

# Laké Mission Viejo

ASSOCIATION

NEWSLETTER

MAY 2022

## 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, 2021.

The 2021 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 [info@LakeMissionViejo.org](mailto:info@LakeMissionViejo.org).

## Lake Mission Viejo Association Board of Directors



## ORANGE COUNTY TRIATHLON & DUATHLON

### Join the Orange County Triathlon / Duathlon on May 22. Participants and spectators welcome!

Temporary road closures will occur, resulting in increased travel times for some residents. Lake entry is from westbound Olympiad only.

#### Schedule of Closures

- **Olympiad Road.** Melinda Road to Marguerite 5:30 am-12 noon
- **Marguerite Parkway.** La Barca to El Toro Road 6:30-8:30 am
- **Marguerite Parkway.** Vista del Lago to La Barca 5:30-11:00 am
- **Residents of Coral Gables and Vista del Lago** will be "locked in" for 1½ to 2½ hours.
- **Los Alisos Blvd.** Novena to Entidad 8:30-10:30 am
- **Northbound Marguerite from Plaza del Lago to Santa Margarita** is closed to all vehicles until bikers have passed.

Please visit [www.OCtriserries.com](http://www.OCtriserries.com) or call (760) 713-7290 for more details.

## 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, 2021, 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 risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order

## JUMP INTO JUNIOR GUARDS!

Don't miss out on LMVA's fun and informative 8-week summer program running from June 13th to August 4th. This aquatics education program is designed to teach water safety and first aid skills to kids 8-15 years of age while having them participate in fitness activities to gain important water confidence.

Junior Lifeguard tryouts will be held at North Beach behind Tower 2 on April 24, May 7, and May 14 from 9:00 am-Noon, and also on May 16 from 5:00-7:00 pm.



For details, calendar, registration, and fee information visit [LMVJuniorGuards.org](http://LMVJuniorGuards.org) or email [LMVJuniorGuards@gmail.com](mailto:LMVJuniorGuards@gmail.com) with any questions.

## PARTY BOATS AND WATERCRAFT SALE!

Meet at the launch ramp for this great sale on Saturday, May 14th! Sign in at 10:00 am to express your choice of boat. All LMVA members will have equal opportunity to purchase any of the boats listed for sale below at the fixed prices noted. Winners will be randomly selected in a drawing from the pool of interested parties.

- (4) **21' Sweetwater Pontoon Party Boats** w/ 36v Ray Electric motor. 1 year-old batteries. No trailer. **AS IS.** \$6,500 each
- (1) **14' Aluminum fishing boat** \$100
- (2) **Tracker bass boats** \$150 to \$300 each
- (11) **Single kayak** \$75 each
- (4) **Tandem kayaks** \$150 each
- (12) **Kayak paddles** \$25 each
- (14) **Kayak seats** \$25 each
- (1) **14' Coleman canoe.** \$100
- (2) **Torqeedo 24v Electric Motors** \$1,500 each
- (1) **Torqeedo Lithium Battery 24v** \$1,250
- (1) **Torqeedo Lithium Battery Charger** \$500

# Lake Mission Viejo Association 2021 AUDIT REPORT

## May at The Lake

7	Junior Lifeguard Tryouts Tower #2	9:00 am-12:00 pm
8	HAPPY MOTHER'S DAY	
11	Board Meeting	7:00 pm
14	Junior Lifeguard Tryouts Tower #2	9:00 am-12:00 pm
15	LMVYC Spring Regatta II	1:00 pm
16	Junior Lifeguard Tryouts Tower #2	5:00-7:00 pm
22	OC TRIATHLON	5:00 am-1:00 pm
28	EAST BEACH OPEN WEEKENDS	10:00 am-7:00 pm
30	MEMORIAL DAY	

*Guests allowed all day; normal guest fees and policies apply*

*Let's get social!*



LMVA wants to connect with you!

**FOLLOW US for the Latest Lake Info!**

- Facebook.com/LMVAssociation
- Instagram.com/LakeMissionViejoAssociation
- Twitter.com/LMVA\_Lake
- YouTube.com/Lake92692

## Hours of Operation

<b>North Beach</b>	8:00 am-10:00 pm	Daily
<b>East Beach</b>	10:00 am-7:00 pm	Sat-Sun
	<i>Memorial Day Weekend, May 28-30</i>	
	10:00 am - 7:00 pm	Sat-Sun-Mon
	<i>Beginning Sat, June 4</i>	
	10:00 am-8:00 pm	Daily
<b>Market on the Lake</b>	8:00 am-10:00 pm	Daily
	<i>With Market Dock Access Card</i>	
<b>North Beach Snack Bar</b>	<i>April 22 thru May 30</i>	
	11:30 am-4:30 pm	Sat-Sun
	<i>Triathlon Sunday, May 22</i>	
	6:00 am-3:00 pm	Sun
	<i>Memorial Day, May 30</i>	
	11:30 am-4:30 pm	Mon
	<i>Closed May 31 and June 1</i>	
	<i>School's Out Special, June 2</i>	
	11:30 am-5:30 pm	Wed
	<i>Beginning June 3</i>	
	11:30 am-5:30 pm	Fri/Sat/Sun
	11:30 am-4:30 pm	Mon-Thu
<b>Membership/Billing Office</b>	8:00 am-5:00 pm	Daily
<b>Clubhouse Rental Office</b>	<i>By appointment only</i>	Mon-Sat
	<i>Closed concert Saturdays</i>	
<b>Beach Bag Store/Lake Services</b>	8:00 am-5:00 pm	Daily
	8:00 am-7:00 pm	Concert Saturdays
<b>Tackle Box/Boat Rentals</b>	8:00 am-7:00 pm	Daily
	<i>Last boat rented at 6:00 pm, due in at 7:00 pm</i>	
	<i>Beginning Sat, June 4</i>	
	8:00 am-8:00 pm	Daily
	<i>Last boat rented at 7:00 pm, due in at 8:00 pm</i>	

## Lake Mission Viejo Association Balance Sheet

December 31, 2021

	Operating Fund	Replacement Fund	Capital Expansion Fund	Contingency Fund	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 1,487,841	\$ 119,333	\$ 231,383	\$ 128,616	\$ 1,967,173
Investments, Net	498,000	3,471,000	747,000	249,000	4,965,000
Assessments Receivable, Net of Allowance for Uncollectible Assessments of \$355,000	57,509	-	-	-	57,509
Prepaid Expenses and Other Current Assets	376,299	-	-	-	376,299
	<u>2,419,649</u>	<u>3,590,333</u>	<u>978,383</u>	<u>377,616</u>	<u>7,365,981</u>
<b>LONG TERM INVESTMENTS</b>					
Investments, Net	-	3,734,000	-	-	3,734,000
	<u>\$ 2,419,649</u>	<u>\$ 7,324,333</u>	<u>\$ 978,383</u>	<u>\$ 377,616</u>	<u>\$ 11,099,981</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable and Accrued Expenses	\$ 188,292	\$ -	\$ -	\$ -	\$ 188,292
Accrued Payroll and Related Expenses	150,894	-	-	-	150,894
Deferred Revenues	2,080,463	-	-	-	2,080,463
Other Payables	-	-	-	-	-
	<u>2,419,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,419,649</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>FUND BALANCE</b>	-	7,324,333	978,383	377,616	8,680,332
	<u>\$ 2,419,649</u>	<u>\$ 7,324,333</u>	<u>\$ 978,383</u>	<u>\$ 377,616</u>	<u>\$ 11,099,981</u>

## Lake Mission Viejo Association

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

For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Capital Expansion Fund	Contingency Fund	Total
<b>REVENUES</b>					
Assessments	\$ 5,470,899	\$ 885,000	\$ -	\$ -	\$ 6,355,899
Boat Rental and Storage	464,873	-	-	-	464,873
Interest	83,821	-	-	-	83,821
Recreation and Sales	312,114	-	-	-	312,114
Other	780,475	-	-	-	780,475
	<u>7,112,182</u>	<u>885,000</u>	<u>-</u>	<u>-</u>	<u>7,997,182</u>
<b>EXPENSES</b>					
Concerts and Special Events	614,455	-	-	-	614,455
Consulting and Outside Services	381,740	-	-	-	381,740
Fish Stocking	12,620	-	-	-	12,620
General and Administrative	325,653	-	-	-	325,653
Insurance	309,843	-	-	-	309,843
Lake Refill and Quality Management	1,008,985	-	-	-	1,008,985
Maintenance and Repairs	465,357	708,374	-	11,170	1,184,901
Professional Services	186,570	-	-	-	186,570
Salaries and Related	3,686,070	-	-	-	3,686,070
Uncollectible Membership Dues and Fees	24,000	-	-	-	24,000
Utilities	205,497	-	-	-	205,497
	<u>7,220,790</u>	<u>708,374</u>	<u>-</u>	<u>11,170</u>	<u>7,940,334</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	(108,608)	176,626	-	(11,170)	56,848
<b>BEGINNING FUND BALANCE</b>	933,654	7,147,707	153,337	388,786	8,623,484
<b>INTERFUND TRANSFERS</b>	(825,046)	-	825,046	-	-
<b>ENDING FUND BALANCE</b>	\$ -	\$ 7,324,333	\$ 978,383	\$ 377,616	\$ 8,680,332

## Lake Mission Viejo Association Statement of Cash Flows

For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Capital Expansion Fund	Contingency Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess (Deficiency) of Revenues Over Expenses	\$ (108,608)	\$ 176,626	\$ -	\$ (11,170)	\$ 56,848
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating activities:					
(Increase) Decrease in:					
Assessment Receivable	34,081	-	-	-	34,081
Prepaid Expenses and Other Assets	855	-	-	-	855
Increase (Decrease) in:					
Accounts Payable and Accrued Expenses	47,539	-	-	-	47,539
Accrued Payroll and Related Expenses	(34,261)	-	-	-	(34,261)
Deferred Revenues	301,781	-	-	-	301,781
Other Payables	(439)	-	-	-	(439)
	<u>240,948</u>	<u>176,626</u>	<u>-</u>	<u>(11,170)</u>	<u>406,404</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Redemptions of Investments	1,512,000	2,951,000	-	249,000	4,712,000
Purchase of Investments	(498,000)	(3,983,000)	(747,000)	(249,000)	(5,477,000)
	<u>1,014,000</u>	<u>(1,032,000)</u>	<u>(747,000)</u>	<u>-</u>	<u>(765,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interfund transfers	(825,046)	-	825,046	-	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>429,902</b>	<b>(855,374)</b>	<b>78,046</b>	<b>(11,170)</b>	<b>(358,596)</b>
<b>BEGINNING 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>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$1,487,841</b>	<b>\$ 119,333</b>	<b>\$231,383</b>	<b>\$128,616</b>	<b>\$1,967,173</b>

## INDEPENDENT AUDITOR'S REPORT

Board of Directors, Lake Mission Viejo Association

Continued from page 1

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, 2021, 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.

Irvine, California  
April 13, 2022

## Lake Mission Viejo Association Summary of Significant Accounting Policies

For the Year Ended December 31, 2021

**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, 2021, the development consisted of 24,846 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 13, 2022, 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, 2021, 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, 2021 totaled approximately \$1,146,000 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 0.10% to 2.85%. 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. The expense is

Continued on page 4



## Summary of Significant Accounting Policies

Continued from page 3

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 2021, 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, 2021 (Unaudited)

Component	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Cost	Replacement Fund Balance
Automobiles	0 to 10	\$346,000	\$266,858
Carpeting/Flooring	0 to 4	80,153	45,507
Small Equipment	0 to 29	344,325	227,887
Snack Bar Equipment	0 to 22	91,300	64,591
Asphalt	0 to 9	1,216,468	730,770
Boats	0 to 8	1,003,610	809,569
Boat Motors	0 to 3	82,400	65,820
Tractors	0 to 5	105,750	83,810
Sand	2	216,000	123,429
Mini Trucks/Carts	0 to 1	132,700	127,700
Maintenance Equipment	0 to 10	422,800	325,151
Fencing, Railing And Gates	0 to 27	1,132,318	615,669
Recreation Structures	0 to 19	2,921,829	2,156,572
Landscape And Irrigation	0	70,600	456,587
Lighting	0 to 19	580,750	175,335
Lake Equipment	0 to 8	179,600	203,225
Air Conditioning Equipment	0 to 9	116,350	67,879
Painting	0 to 7	183,600	86,116
Component Renovations		-	330,771
Other		25,300	361,087
		<b>\$9,251,853</b>	<b>\$7,324,333</b>



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

December 31, 2021 (Unaudited)

In October 2021, 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, 2021. 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, 2021

### 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 \$778,500 has been included in the 2022 budget.

For the year ended December 31, 2021 the contributions to the replacement fund totaled approximately \$885,000.

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, 2021 the contributions, to the contingency funds totaled approximately \$825,000.

**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.