u>
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 2,795	\$ -	\$ 2,795
Due to Tax District	3,707	-	3,707
<b>Total Current Liabilities</b>	<u>6,502</u>	<u>-</u>	<u>6,502</u>
<i>Long-Term Liabilities:</i>			
Deferred Income	3,336	344,368	347,704
<b>Total Long-Term Liabilities</b>	<u>3,336</u>	<u>344,368</u>	<u>347,704</u>
<b>Total Liabilities</b>	9,838	344,368	354,206
<b>FUND BALANCE</b>			
Undesignated	27,634	456,990	484,624
<b>Total Fund Balance</b>	<u>27,634</u>	<u>456,990</u>	<u>484,624</u>
<b>Total Liabilities and Fund Balance</b>	<u><b>\$ 37,472</b></u>	<u><b>\$ 801,358</b></u>	<u><b>\$ 838,830</b></u>

See accompanying notes to financial statements.

**POND PLACE ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Land Lease</u>	<u>Total</u>
<b>REVENUES:</b>			
Common Fee Income	\$ 23,934	\$ -	\$ 23,934
Land Lease Income	-	63,894	63,894
Miscellaneous Income	100	-	100
Received from Tax District Capital Reserve	-	30,000	30,000
<b>Total Revenues</b>	<u>24,034</u>	<u>93,894</u>	<u>117,928</u>
<b>EXPENSES:</b>			
Minutes	383	-	383
Insurance	1,490	-	1,490
Administrative	4,067	-	4,067
Amortization Expense	-	221	221
Interest Expense	-	411	411
Management & Accounting	8,693	-	8,693
Consultants/Legal	2,075	-	2,075
Contribution to Northington Meadows	4,500	-	4,500
Contribution to Tax District	-	79,215	79,215
<b>Total Expenses</b>	<u>21,208</u>	<u>79,847</u>	<u>101,055</u>
<b>Excess/(Deficiency) of Revenues over Expenditures</b>	2,826	14,047	16,873
<b>Beginning Fund Balance</b>	<u>24,808</u>	<u>442,943</u>	<u>467,751</u>
<b>Ending Fund Balance</b>	<u>\$ 27,634</u>	<u>\$ 456,990</u>	<u>\$ 484,624</u>

See accompanying notes to financial statements.

**POND PLACE ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2017

	General <u>Fund</u>	Land <u>Lease</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Net Income/(Loss)	\$ 2,826	\$ 14,047	\$ 16,873
Adjustments to Reconcile Excess/(Deficiency) of Revenues Over Expenses to Net Cash Provided By/Used In Operating Activities:			
(Increase)/Decrease in Operating Assets:			
Accounts Receivable	(50)	-	(50)
Association Dues Receivable	(515)	-	(515)
Prepaid Expenses	(156)	-	(156)
Land Lease Amortizable Costs	-	294	294
Accumulated Amortization	-	(110)	(110)
Land Lease Receivable	-	66,584	66,584
Increase/(Decrease) in Operating Liabilities:			
Accounts Payable	3,881	-	3,881
Deferred Income	<u>(6,943)</u>	<u>(34,437)</u>	<u>(41,380)</u>
Net Cash Provided by Operating Activities	<u>(957)</u>	<u>46,378</u>	<u>45,421</u>
<b>Cash Flows from Financing Activities</b>			
Repayment of Long-Term Loan	<u>-</u>	<u>(53,939)</u>	<u>(53,939)</u>
Net Cash Used by Financing Activities	<u>-</u>	<u>(53,939)</u>	<u>(53,939)</u>
Increase/(Decrease) in Cash and Cash Equivalents	(957)	(7,561)	(8,518)
Beginning Cash and Cash Equivalents	<u>12,928</u>	<u>8,561</u>	<u>21,489</u>
Ending Cash and Cash Equivalents	<u>\$ 11,971</u>	<u>\$ 1,000</u>	<u>\$ 12,971</u>
<b>Supplemental Disclosure</b>			
Income Taxes Paid	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ 411	\$ 411

See accompanying notes to financial statements.

**POND PLACE ASSOCIATION, INC.**  
Notes to Financial Statements

**NOTE 1 – Significant Accounting and Reporting Policies**

**Organization** – Pond Place Association, Inc. (the Association) was organized on March 1, 1979 as a non-stock Connecticut corporation. The Association is responsible for the operation and maintenance of the common areas of a 210-unit planned development located in Avon, Connecticut. The Association consists of all unit owners. Association members have ownership of land and other common elements, either through long-term lease or purchase, for which costs are not recorded on the financial statements.

The Association has assigned the majority of its responsibilities for maintaining the common area property to Pond Place Tax District via a lease of members' land to the Tax District at an annual rent of \$1.00. The forty-nine (49) year lease agreement became effective on July 1, 1982 and will expire on June 30, 2031.

The Association's board is separately elected by the homeowners of the District; however, it is generally identical to the Board of the District. The District and Association share facilities and management. In addition, the Association and District are financially interrelated, and were established to provide services to the homeowners. Pond Place Tax District issues separately audited financial statements available at the District and Association offices.

Certain expenses, such as insurance and management fees, are allocated between the Tax District and the Association as agreed upon by the Board of Governors.

Northington Meadow, Inc. is a 501 (c) (3) nonprofit entity that owns 31 acres that abuts the Pond Place complex. The property includes Stub Pond and a right of way around the pond. The Pond Place Association, Inc. has historically supported Northington Meadow's conservation efforts through an annual contribution.

**Unit Owners' Common Fees** – The Association's operations are primarily funded by common fees as determined by the Board of Governors, assessed equally to all homeowners and payable annually on July 1 for the fiscal year commencing July 1.

Common fees paid by the homeowners prior to installment due date are recognized as current liabilities under the caption "Common fees paid in advance".

**Revenue and Expenses** – The Association reports its revenue and expenses on the accrual basis. Homeowners are subject to annual assessments to provide funds for the Association's operating expenses. The Association's policy is to retain legal counsel and place liens on individual homeowners whose assessments are ninety days or more delinquent. The Association considers all assessments receivable at June 30 to be fully collectible. Excess assessments at year-end are retained by the Association for use in the succeeding year.

## **POND PLACE ASSOCIATION, INC.**

### **Notes to Financial Statements**

**Cash and Cash Equivalents** – Pond Place Association, Inc.'s management considers cash on hand and cash in banks and investments with maturities of three months or less when purchased as cash and cash equivalents. All investments are savings or money market accounts and are recorded at cash value, which is fair value.

**Common Fees Receivable and Allowance for Uncollectible Accounts** -- State Statutes allow for the Association to lien for up to six months common fees and have priority ("superlien") ahead of a first mortgage on a delinquent account. No allowance was established as of June 30, 2017, as amounts uncollectible, if any, are expected to be immaterial.

Receivables are reported at the amounts actually billed. Outstanding account balances exceeding \$150 are considered delinquent and referred to an attorney for collection.

**Income Taxes** - The Association qualifies as a homeowners' association under Internal Revenue Code Section 528. 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, is taxed at 30% by the federal government. It is anticipated the Association will have minimal federal income taxes due for its taxable year; therefore, no provision for federal income taxes has been made. Under the foregoing election, the Association is not subject to Connecticut corporation income tax.

**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 liabilities at the date of the financial reporting statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Deferred Income** – Income from future land lease payments to be received from homeowners is discounted to present value and deferred until received. The deferred income is being amortized equally over a 20-year period ending 2027. The income is expected to be used to pay interest and administrative costs related to the loan payable, as well as partially fund a reserve and replacement fund.

**Review for Subsequent Events** – In connection with the preparation of the financial statements of Pond Place Association, Inc. as of and for the year ended June 30, 2017, events and transactions subsequent to June 30, 2017 through November 21, 2017, the date the financial statements were available to be issued, have been evaluated by Pond Place Association Inc.'s management for possible adjustment and/or disclosure.



**POND PLACE ASSOCIATION, INC.**  
Notes to Financial Statements

**NOTE 2 – Detail Notes on Assets and Liabilities**

**Cash and Cash Equivalents**

At June 30, 2017, the carrying amount of Pond Place Association's deposits was \$12,971 and the bank balance was \$13,493, all of which was insured by the FDIC.

**Land Lease Receivable**

Each unit in Pond Place was initially subject to a ground lease held by the developer, which has a fifty-year term beginning on the date that each respective dwelling was initially sold. The Association subsequently purchased the lease and rights to all future payments due, and became the lessor. The Lease requires monthly payments of \$50, which includes principal and interest. If lessees so choose, they have the option of an annual payment of \$519. Some lessees have paid all required installments and have no further obligation under the lease. Lessor has a 1/210 undivided interest as tenant-in-common of all the land in the Pond Place development. No allowance for uncollectible amounts has been established, as there has been no need historically to write off any balances.

Lease principal and interest payments to be received over the next five years are as follows:

2018	88,046
2019	88,046
2020	88,046
2021	88,046
2022	88,046

**Land Lease Loan Agreement**

On April 12, 2013 Pond Place Association refinanced the Land Lease loan and entered into an 8-year loan agreement with the Windsor Federal Savings and Loan Association for \$435,000, payable in monthly installments of \$ 5,288.62. The interest rate is 3.875%. The loan was paid in full on September 6, 2016.

**NOTE 3 – Future Major Repairs and Replacements**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. As indicated in Note 1, the Pond Place Tax District has been assigned the majority of the responsibility for maintaining the common area property, including funding for major repairs and replacements. Thus, no such fund is maintained on the Association's books. Funds accumulated in the Tax District totaled \$170,599 at June 30, 2017.

**POND PLACE ASSOCIATION, INC.**  
Notes to Financial Statements

As part of its primary responsibility for funding for major repairs and replacements, the Board conducted a study, to estimate the remaining useful lives and the replacement costs of the components of common property.

In 2015 the Board updated the estimated current replacement costs for the road system, street lights, and tennis court to \$700,000. Actual costs may vary from these estimates and the variations may be material. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**POND PLACE ASSOCIATION, INC.**  
**SCHEDULE OF GENERAL FUND REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Variance</u> (unaudited)
<b>Revenue:</b>			
Common Fee Income	\$ 24,150	\$ 23,934	\$ (216)
Miscellaneous	50	100	50
Total Revenue	<u>24,200</u>	<u>24,034</u>	<u>(166)</u>
<b>Expenditures:</b>			
Accounting	\$ 6,600	\$ 8,000	\$ (1,400)
Insurance	1,900	1,490	410
Administrative	3,000	3,900	(900)
Minutes	500	383	117
Property Management	4,150	693	3,457
Pond Press	650	167	483
Consultants/Legal	3,300	2,075	1,225
Contingency	1,000	-	1,000
Income Tax	100	-	100
Contribution to Northington Meadows	<u>3,000</u>	<u>4,500</u>	<u>(1,500)</u>
Total Operating Expenses	<u>24,200</u>	<u>21,208</u>	<u>2,992</u>
Excess/(Deficiency) of Revenues over Expenses	<u>\$ -</u>	<u>\$ 2,826</u>	<u>\$ 2,826</u>

See accountant's report.

**POND PLACE ASSOCIATION, INC.**  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
JUNE 30, 2017

At June 30, 2017 the estimated useful remaining lives and estimated replacement costs were as follows:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Replacement Costs</u>
Road System	9	\$ 600,000
Tennis Court	9	50,000
Street Lights	9	<u>50,000</u>
Totals		<u>\$ 700,000</u>

See accountant's report.