



Principals

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Independent Auditor's Report

To the Board of Directors of
Lafayette Village Community Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lafayette Village Community Association, Inc., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, members' equity and cash flows for the years 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 audits. We conducted our audits 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 Lafayette Village Community Association, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Goldklang Group CPAs, P.C.

Reston, Virginia
April 10, 2017

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 240,681	\$ 213,723
Interest-Bearing Deposits	300,000	300,000
Assessments Receivable - Net	3,466	1,517
Accrued Interest	989	931
Prepaid Expenses	<u>4,035</u>	<u>4,217</u>
Total Assets	<u>\$ 549,171</u>	<u>\$ 520,388</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 20,093	\$ 3,926
Income Taxes Payable	-	3,534
Prepaid Assessments	<u>33,143</u>	<u>38,488</u>
Total Liabilities	<u>\$ 53,236</u>	<u>\$ 45,948</u>
Replacement Reserves	\$ 473,871	\$ 408,125
Unappropriated Members' Equity	<u>22,064</u>	<u>66,315</u>
Total Members' Equity	<u>\$ 495,935</u>	<u>\$ 474,440</u>
Total Liabilities and Members' Equity	<u>\$ 549,171</u>	<u>\$ 520,388</u>

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<u>INCOME:</u>		
Assessments	\$ 399,756	\$ 399,756
Late Fees	702	1,610
Legal Fee Reimbursements	1,835	3,620
Interest	3,189	2,088
Bad Debt Recovery	-	345
Other	1,010	3,756
	<u>\$ 406,492</u>	<u>\$ 411,175</u>
 <u>EXPENSES:</u>		
Management	\$ 44,928	\$ 43,200
Legal, Audit and Tax Preparation	17,988	23,922
Insurance	9,827	9,405
Recording Secretary	1,680	2,145
Administrative	5,220	6,565
Electricity - Security Lights	4,665	4,829
Pool Operations	43,892	47,533
Grounds Maintenance	73,600	73,000
Landscaping and Tree Service	30,951	25,568
Trash Removal	43,112	46,753
Snow Removal	16,378	11,008
Common Area Maintenance	6,524	10,738
Reserve Study	2,805	-
Bad Debt	257	-
Income Taxes	602	202
	<u>\$ 302,429</u>	<u>\$ 304,868</u>
 Net Income before Contribution to Reserves	 <u>\$ 104,063</u>	 <u>\$ 106,307</u>
Contribution to Reserves	(82,000)	(79,992)
	<u>\$ 22,063</u>	<u>\$ 26,315</u>

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2014	\$ 259,256	\$ 118,409	\$ 377,665
Additions:			
Contribution to Reserves	79,992		79,992
Transfer from Deferred Revenue	34,394		34,394
Net Income		26,315	26,315
Inter-Equity Transfer	78,409	(78,409)	
Deductions:			
Landscaping	(18,500)		(18,500)
Fences	(14,820)		(14,820)
Water Heater	(6,893)		(6,893)
Pool Umbrellas	(2,716)		(2,716)
Table	(997)		(997)
Balance as of December 31, 2015	\$ 408,125	\$ 66,315	\$ 474,440
Additions:			
Contribution to Reserves	82,000		82,000
Net Income		22,063	22,063
Inter-Equity Transfers	66,314	(66,314)	
Deductions:			
Concrete	(16,278)		(16,278)
Landscaping	(5,740)		(5,740)
Pool House Renovations	(42,050)		(42,050)
Retaining Wall	(17,500)		(17,500)
Surveying	(1,000)		(1,000)
Balance as of December 31, 2016	<u>\$ 473,871</u>	<u>\$ 22,064</u>	<u>\$ 495,935</u>

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 22,063	\$ 26,315
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense (Recovery)	257	(345)
Decrease (Increase) in:		
Assessments Receivable	(2,206)	1,062
Income Taxes Receivable	-	2,066
Accrued Interest	(58)	(931)
Prepaid Expenses	182	(973)
Increase (Decrease) in:		
Accounts Payable	16,167	476
Income Taxes Payable	(3,534)	(1,874)
Prepaid Assessments	<u>(5,345)</u>	<u>(221)</u>
Net Cash Flows from Operating Activities	<u>\$ 27,526</u>	<u>\$ 25,575</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 82,000	\$ 79,992
Disbursed for Reserve Expenditures	(82,568)	(43,926)
Received from Interest-Bearing Deposits	50,000	51,132
Disbursed for Interest-Bearing Deposits	<u>(50,000)</u>	<u>(351,132)</u>
Net Cash Flows from Investing Activities	<u>\$ (568)</u>	<u>\$ (263,934)</u>
Net Change in Cash and Cash Equivalents	\$ 26,958	\$ (238,359)
Cash and Cash Equivalents at Beginning of Year	<u>213,723</u>	<u>452,082</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 240,681</u></u>	<u><u>\$ 213,723</u></u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 4,136</u>	<u>\$ 2,073</u>

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF OPERATIONS:

The Association is incorporated under the laws of the Commonwealth of Virginia in 1983 for the purposes of maintaining and preserving the common property of the Association. The Association is located in Annandale, Virginia and consists of 21 detached homes and 294 townhomes. The Board of Directors administers the operations of the Association.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting in which revenues are recognized when earned and expenses recognized when incurred, not necessarily when received or paid.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from homeowners. The Association's policy is to assess late and interest charges and to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Common real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, the land, recreational facilities and site improvements.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the 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.

E) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

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

The Association had a replacement reserve study conducted by Reserve Advisors during 2012. The Association had an updated study conducted by Reserve Advisors during 2016. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the 2016 study.

The 2012 study recommends a contribution to reserves of \$79,600 for 2016 plus interest of \$2,333. During 2016, the Association budgeted to contribute \$82,000 to reserves. In addition, the Association transferred \$66,314 from unappropriated members' equity.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2016 and 2015, the Association had designated \$473,871 and \$408,125, respectively, for replacement reserves. These designated reserves were funded by cash and interest-bearing deposits.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt homeowners association or as an association taxable as a corporation. As an exempt homeowners association, the Association's net assessment income would be exempt from income tax, but its interest would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For 2016 and 2015, the Association's income taxes were calculated using the exempt method, which resulted in no income tax liability.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2016 and 2015, the Association incurred \$602 and \$202, respectively, in penalties or interest related to income taxes. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the Commonwealth of Virginia.

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2016, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>	<u>Total</u>
Eagle Bank	Checking	\$ 22,625	\$ -	\$ 22,625
Wells Fargo	Deposit Sweep	218,056		218,056
Wells Fargo				
Various Institutions	Certificates of Deposit (6)		<u>300,000</u>	<u>300,000</u>
	Totals	<u>\$ 240,681</u>	<u>\$ 300,000</u>	<u>\$ 540,681</u>

Cash and securities held at a SIPC member brokerage firm are insured by the SIPC for up to \$500,000, which includes \$250,000 limit for cash. The Association maintains funds in a brokerage account which are subject to SIPC limits.

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

	<u>2016</u>	<u>2015</u>
Assessments Receivable	\$ 10,046	\$ 8,182
Less: Allowance for Doubtful Assessments	<u>(6,580)</u>	<u>(6,665)</u>
Assessments Receivable - Net	<u>\$ 3,466</u>	<u>\$ 1,517</u>

NOTE 7 - DEFERRED REVENUE:

During 2010, the Association received \$23,281 (\$23,269 principal and \$12 interest) from the Virginia Department of Transportation related to a land condemnation required for highway improvements and an additional \$1,800 for a temporary easement agreement for the same highway project. The Association also received \$13,914 related to the same project in 2012. The Association incurred \$4,589 in related expenses in 2013. \$34,394 was recorded as deferred revenue as of December 31, 2014, which consists of total principal received minus related expenses. During 2015, the Association transferred the \$34,394 of deferred revenue to replacement reserves. As of December 31, 2016 and 2015, the balance of deferred revenue was \$0.

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 10, 2017, the date the financial statements were available to be issued.

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2016
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors during 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement; however, the Association's replacement reserve study does take inflation into consideration when evaluating future expenditures and recommended contributions to reserves.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	<u>2016 Estimated Remaining Useful Life (Years)</u>	<u>2016 Estimated Replacement Cost</u>
Property Site Elements	1-30+	\$ 1,767,040
Pool House Elements	2-20	44,750
Pool Elements	2-26	651,154
Reserve Study Update	2	2,700