

# Laké Mission Viejo

ASSOCIATION

NEWSLETTER

MAY 2021

## To the Members of Lake Mission Viejo Association

Within these pages, you will find the certified independent audit report from **Invisible Accounting Solutions**. This report reflects the financial status of the Lake Mission Viejo Association for the calendar year ending December 31, 2020.

The 2020 Audit Report provides each member with an in-depth study of the Lake Association's financial situation. It is provided to meet the State statutory requirements. The importance of this financial report cannot be overemphasized.

If you have any questions, please submit them in writing to Lake Mission Viejo Association at 22555 Olympiad Road, Mission Viejo, CA 92692 or email to [info@lakemissionviejo.org](mailto:info@lakemissionviejo.org).

Sincerely,

**Lake Mission Viejo Association  
Board of Directors**

## WISHING OUR RETIRING GM THE VERY BEST!

**Lake Mission Viejo's Kevin Frabotta has announced his retirement as of June 11th from his position as General Manager.**

The Lake Board of Directors would like to thank Kevin for serving our Lake community with dedication, commitment, and diligence. Clearly, the facilities and membership have benefited enormously under his tenure. Kevin's proactive execution of our Advanced Purified Water project helped ensure us of a drought-proof, safe and sustainable water source for lake-fill during a time when State drought restrictions put our Lake's sustainability in question and limited our water purchases. He has additionally managed and encouraged the enhancement of our beautiful property and the strong efforts to maintain the pristine water biology of our Lake.

We will miss Kevin's positive energy, enthusiasm, and passion for LMVA and its members. Hopefully, he'll drop by occasionally with an update about his adventures!

**With deep gratitude we wish Kevin all the best in his retirement!**



**LMVA has planned Summer Events & Activities for the 2021 Season; however, dates are subject to change or cancellation due to Governmental Directives.**

Updates will be posted to the Lake website and LMVA social media as they become available.

## 2021 JUNIOR LIFEGUARD PROGRAM (COVID Restrictions pending)



**Don't miss out on this fun and informative 8-week summer program running from June 14th to August 5th!**

The Lake Mission Viejo Junior

Lifeguards program is designed to teach kids 8-16 years of age water safety and first aid skills while having them participate in fitness activities to gain important water confidence. Junior Guards experience swimming, paddle boarding, kayaking, party boat outings, and much more! JGs 12 years and older receive CPR training.

Junior Guard registration may be completed after the child has passed the tryout swim. **Registration is offered only at the Lake Services desk and must be completed by the 5:00 pm deadline on Sunday, June 6th.**

There will be a total of four tryouts at North Beach behind Tower 2.

<u>Sat May 1</u>	<u>9:00 am-Noon</u>	<u>Sat May 15</u>	<u>9:00 am-Noon</u>
<u>Mon May 17</u>	<u>5:00-7:00 pm</u>	<u>Sun May 23</u>	<u>9:00 am-Noon</u>

- Junior Guards has a participant cap based on a First Come/First Served basis at Tryouts: 100 A/B and 100 C participants.
- Participants are permitted only ONE swim test per Tryout date.
- JGs will be assigned to smaller groups in 2021 with COVID safety guidelines followed.
- There will be NO FIELD TRIPS this year due to Covid Safety.
- The 2021 Junior Lifeguards program will be offered to LMVA members ONLY.

Visit [LMVJuniorGuards.org](http://LMVJuniorGuards.org) for more information and a calendar.  
Email [LMVJuniorGuards@gmail.com](mailto:LMVJuniorGuards@gmail.com) with any questions.

## INDEPENDENT AUDITOR'S REPORT Board of Directors Lake Mission Viejo Association

We have audited the accompanying financial statements of Lake Mission Viejo Association, a California non-profit corporation, 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 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those

Continued on page 3

# Lake Mission Viejo Association 2020 AUDIT REPORT

## Follow Us for the Latest Lake Info!

Stay up-to-date with the latest Lake news and information by following LMVA on social media networks:

[Facebook.com/LMVassociation](https://www.facebook.com/LMVassociation)

[Instagram.com/LakeMissionViejoAssociation](https://www.instagram.com/LakeMissionViejoAssociation)

[Twitter.com/LMVA\\_Lake](https://twitter.com/LMVA_Lake)

[YouTube.com/Lake92692](https://www.youtube.com/Lake92692)



## May Events

9	HAPPY MOTHER'S DAY	
12	Board Meeting	7:00 pm via ZOOM
16	LMVYC Spring Regatta II	1:00 pm
31	MEMORIAL DAY	

## May Hours

<b>North Beach</b>	8:00 am-10:00 pm	Daily
<b>East Beach</b>	Open 10:00 am-7:00 pm Memorial Day Weekend, May 29 through May 31	
<b>Market on the Lake</b>	8:00 am-10:00 pm With Market Dock Access Card	Daily
<b>North Beach Snack Bar</b>	11:30 am-4:30 pm Open Memorial Day Weekend May 29 through May 31	Weekends
<b>Membership/Billing Office</b>	8:00 am-5:00 pm	Daily
<b>Clubhouse Rental Office</b>	Closed due to COVID-19 Regulations	
<b>Beach Bag Store/Lake Services</b>	8:00 am-5:00 pm	Daily
<b>Tackle Box/Boat Rentals</b>	8:00 am-7:00 pm Last boat rented at 6:00 pm, due in at 7:00 pm.	Daily

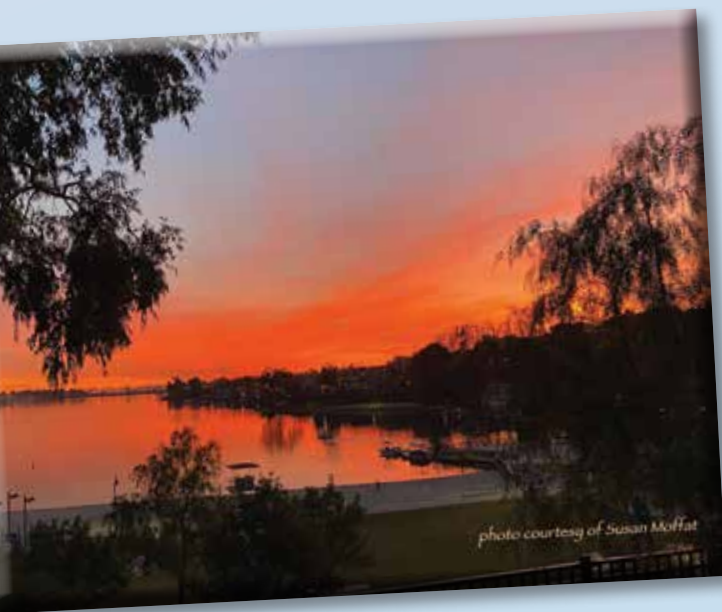


photo courtesy of Susan Moffat

## Lake Mission Viejo Association Balance Sheet

December 31, 2020

	Operating Fund	Replacement Fund	Capital Expansion Fund	Contingency Fund	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 1,057,939	\$ 974,707	\$ 153,337	\$ 139,786	\$ 2,325,769
Investments, Net	1,512,000	2,702,000	-	249,000	4,463,000
Assessments Receivable, Net of Allowance for Uncollectible Assessments of \$371,000	91,590	-	-	-	91,590
Prepaid Expenses and Other Current Assets	377,154	-	-	-	377,154
	<b>3,038,683</b>	<b>3,676,707</b>	<b>153,337</b>	<b>388,786</b>	<b>7,257,513</b>
<b>LONG TERM INVESTMENTS</b>					
Investments, Net	-	3,471,000	-	-	3,471,000
	<b>\$3,038,683</b>	<b>\$7,147,707</b>	<b>\$ 153,337</b>	<b>\$ 388,786</b>	<b>\$ 10,728,513</b>

## LIABILITIES AND FUND BALANCE

### CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 140,753	\$ -	\$ -	\$ -	\$ 140,753
Accrued Payroll and Related Expenses	185,155	-	-	-	185,155
Deferred Revenues	1,778,682	-	-	-	1,778,682
Other Payables	439	-	-	-	439
	<b>2,105,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,105,029</b>

### COMMITMENTS AND CONTINGENCIES

<b>FUND BALANCE</b>	<b>933,654</b>	<b>7,147,707</b>	<b>153,337</b>	<b>388,786</b>	<b>8,623,484</b>
	<b>\$3,038,683</b>	<b>\$7,147,707</b>	<b>\$ 153,337</b>	<b>\$ 388,786</b>	<b>\$ 10,728,513</b>

## Lake Mission Viejo Association

### Statement of Revenues, Expenses and Changes in Fund Balance

For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Capital Expansion Fund	Contingency Fund	Total
<b>REVENUES</b>					
Assessments	\$ 5,374,094	\$ 960,000	\$ -	\$ -	\$6,334,094
Boat Rental and Storage	300,643	-	-	-	300,643
Interest	136,857	-	-	-	136,857
Recreation and Sales	68,449	-	-	-	68,449
Other	635,768	-	-	-	635,768
	<b>6,515,811</b>	<b>960,000</b>	<b>-</b>	<b>-</b>	<b>7,475,811</b>
<b>EXPENSES</b>					
Concerts and Special Events	45,052	-	-	-	45,052
Consulting and Outside Services	319,814	-	-	-	319,814
Fish Stocking	-	-	-	-	-
General and Administrative	264,066	-	-	-	264,066
Insurance	238,344	-	-	-	238,344
Lake Refill and Quality Management	821,724	-	-	-	821,724
Maintenance and Repairs	462,138	338,815	33,950	45,658	880,561
Professional Services	182,680	-	-	-	182,680
Salaries and Related	3,481,111	-	-	-	3,481,111
Uncollectible Membership Dues and Fees	24,000	-	-	-	24,000
Utilities	191,020	-	-	-	191,020
	<b>6,029,949</b>	<b>338,815</b>	<b>33,950</b>	<b>45,658</b>	<b>6,448,372</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>485,862</b>	<b>621,185</b>	<b>(33,950)</b>	<b>(45,658)</b>	<b>1,027,439</b>
<b>BEGINNING FUND BALANCE</b>	<b>514,318</b>	<b>6,526,522</b>	<b>187,287</b>	<b>367,918</b>	<b>7,596,045</b>
<b>INTERFUND TRANSFERS</b>	<b>(66,526)</b>	<b>-</b>	<b>-</b>	<b>66,526</b>	<b>-</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 933,654</b>	<b>\$7,147,707</b>	<b>\$ 153,337</b>	<b>\$ 388,786</b>	<b>\$8,623,484</b>

## Lake Mission Viejo Association Statement of Cash Flows

For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Capital Expansion Fund	Contingency Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess (Deficiency) of Revenues over Expenses	\$ 485,862	\$ 621,185	\$ (33,950)	\$ (45,658)	\$ 1,027,439
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating Activities:					
(Increase) Decrease in:					
Assessment Receivable	14,245	-	-	-	14,245
Prepaid Expenses and Other Assets	(275,205)	-	-	-	(275,205)
Increase (Decrease) in:					
Accounts Payable and Accrued Expenses	66,509	-	-	-	66,509
Accrued Payroll and Related Expenses	(72,245)	-	-	-	(72,245)
Deferred Revenues	18,502	-	-	-	18,502
Other Payables	(8,019)	-	-	-	(8,019)
	<b>229,649</b>	<b>621,185</b>	<b>(33,950)</b>	<b>(45,658)</b>	<b>771,226</b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Redemptions of Investments	623,000	5,222,000	-	247,000	6,092,000
Purchase of Investments	(650,000)	(5,222,000)	-	(249,000)	(6,121,000)
	<b>(27,000)</b>	<b>-</b>	<b>-</b>	<b>(2,000)</b>	<b>(29,000)</b>

### CASH FLOWS FROM FINANCING ACTIVITIES

Interfund transfers	(66,526)	-	-	66,526	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>136,123</b>	<b>621,185</b>	<b>(33,950)</b>	<b>18,868</b>	<b>742,226</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>921,816</b>	<b>353,522</b>	<b>187,287</b>	<b>120,918</b>	<b>1,583,543</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$1,057,939</b>	<b>\$974,707</b>	<b>\$153,337</b>	<b>\$139,786</b>	<b>\$2,325,769</b>

## INDEPENDENT AUDITOR'S REPORT

Board of Directors, Lake Mission Viejo Association

Continued from page 1

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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide 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 Lake Mission Viejo Association as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles of the United States of America.

### Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and

replacements on page 4 be presented to supplement the basic financial statements. Such information, although not 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.

Invisible Accounting Solutions  
Lake Forest, California  
April 14, 2021

## Lake Mission Viejo Association Summary of Significant Accounting Policies

For the Year Ended December 31, 2020

**Organization** Lake Mission Viejo Association (the "Association") was incorporated in California in November 1976. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of residential units and apartment units located in Mission Viejo, California. At December 31, 2020, the development consisted of 24,720 units.

**Date of Management's Review** In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 14, 2021, the date the financial statements were available to be issued.

**Fund Accounting** The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and management. Disbursements from the replacement, capital expansion, and contingency funds, generally may be made only for designated purposes.

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

**Concentration of Risk** Cash balances are maintained at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Periodically, due to the Association's assessment billing cycle, operating cash may temporarily be deposited in various accounts, and could exceed the FDIC limits at each financial institution. At December 31, 2020, balances exceeded the FDIC limit by approximately \$500,000.

**Cash Equivalents** Cash equivalents consist of highly liquid investments with maturities of three months or less when purchased. The Association's cash equivalent balances as of December 31, 2020 totaled approximately \$1,470,000 and are kept in money market funds at Comerica Securities. Comerica money markets are not FDIC insured and invest in various short-term securities.

**Investments and Interest Earnings** Investments consist of time certificates of deposit with annual interest rates ranging from 0.1% to 3.0%. Investments are recorded at amortized cost, which approximates fair market value. The Association intends to hold all investments until maturity. All interest earnings are allocated to and recorded in the operating fund.

### Assessments and Deferred Revenue

Association members are subject to assessments to provide funds for the Association's operating expenses and replacement fund requirements. Assessments receivable at the balance sheet date represent fees due from members. The Association's governing documents and legislated laws provide for various collection remedies for delinquent assessments including late charges, filing of liens, foreclosing on the member's property within the Association, and obtaining judgment on other assets of the member.

Assessments collected in advance are deferred and recognized as revenue in the year in which the related services are rendered.

### Allowance for Uncollectible Assessments

Allowance for uncollectible assessments is based upon historical experience and management's evaluation of outstanding assessments receivable at year-end.

**Property and Equipment** The developer of the Association donated the majority of the property and equipment. Valuation of these items was made as of the date of transfer to the Association. Personal property purchased by the Association and replacements and improvements to the real property are not capitalized and are expensed as incurred.

Continued on page 4



## Summary of Significant Accounting Policies

Continued from page 3

The expense is charged to either the replacement or the capital expansion funds, in accordance with the guidelines within those funds.

**Income Taxes** The Association has obtained exemption from taxation under Internal Revenue Code §501(c)(4) and related California Revenue and Taxation Code sections. Accordingly, no provision for Federal or state taxes has been made in the accompanying financial statements.

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

Disbursements are to be made only if specifically approved by the Board of Directors. An independent study (the "Study") of the Association's replacement fund was conducted in October 2020, for the purpose of estimating the remaining useful lives and the replacement costs of the components of common property.

The table included in the accompanying unaudited supplemental information on Future Major Repairs and Replacements is based upon the Study.

## Lake Mission Viejo Association Supplementary Information on Future Major Repairs and Replacements

December 31, 2020 (Unaudited)

Component	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Cost	Replacement Fund Balance
Automobiles	0 to 7	\$300,550	\$255,498
Carpeting/Flooring	0 to 5	72,057	40,037
Small Equipment	0 to 5	257,512	214,644
Snack Bar Equipment	0 to 23	91,550	62,870
Asphalt	1 to 10	1,166,688	629,819
Boats	0 to 9	778,070	605,344
Boat Motors	0 to 3	82,700	64,730
Tractors	0 to 6	103,100	75,645
Sand	3	210,000	75,000
Mini Trucks/Carts	0 to 2	129,550	105,048
Maintenance Equipment	0 to 11	418,300	316,354
Fencing, Railing and Gates	0 to 28	1,101,531	684,611
Recreation Structures	0 to 20	2,811,442	1,961,868
Landscape and Irrigation	0	68,850	420,908
Lighting	0 to 20	566,320	147,617
Lake Equipment	0 to 9	150,850	170,068
Air Conditioning Equipment	0 to 8	110,575	80,762
Painting	3 to 8	179,000	46,150
Component Renovations		-	718,968
Other		24,670	471,766
		<b>\$8,623,315</b>	<b>\$7,147,707</b>

## Lake Mission Viejo Association Supplementary Information on Future Major Repairs and Replacements

December 31, 2020 (Unaudited)

In October 2020, an independent study was conducted to estimate the remaining useful lives and future replacement costs of the components of the common area property.

An independent company that specializes in the development of these funding programs performed the study. The funding program considers an annual inflation rate of 2.5% on the replacement cost, and does not consider interest earnings on amounts funded for future repairs and replacements.

Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The Association has not adjusted for changes in the estimated replacement costs, if any, since the date of the study.

The following information is based on the study and presents significant information about the components of common property at December 31, 2020. The reserve study should be referred to for a more complete description of the Association's assets and estimates used.

## Lake Mission Viejo Association • Notes to Financial Statements

For the Year Ended December 31, 2020

### NOTE 1: COMMITMENTS AND CONTINGENCIES

**Replacement Fund** The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the Study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of approximately \$885,000 has been included in the 2021 budget.

For the year ended December 31, 2020 the contributions to the replacement fund totaled approximately \$960,000.

Funds are being accumulated in the repair and replacement fund based on estimates of future needs for repairs and replacements of common area property components. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the repair and replacement fund may not be sufficient to meet all future repairs and replacements. If additional funds are necessary, the Association has the right to increase regular assessments, approve special assessments, or delay major repairs and replacements until funds are available.

**Capital Expansion and Contingency Funds** The Association has established a policy to accumulate funds for capital expansion and other unforeseen expenses. Annually the Association includes nominal amounts in the budget for capital expansion and contingency funds. In accordance with the Association's policy, upon completion of accounting at each year-end, any excess operating income is transferred to the replacement, capital expansion and contingency funds. For the year ended December 31, 2020, the contributions to the contingency to the contingency funds totaled approximately \$66,000.

**Litigation** At times, the Association is involved in litigation arising out of the normal course of business. Management, after consultation with outside counsel, believes there is no likelihood that the Association will incur any material loss as a result of these lawsuits. Therefore, no provision for loss resulting from these lawsuits has been made in the accompanying financial statements.

**Contingencies** The Association's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on members, employees and vendors; all of which are uncertain and cannot be predicted. The extent to which COVID-19 may influence the financial condition or results of operations is uncertain.