



The Lakes Myrtle Beach

Q1 2023 Financial Review

Section 1

- Types of accounting methods
- Impact & Compliance fees
- Locating the Balance Sheet & Income Statement
- Understanding the Balance Sheet
- Understanding the Income Statement
- Understanding the Reserve Account



Types of accounting methods for POA's

- Cash Accounting- Income and expenses are only recorded as cash flow occurs.
- Accrual Accounting- expenses are recorded when incurred and revenue is recorded when dues are billed.
- Modified Accrual Accounting- This method takes from both cash & accrual methods, the A/R would be recorded when due and the A/P would be recorded when the money is actually paid.
- **THE POA USES THE ACCRUAL METHOD**
- *The accrual method is the only method that meets GAAP

ACC Impact & Compliance Fees

When a new home is built, the builder/ developer pays 2 fees:

1. **The Compliance Fee-** is a \$2,000.00 refundable fee. If the builder is found to not comply, a fine will be issued and deducted from the refund.
2. **The Impact Fee-** is a non-refundable fee that is raised by 5% per year. All fees collected are applied to the **Road Reserve**.
 - 2023 rate is \$1,407.11

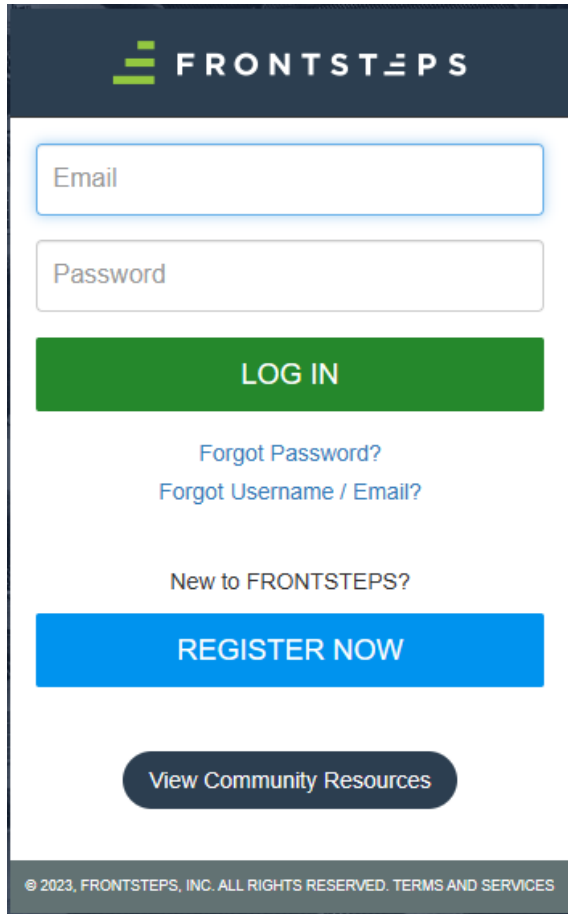
Frontsteps is the **ONLY** official website for financial information

<https://thelakes.frontsteps.com/>

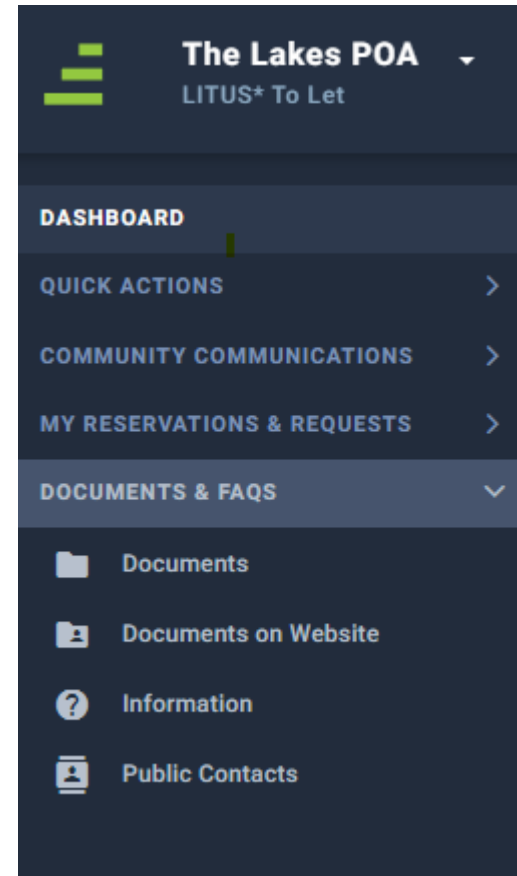
You may also use <https://thelakes.us/> to access Frontsteps

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How to Access Balance Sheet & Income Stmt.



The image shows the FrontSteps login and registration page. At the top is the FrontSteps logo. Below it are two input fields: 'Email' and 'Password'. A green 'LOG IN' button is positioned below the password field. Underneath the login button are two links: 'Forgot Password?' and 'Forgot Username / Email?'. Below these links is the text 'New to FRONTSTEPS?' followed by a blue 'REGISTER NOW' button. At the bottom of the main content area is a dark blue button labeled 'View Community Resources'. The footer contains the copyright notice: '© 2023, FRONTSTEPS, INC. ALL RIGHTS RESERVED. TERMS AND SERVICES'.



The image shows the dashboard menu for 'The Lakes POA'. The header includes the logo and the text 'The Lakes POA' with a dropdown arrow, and 'LITUS+ To Let' below it. The main menu items are: 'DASHBOARD', 'QUICK ACTIONS', 'COMMUNITY COMMUNICATIONS', 'MY RESERVATIONS & REQUESTS', and 'DOCUMENTS & FAQS'. The 'DOCUMENTS & FAQS' item is expanded, showing a list of links: 'Documents', 'Documents on Website', 'Information', and 'Public Contacts'.

Choose Financial Reports for Owners

Internal Documents

Folders



Financial Reports for Owners
2 Item



Governing Documents
22 Item



LRC
12 Item



Maintenance committee
1 Item



Newsletters & Bulletins
27 Item



Political Signage
1 Item

Financial Reports for Owners



2022 Owner Financial Reports
12 Item



2023 Owner Reports
2 Item

File Name ▲	Category	Uploaded At	Actions
No files			

Reports are posted on the 15th of the month

INTERNAL DOCUMENTS

Internal Documents > Financial Reports for Owners > 2023 Owner Reports

2023 Owner Reports



(01) January 2023 Owner Reports
2 Item



(02) February 2023 Owner Reports
2 Item

File Name ▲	Category	Uploaded At	Actions
No files			

(02) February 2023 Owner Reports

File Name ▲	Category	Uploaded At	Actions
Lakes Balance Sheet		3:00:26 PM Mar 14 2023	
Lakes Income Statement		3:00:33 PM Mar 14 2023	

Understanding the Balance Sheet

- Assets are cash or anything that can be converted to cash
- Liabilities is the A/P
- Reserves is the allocation of reserve funds
- Equity is the net worth

The Lakes POA

Balance Sheet
As of 03/31/23

		ASSETS	
1160	United Community Bank-oper	\$	203,093.11
1165	United Comm Bank-Compliance		136,780.29
1175	United Community Bank-MM		395,039.39
TOTAL ASSETS			\$ 734,912.79
			=====
		LIABILITIES & EQUITY	
CURRENT LIABILITIES:			
Subtotal Current Liab.			\$.00
RESERVES:			
2505	Reserves - Unallocated	\$	98,387.99
2510	Reserves - Road		296,651.40
2550	Compliance Account		136,780.29
Subtotal Reserves			\$ 531,819.68
EQUITY:			
2710	Fund Balance	\$	47,383.53
	Current Year Net Income/(Loss)		155,709.58
Subtotal Equity			\$ 203,093.11
TOTAL LIABILITIES & EQUITY			\$ 734,912.79
			=====

The Lakes POA

Page: 1

Income/Expense Statement

Period: 03/01/23 to 03/31/23

Account	Description	Actual	Current Period Budget	Variance	Actual	Year-To-Date Budget	Variance	Yearly Budget
INCOME:								
03110	Assessment Income	9,212.50	.00	9,212.50	296,073.00	298,866.00	(2,793.00)	298,866.00
03190	Violations	3,550.00	1,166.66	2,383.34	5,604.50	3,499.98	2,104.52	14,000.00
03340	Late Fee Income	98.00	125.00	(27.00)	350.00	375.00	(25.00)	1,500.00
03380	Owner Admin Fee Income	180.00	250.00	(70.00)	840.00	750.00	90.00	3,000.00
03450	Prepaid Assessments	101.00	.00	101.00	(134,974.50)	.00	(134,974.50)	.00
03520	Misc Income	.00	.00	.00	21.14	.00	21.14	.00
03810	Impact Fees	83,019.49	.00	83,019.49	83,019.49	.00	83,019.49	.00
03910	Bank Interest Earned Income	.00	.00	.00	499.24	.00	499.24	.00
03925	Certificate of Assessment	350.00	333.33	16.67	1,000.00	999.99	.01	4,000.00
	Subtotal Income	96,510.99	1,874.99	94,636.00	252,432.87	304,490.97	(52,058.10)	321,366.00
EXPENSES								
Repairs & Maintenance								
04527	Landscape Maint & Repair	13,380.48	5,166.66	(8,213.82)	38,274.44	15,499.98	(22,774.46)	62,000.00
04528	Lakes Maint & Repair	2,600.00	2,500.00	(100.00)	7,800.00	7,500.00	(300.00)	30,000.00
04530	General Maint and Repair	3,648.24	83.33	(3,564.91)	7,234.91	249.99	(6,984.92)	1,000.00
04542	Plantings & Mulch	.00	250.00	250.00	.00	750.00	750.00	3,000.00
04545	Social Events	69.81	83.33	13.52	211.84	249.99	38.15	1,000.00
04560	Road Repairs/Maintenance	.00	208.33	208.33	.00	624.99	624.99	2,500.00
04566	Security/Law Enforce. Serv	.00	250.00	250.00	.00	750.00	750.00	3,000.00
04571	Signage	1,233.20	83.33	(1,149.87)	1,353.89	249.99	(1,103.90)	1,000.00
04595	Geese Removal	.00	500.00	500.00	.00	1,500.00	1,500.00	6,000.00
	Repairs & Maintenance	20,931.73	9,124.98	(11,806.75)	54,875.08	27,374.94	(27,500.14)	109,500.00
General & Administrative								
05010	OffSupply/Print/Storage	678.78	833.33	154.55	1,073.97	2,499.99	1,426.02	10,000.00
05030	Postage/Newsletters	161.01	750.00	588.99	656.58	2,250.00	1,593.42	9,000.00
05040	Legal Services	.00	625.00	625.00	10.00	1,875.00	1,865.00	7,500.00
05050	CPA Accounting and Audit	.00	416.66	416.66	.00	1,249.98	1,249.98	5,000.00
05060	Bank Service Charges	.00	20.83	20.83	154.05	62.49	(91.56)	250.00
05070	Management Service Fees	2,443.00	2,443.00	.00	7,329.00	7,329.00	.00	29,316.00
05075	48 Violation Inspections	1,166.67	1,166.66	(.01)	3,500.01	3,499.98	(.03)	14,000.00
05110	Insurance Expense	.00	1,250.00	1,250.00	.00	3,750.00	3,750.00	15,000.00
05120	Meeting Expense	.00	166.66	166.66	175.00	499.98	324.98	2,000.00
05140	Website	.00	.00	.00	325.00	325.00	.00	1,300.00
	General & Administrative	4,449.46	7,672.14	3,222.68	13,223.61	23,341.42	10,117.81	93,366.00



Understanding Reserves

Our road reserves were established by amendment in 1993.



How do we manage Reserves?

The reserve account is for reserve items only. Ordinary expenses should not be paid from this account.

When funds are deposited into the reserve account those funds are identified as reserve funds and must remain in the account until maintenance or repair occurs.

If funds are needed to cover expenses. The board can legally approve the “borrowing” with a plan in place to replace/replenish the borrowed funds.

Reserves Before & After

February Balance Sheet

RESERVES:

2505	Reserves - Unallocated	\$ (180,425.87)	
2510	Reserves - Road	294,401.44	
2515	Reserves - Lakes	6,491.01	
2520	Reserves - Drainage	587.62	
2530	Reserves - Savings	187,222.45	
2550	Compliance Account	140,780.29	
2570	Resv - Contingencies	999.96	
	Subtotal Reserves		\$ 450,056.90

March Balance Sheet

RESERVES:

2505	Reserves - Unallocated	\$ 98,387.99	
2510	Reserves - Road	296,651.40	
2550	Compliance Account	136,780.29	
	Subtotal Reserves		\$ 531,819.68

Section 2

- Financial events of the past three years
- How the membership was advised of ongoing financial stress
- 2021 chart
- 2022 chart
- 2021 & 2022 review results

Financial events & how they affect us

- For the past 3 years the world has been chaotic; these events that have impacted our financial picture:
- 2020: the pandemic, 14.7% unemployment, the financial crash & recovery, the supply chain disruption, remote work, Time Warner contract terminated.
- 2021: Inflation, global energy crisis, crypto currencies (bitcoin), used car prices
- 2022: the fed rate hikes, record high inflation, the great resignation, Russia invades Ukraine.
- All these factors made it more difficult to get needed materials, work done & it became more expensive to run the POA

How the Financial Condition was relayed to membership:

The following are a few excerpts from The Communicator

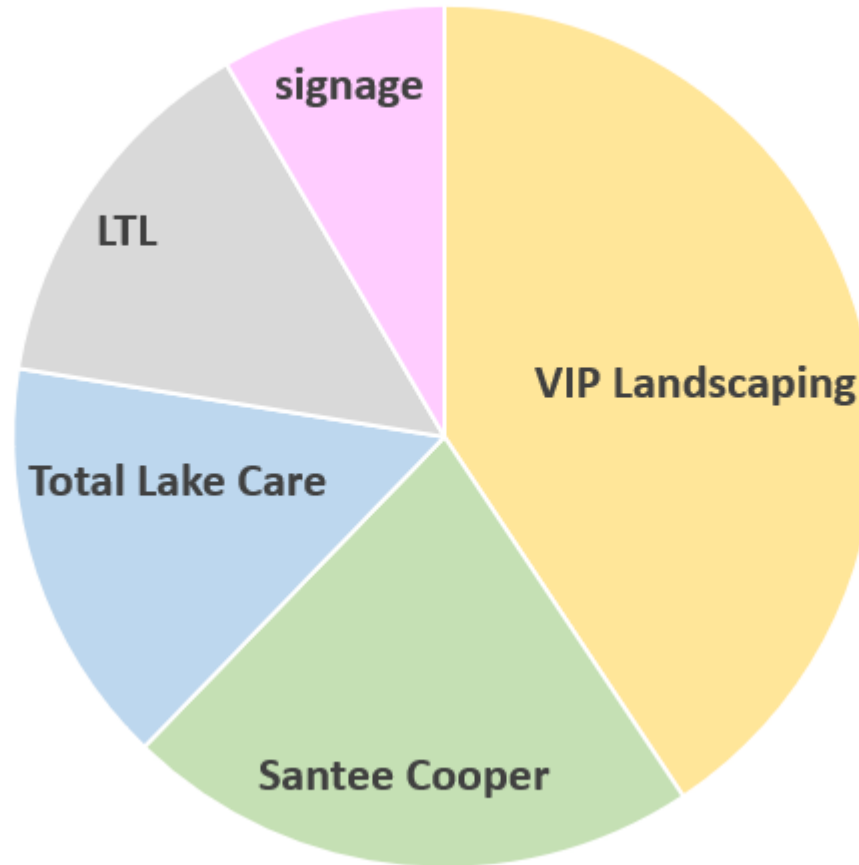
April 2022 Finance report: “As we are all painfully aware, costs for everyday items are rising at a dramatic pace.”

July 2022 Finance Report: “There has been a balance sheet change in that we have cashed in two annuity investments that had matured. These two investments: American General Insurance Company (\$123,001) & Forethought Life(\$88,676) will now show in our money market account

September 2022 Finance Report: The last few months have been very difficult for the POA and its finances. Costs have gone through the roof with many services tripling from what they were last year. Costs have risen so fast and so high that the budget has been overwhelmed and we need to use some of our savings to pay ongoing bills”

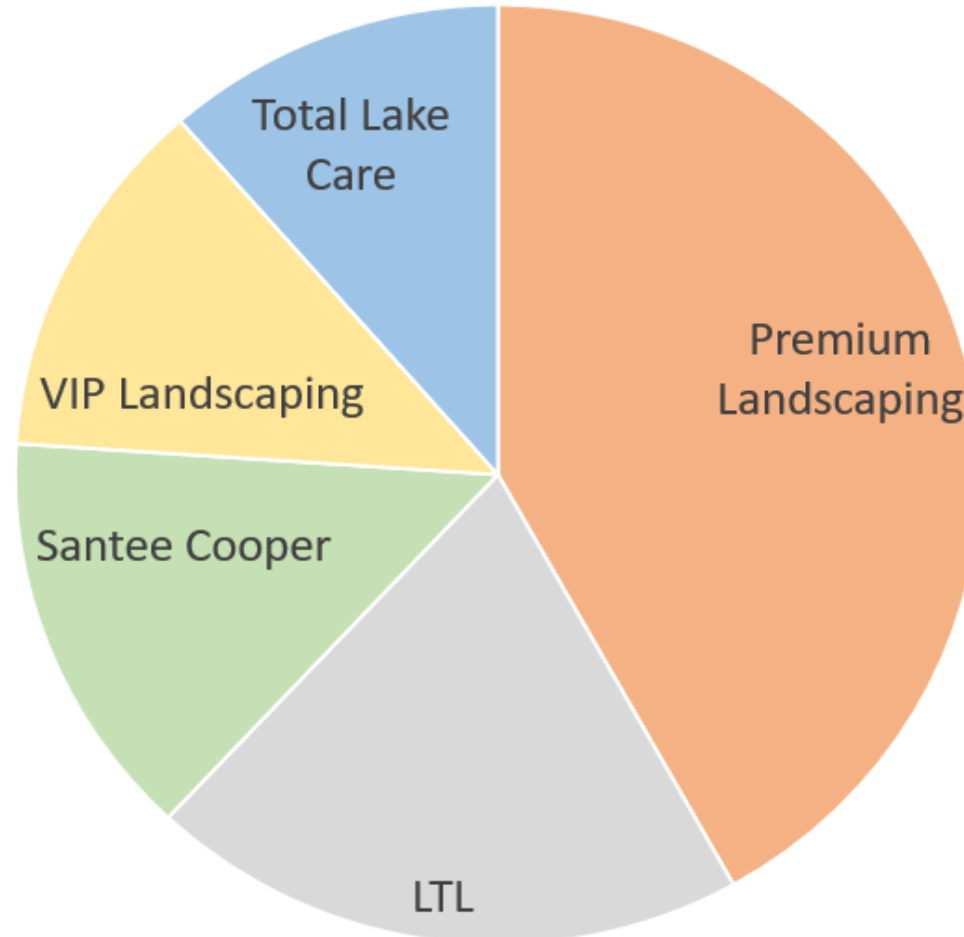
2021- Overbudget by 42%

Top 5 vendors the POA paid in 2021



2022- Overbudget by 65%

Top 5 Items the POA paid in 2022



Lakes Annual Dues Analysis

Annual Dues VS Actual Spend					
	# Houses	Due \$	Total to Spend	Actual Spend	Difference
2012	498	348.00	173,304.00	443,649.00	-270,345.00
2013	502	365.00	183,230.00	222,713.00	-39,483.00
2014	525	383.00	201,075.00	219,726.00	-18,651.00
2015	525	383.00	201,075.00	285,588.00	-84,513.00
2016	565	402.00	227,130.00	307,078.00	-79,948.00
2017	565	402.00	227,130.00	265,217.00	-38,087.00
2018	565	402.00	227,130.00	300,199.00	-73,069.00
2019	568	402.00	228,336.00	279,347.00	-51,011.00
2020	601	402.00	253,622.00	402,249.00	-148,627.00
2021	677	402.00	272,154.00	373,000.47	-100,846.47
2022	702	402.00	282,204.00	419,855.70	-137,651.70
2023	708	422.00	298,776.00	TBD	

Lakes Annual Dues Analysis- 2

If Annual Dues were increased 5% Y/Y Vs. Actual Spend					
	# Houses	Due \$	Total to Spend	Actual Spend	Difference
2012	498	348.00	173,304.00	443,649.00	-\$270,345.00
2013	502	365.00	183,230.00	222,713.00	-\$39,483.00
2014	525	383.00	201,075.00	219,726.00	-\$18,651.00
2015	525	402.00	211,050.00	285,588.00	-\$74,538.00
2016	565	422.00	238,430.00	307,078.00	-\$68,648.00
2017	565	443.00	250,295.00	265,217.00	-\$14,922.00
2018	565	465.00	262,725.00	300,199.00	-\$37,474.00
2019	568	488.00	277,184.00	279,347.00	-\$2,163.00
2020	601	512.00	307,712.00	402,249.00	-\$94,537.00
2021	677	537.00	363,549.00	373,000.47	-\$9,451.47
2022	702	563.00	395,226.00	419,855.70	-\$24,629.70
2023	708	591.00	418,428.00		

2021 & 2022 review results:

- The POA should have 3 months of expenses reserved within the operating account at year end, we do not
- The POA obligations are not in sync with the budget
- Historically dues have not increased to keep up with higher costs
- All investments were exhausted and used to fund the shortfalls
- \$422.00 will not sufficiently sustain 2023 obligations
- Our reserves are underfunded



Section 3 - Q1 Results

- 2023 Budget
- 2023 Projected Spending
- DR Horton Compliance & Impact Fees
- Operating & MM account details (Jan~ Mar)
- How to get back on track
- Goals

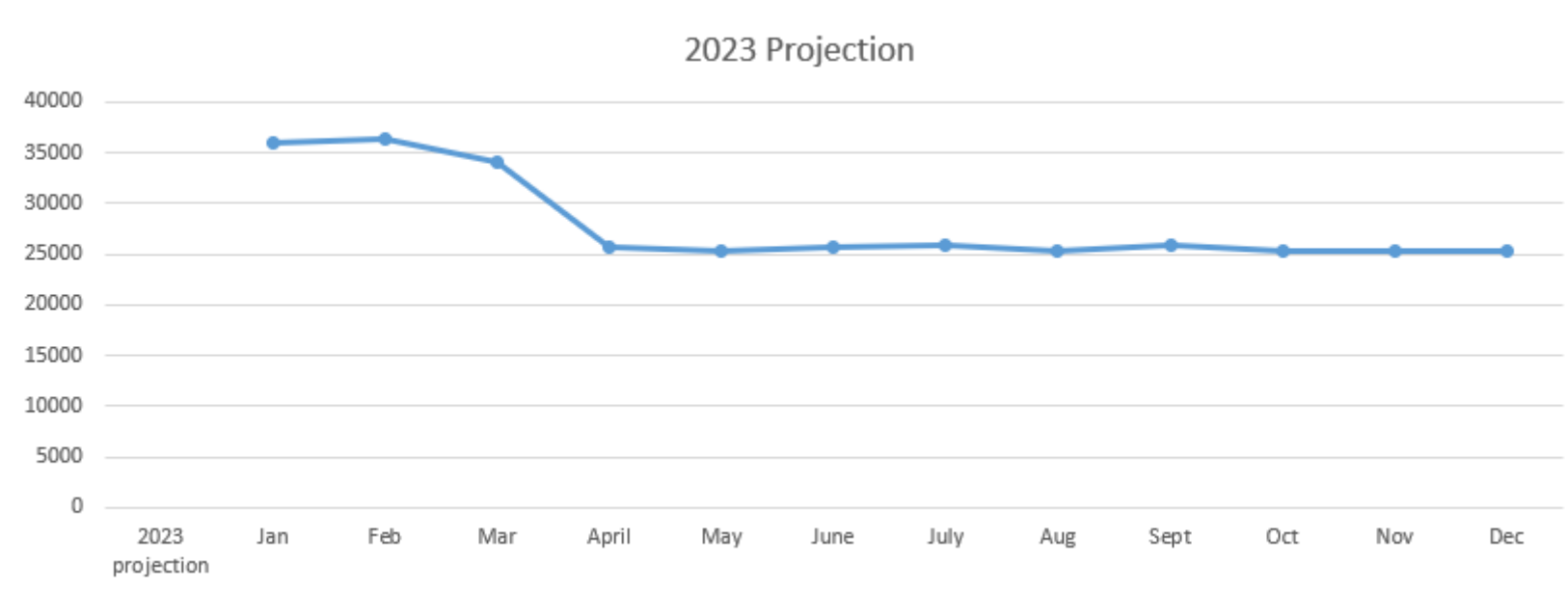
2023 Budget

- The 2023 budget is based on the following:
- 708 Homes x 422 dues= \$298,776
- 298,776 is the amount we have for operating expenses & reserve funding
- $298,776 / 12 = \$24,898$ - available to spend per month
- Any monies spent over 24,898 per month is **over budget**

* Dependent on 100% collection of yearly dues, 35K past due as of 3/31/23

2023 Projected Spend

- Gooseman Jack's services have been terminated
- Overall costs have been reduced a/o March 2023 to keep our monthly spend around 25K per month (this is still overbudget)



DR Horton Construction:

Compliance: Received \$128,000.00 (64 lots) 3 lots remaining

- Total refunded to DR Horton \$40,800.00
- Total in violations (to POA Operating account) \$5,000.00

Impact Fees: Received \$83,019.49 to Reserves

- 59 lots paid x 1,407.11 = \$83,019.49
 - 8 lots remaining
-
- Impact fees are first deposited to the operating account, then moved to the Reserve Account
 - ACC account is audited every quarter & is in balance

Operating Account Jan ~ March 2023

Operating Account				
Cash Flow- January 2023 ~March 2023				
Beginning balance	MO	IN	OUT	\$ 122,590.01
Payments Received	J	\$ 152,935.00		\$ 275,525.01
Accounts Payable	J		\$ 30,987.43	\$ 244,537.58
Payments Received	F	\$ 22,595.69		\$ 267,133.27
Accounts Payable	F		\$ 29,940.83	\$ 237,192.44
Payments Received	M	\$ 96,193.99		\$ 333,386.43
Accounts Payable	M		\$ 118,694.88	\$ 214,691.55
Ending Balance 03/31/23				\$ 214,691.55

Impact Fees pass through the operating account before being credited to the MM account

Money Market (Reserves) Jan ~ March 2023

Cash Flow- January 2023 ~March 2023

Allocation		IN	OUT	\$	Source
To Lakes	J	\$ 500.00		\$ 301,813.53	Monthly contribution
To unallocated	J	\$ 1,250.00		\$ 302,313.53	Monthly contribution
to unallocated	J	\$ 175.04		\$ 303,563.53	Interest earned
to unallocated	F	\$ 187.14		\$ 303,738.57	interest earned
from Unallocated	F		\$ 550.00	\$ 303,925.71	ck #35in error/ will correct
to Unallocated	F	\$ 1,250.00		\$ 303,375.71	Monthly contribution
To Lakes	F	\$ 500.00		\$ 304,625.71	Monthly contribution
To Unallocated	M	\$ 83,019.49		\$ 305,125.71	Monthly contribution
ck#35-corr- UA	M	\$ 550.00		\$ 388,145.20	Impact Fees
to Unallocated	M	\$ 500.00		\$ 388,695.20	Correction for error
To Road	M	\$ 1,250.00		\$ 389,195.20	Monthly contribution
3/7 wells fargo (road)	M	\$ 4,594.19		\$ 390,445.20	Monthly contribution
Interest	M	\$ 214.01		\$ 395,039.39	Wells Fargo acct close
Ending Balance as of 3/31/23				\$ 395,253.40	Interest/ apply in April

We transfer \$1,750.00 each month from the operating account to Reserves

How to get back on track financially

1

Propose a special assessment to be charged in the amount of \$250.00

2

Review all contracts & solicit bids if/when necessary

3

Recommend the addition of a Capital Contribution Fee

4

Consider raising the annual dues by \$100.00 for the next 2 years

5

Explore the sale of “common property”

Items 1, 3, 4 & 5 will require membership vote



Goals for 2023

- Monitor Spending
- Consider the impact of each item before approving purchase
- Ensure all funds in accounts are FDIC protected
- Invest funds over the FDIC threshold <250K
- Create a finance handbook for subsequent boards

Was this presentation helpful to you?

Please send an email to Karen Tucker at LITUS (ktucker@litustolet.com) with your thoughts & suggestions, or any other POA questions.

Need help signing on to Frontsteps? Have a question you would like to discuss in person? Stop by the office, during the posted office hours, we'll be happy to help!