

## **Discussion Item**

# **2019 Draft Audit**

# Goldklang Group<sup>®</sup>

CPAs, P.C.

## Principals

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA  
Jeremy W. Powell, CPA  
Renee L. Watson, CPA

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

## Associate Principals

Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

December 18, 2019

Board of Directors

Parkfairfax Condominium Unit Owners Association

Dear Board Members:

Enclosed, please find the draft audit for Parkfairfax Condominium Unit Owners Association for the year ended May 31, 2019.

- Please sign and date the enclosed representation letter. The letter should be signed by either the President or Treasurer of the Association and the management agent representative. **This letter needs to be returned to our office before the audit can be finalized.**
- Please send the Association's most recent financial statements (which should include the balance sheet and income statement) to our office with the signed representation letter. We are requesting this information to comply with auditing standards.
- **Please return the signed representation letter and most recent financial statements to our office within 60 days from the date of this letter.** This information can be mailed, faxed or emailed to our office. Our email address is [RLs@GGroupCPAs.com](mailto:RLs@GGroupCPAs.com).

If we do not receive the above information within 60 days from the date of this letter, we may need to perform additional audit procedures to satisfy ourselves that no material events have occurred from the date that we completed our audit fieldwork through the date that we receive the signed representation letter. These additional procedures would include examining the bank statements, minutes, financial statements, general ledger and would also include inquiries of management and the board of directors. **We will bill the Association for these additional audit procedures at our hourly rates.**

Please do not hesitate to contact us if there are any questions regarding the draft audit.

Sincerely,

***Goldklang Group CPAs, P.C.***

GOLDKLANG GROUP CPAs, P.C.

Exclusively serving Homeowners, Condominiums and Cooperative Associations in MD, DC and VA since 1974.

phone 703 391 9003 fax 703 391 9004 [www.GGroupCPAs.com](http://www.GGroupCPAs.com)

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## **INFORMATION INCLUDED WITH THE AUDIT**

**COVER LETTER** - The audit report is issued in draft for the Association to review. The cover letter explains what information must be returned to our office before the audit report (and other letters) can be finalized.

**INDEPENDENT AUDITOR'S REPORT** - This is our report on the Association's financial statements. Once finalized, the Association may distribute this document, along with the audited financial statements, notes to financial statements and any supplementary information in its entirety to members, potential members, etc.

**MANAGEMENT LETTER** - The management letter is not a required communication under auditing standards, but is a by-product of the audit. We generally issue a management letter to communicate our comments and recommendations. Use of this letter is restricted to the board of directors and management.

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE UNDER AU-C §260** - Under the Clarified Statements of Auditing Standards AU-C §260 we are required to communicate audit matters that, in our professional judgment, may be significant and relevant to those charged with governance of the Association. Use of this letter is restricted to the board of directors and management.

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES UNDER AU-C §265** - Under the Clarified Statements of Auditing Standards AU-C §265, we are required to communicate in writing any significant deficiencies and/or material weaknesses in the Association's internal controls. Use of this letter is restricted to the board of directors and management. If we did not note any significant deficiencies or material weaknesses, no letter will be issued.

**REPRESENTATION LETTER** - The representation letter is a letter from the Association to us confirming that to the best of your knowledge and belief all information was provided or disclosed to us. This letter needs to be signed by the President or Treasurer of the Association and the management agent representative. The letter needs to be returned to our office before the audit can be finalized.

**ADJUSTED TRIAL BALANCE AND ADJUSTING JOURNAL ENTRIES** - These are the proposed audit adjustments for the period under audit.

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## Independent Auditor's Report

To the Board of Directors of  
Parkfairfax Condominium Unit Owners Association

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Parkfairfax Condominium Unit Owners Association, which comprise the balance sheet as of May 31, 2019, and the related statements of income, members' equity 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.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkfairfax Condominium Unit Owners Association as of May 31, 2019, 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.

## **Other Matter on Predecessor Auditors**

The financial statements of Parkfairfax Condominium Unit Owners Association as of May 31, 2018, were audited by other auditors whose report, dated March 21, 2019, expressed an unmodified opinion on those statements.

## **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 15 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, which 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.

## **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 Actual Income and Expenses Compared to Budgeted Income and Expenses on pages 16-18 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. Except for that portion marked "Unaudited", on which we expressed no opinion, 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.

Reston, Virginia

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
BALANCE SHEET  
MAY 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 528,146
Interest-Bearing Deposits	4,350,000
Assessments Receivable - Net	64,291
Accounts Receivable - Laundry	7,000
Accrued Interest	15,316
Prepaid Expenses	212,455
Deferred Taxes	23,058
Property and Equipment - Net	<u>375,567</u>
Total Assets	<u>\$ 5,575,833</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable and Accrued Expenses	\$ 405,610
Accrued Payroll and Related Costs	172,429
Deposits - Security	7,829
Income Taxes Payable	12,111
Prepaid Assessments	251,453
Deferred Cable Commission	85,400
Deferred Laundry Allowance	<u>17,732</u>
Total Liabilities	<u>\$ 952,564</u>

Restricted Purpose Reserve - Awards	\$ 1,833
Replacement Reserves	3,254,811
Property Fund	375,567
Unappropriated Members' Equity	<u>991,058</u>
Total Members' Equity	<u>\$ 4,623,269</u>

Total Liabilities and	
Members' Equity	<u>\$ 5,575,833</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENT OF INCOME  
FOR THE YEAR ENDED MAY 31, 2019

INCOME:

Assessments	\$ 8,923,776
Interest	88,255
Unit Service Program - Repairs	50,195
Late Charges	5,623
Laundry Commission	36,124
Cable Commission	16,800
Resale Certificates	40,440
Advertising	15,891
Rental	151,923
Storage Rental	33,251
Bad Debt Recovery	36,492
Other	37,549
Total Income	<u>\$ 9,436,319</u>

EXPENSES:

Payroll and Related:	
Payroll - Management	\$ 327,581
Payroll - Administrative	295,239
Payroll - Maintenance	1,146,989
Payroll - Bonuses	808
Payroll Taxes - Management	26,458
Payroll Taxes - Administrative	20,647
Payroll Taxes - Maintenance	93,482
Retirement - Management	9,873
Retirement - Administrative	6,636
Retirement - Maintenance	22,340
Education/Training	2,808
Workers Compensation Insurance	72,572
Group Insurance	353,610
Total Payroll and Related	<u>\$ 2,379,043</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENT OF INCOME  
FOR THE YEAR ENDED MAY 31, 2019  
(CONTINUED)

Administrative:

Audit and Tax Preparation	\$ 18,687
Advertising/Employment	2,028
Engineering	4,850
Legal	36,893
Collections	13,160
Management	94,176
Office Supplies	16,620
Office/Machine Equipment	58,899
Office Systems Services	97,873
Professional Fees	1,248
Telephone	42,628
Other	30,744
Board/Annual Meeting	14,162
Communications/Newsletter	39,520
Copying	14,607
Committees and Activities	12,671
Association Owned Units	95,015
Postage	12,109
Printing	5,856
Total Administrative	<u>\$ 611,746</u>

Utilities:

Electricity	\$ 91,405
Gas	272,172
Water and Sewer	1,163,459
Total Utilities	<u>\$ 1,527,036</u>

Repairs:

General	\$ 140,108
Maintenance Supplies	58,648
Building Repairs and Insurance Losses	61,068
Electrical/Lighting	43,443
Equipment	2,861
Equipment and Tool Purchases	5,793

See Accompanying Notes to Financial Statements



PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENT OF INCOME  
FOR THE YEAR ENDED MAY 31, 2019  
(CONTINUED)

Repairs: (Continued)

Painting	262,795
Plumbing	70,150
Swimming Pool	16,908
Total Repairs	<u>\$ 661,774</u>

Services and Supplies:

Exterminating	\$ 45,105
Pool Contracts	98,820
Trash Removal Contract	354,718
Uniforms	33,990
Unit Service Program Supplies	21,608
Landscaping Contract	275,460
Landscaping Other	394,511
Vehicles	55,474
Cleaning	31,554
Exercise Facility	972
Total Services and Supplies	<u>\$ 1,312,212</u>

Other:

Taxes - Income	\$ 41,019
Taxes - Real Estate/Personal Property	27,837
Insurance - Building Liability	356,887
Permits/Licenses	150
Interest	6,057
Total Other	<u>\$ 431,950</u>

Total Expenses \$ 6,923,761

Net Income before Contribution

to Reserves \$ 2,512,558

Contribution to Reserves (2,643,372)

Net Income (Loss) \$ (130,814)

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENT OF MEMBERS' EQUITY  
FOR THE YEAR ENDED MAY 31, 2019

	<u>Restricted Purpose Reserve - Awards</u>	<u>Replacement Reserves</u>	<u>Property Fund</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of May 31, 2018	\$ 1,833	\$ 3,271,218	\$ 361,050	\$ 1,163,580	\$ 4,797,681
Addition:					
Contribution to Reserves		2,643,372			2,643,372
Inter-Equity Transfer			41,708	(41,708)	
Deductions:					
Depreciation			(27,191)		(27,191)
Exterior Building		(1,480,283)			(1,480,283)
Building Services		(674,957)			(674,957)
Exercise Room		(21,980)			(21,980)
Rental and Staff Units		(4,909)			(4,909)
Property Site		(471,038)			(471,038)
Pool		(6,612)			(6,612)
Net Loss				(130,814)	(130,814)
Balance as of May 31, 2019	<u>\$ 1,833</u>	<u>\$ 3,254,811</u>	<u>\$ 375,567</u>	<u>\$ 991,058</u>	<u>\$ 4,623,269</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	\$ (130,814)
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Adjustments to Reconcile Net Income (Loss)  
to Net Cash Provided by Operating Activities:

Bad Debt Expense (Recovery)	(36,492)
Deferred Tax Expense (Benefit)	(2,516)
Deferred Cable Commission	(16,800)
Deferred Laundry Allowance	(4,000)

Decrease (Increase) in:	
Assessments Receivable	(2,279)
Insurance Claim Receivable	58,042
Accounts Receivable - Laundry	(1,140)
Accrued Interest	(1,151)
Prepaid Expenses	(63,400)

Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	(164,612)
Accrued Payroll and Related Costs	(4,580)
Deposits - Security	600
Income Taxes Payable	(7,650)
Deferred Insurance Proceeds	(43,988)
Prepaid Assessments	(12,358)
Net Cash Flows from Operating Activities	<u>\$ (433,138)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Received from Assessments (Reserves)	\$ 2,643,372
Disbursed for Reserve Expenditures	(2,694,768)
Received from Interest-Bearing Deposits	1,258,000
Disbursed for Interest-Bearing Deposits	<u>(890,000)</u>
Net Cash Flows from Investing Activities	<u>\$ 316,604</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2019  
(CONTINUED)

CASH FLOWS FROM FINANCING ACTIVITIES:

Disbursed for Principal Payments	\$ (151,748)
Net Cash Flows from Financing Activities	<u>\$ (151,748)</u>
Net Change in Cash and Cash Equivalents	\$ (268,282)
Cash and Cash Equivalents at Beginning of Year	<u>796,428</u>
Cash and Cash Equivalents at End of Year	<u>\$ 528,146</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash Paid for Income Taxes	<u>\$ 48,669</u>
Cash Paid for Interest	<u>\$ 6,057</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019

NOTE 1 - NATURE OF OPERATIONS:

The Condominium is an Association organized under the laws of the Commonwealth of Virginia for the purposes of maintaining and preserving the common property of the condominium. The Association is located in Alexandria, Virginia, and consists of 1,684 units. The Association's Board of Directors administers the condominium operations.

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 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 unit owners. 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 - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements, because those properties are owned by the individual unit owners in common and not by the Association. Common property includes, but is not limited to, the exterior structures, mechanical equipment, and recreational facilities.

D) Depreciation - The Association owns furniture, equipment, vehicles, and condominium units that are carried at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets and is reflected in the property fund.

E) 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.

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

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019  
(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, Inc. during 2017. Information from this study is included in the Supplementary Information of Future Major Repairs and Replacements.

The study recommends a contribution to reserves of \$2,330,000 and an interest contribution of \$70,017 for fiscal year 2019. For fiscal year 2019, the Association budgeted to contribute \$2,643,372 to reserves.

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 Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of May 31, 2019, the Association had designated \$3,254,811 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 condominium or as an association taxable as a corporation. As an exempt condominium, the Association's net assessment income would be exempt from income tax, but its interest income 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 fiscal year 2019, the income taxes were calculated using the corporate method.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. 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.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019  
(CONTINUED)

**NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:**

As of May 31, 2019, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>
Union Bank	\$ 252,164	\$ -
BankUnited	130,276	
Petty Cash	500	
Wells Fargo		
(Various Institutions)	145,206	4,350,000
Totals	<u>\$ 528,146</u>	<u>\$ 4,350,000</u>

Balances at banks are insured by the FDIC for up to \$250,000 per financial institution. Amounts in excess of the insured limits were \$226,619 as of May 31, 2019.

**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.

Assessments Receivable	\$ 144,689
Less: Allowance for Doubtful Assessments	<u>(80,398)</u>
Assessments Receivable - Net	<u>\$ 64,291</u>

**NOTE 7 - PROPERTY AND EQUIPMENT - NET:**

Property and equipment are carried at cost. Depreciation is computed over the estimated useful lives of 5 to 30 years using the straight-line method. Current year depreciation was \$27,191.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019  
(CONTINUED)

NOTE 7 - PROPERTY AND EQUIPMENT - NET: (CONTINUED)

Association Owned Units	\$ 875,271
Vehicles	515,816
Less: Accumulated Depreciation	(1,015,520)
Total Property and Equipment - Net	<u>\$ 375,567</u>

The Association owns eighteen condominium units. Thirteen of these units were deeded to the Association by the declarant and are recognized on the Association's financial statements at the fair market value at the time they were contributed to the Association. Five additional units were purchased by the Association and are recognized at their acquisition price. The declarant contributed twenty percent of the purchase price of four of these units to the Association. The remaining eighty percent was financed through mortgage notes secured by the condominium units. The mortgages have since been paid off. During fiscal year 2012, the Association purchased 3278 Martha Custis Drive. The Association uses these eighteen units as emergency maintenance personnel housing, rental units, exercise rooms and administrative offices.

Village I

1401 Martha Custis Drive	\$ 29,000
1403 Martha Custis Drive	30,000
1405 Martha Custis Drive	44,000
1407 Martha Custis Drive	45,000
1409 Martha Custis Drive	30,000
1411 Martha Custis Drive	29,000

Village II

3544 Martha Custis Drive	27,000
3546 Martha Custis Drive	26,000
3552 Martha Custis Drive	26,000
3554 Martha Custis Drive	27,000

Village III

3356 Gunston Road	30,000
3358 Gunston Road	33,000
3360 Gunston Road	52,000
3362 Gunston Road	50,000
3364 Gunston Road	33,000

Village IV

3278 Martha Custis Drive	273,271
3344 Valley Drive	45,500
3354 Valley Drive	45,500
	<u>\$ 875,271</u>



PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019  
(CONTINUED)

NOTE 8 - NOTE PAYABLE:

In November 2011, the Association obtained a promissory note with Burke and Herbert Bank & Trust Company in the amount of \$178,141 to finance the purchase of a unit located at 3278 Martha Custis Drive. The note was paid in full during fiscal year 2019.

NOTE 9 - PROPERTY FUND:

The Association has established a property fund to track activity related to the capitalization and depreciation of property and equipment. As of May 31, 2019, the balance in the property fund was \$375,567.

NOTE 10 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through [date to be inserted upon finalization], the date the financial statements were available to be issued.

Subsequent to year-end, the Association incurred replacement reserve expenditures of approximately \$1.4 million.

In addition, the Association changed financial management agents. Effective June 1, 2019, Barkan Management Company, Inc. became the new financial management agent.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
MAY 31, 2019  
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors, Inc. in 2017 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>2017 Estimated Remaining Useful Life (Years)</u>	<u>2017 Estimated Replacement Cost</u>
Exterior Building	1-27	\$ 19,912,790
Building Services	1-30+	15,505,800
Clubhouse/Management Office	2-13	283,000
Exercise Room	1-19	139,000
Rental and Staff Units	4-8	157,500
Maintenance Facilities	1-13	727,050
Property Site	1-30+	3,167,490
Pool	1-19	2,308,260
Martha Custis Tennis Courts	3-18	141,200
Valley Drive Tennis/Basketball Courts	3-20	379,400

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
SCHEDULE OF ACTUAL INCOME AND EXPENSES  
COMPARED TO BUDGETED INCOME AND EXPENSES  
FOR THE YEAR ENDED MAY 31, 2019

	<u>Actual</u>	<u>"Unaudited"</u> <u>Budget</u>	<u>Variance</u>
<u>INCOME:</u>			
Assessments	\$ 8,923,776	\$ 8,924,793	\$ (1,017)
Interest	88,255	5,000	83,255
Unit Service Program - Repairs	50,195	40,000	10,195
Late Charges	5,623	18,000	(12,377)
Laundry Commission	36,124	48,000	(11,876)
Cable Commission	16,800	16,800	-
Resale Certificates	40,440	48,000	(7,560)
Advertising	15,891	40,000	(24,109)
Rental	151,923	140,048	11,875
Storage Rental	33,251	60,000	(26,749)
Bad Debt Recovery	36,492	(1,500)	37,992
Other	37,549	24,125	13,424
Total Income	<u>\$ 9,436,319</u>	<u>\$ 9,363,266</u>	<u>\$ 73,053</u>

EXPENSES:

Payroll and Related:			
Payroll - Management	\$ 327,581	\$ 324,128	\$ 3,453
Payroll - Administrative	295,239	242,576	52,663
Payroll - Maintenance	1,146,989	1,161,889	(14,900)
Payroll - Bonuses	808	1,000	(192)
Payroll Taxes - Management	26,458	33,482	(7,024)
Payroll Taxes - Administrative	20,647	24,694	(4,047)
Payroll Taxes - Maintenance	93,482	117,957	(24,475)
Retirement - Management	9,873	12,491	(2,618)
Retirement - Administrative	6,636	6,813	(177)
Retirement - Maintenance	22,340	29,494	(7,154)
Education/Training	2,808	11,000	(8,192)
Workers Compensation Insurance	72,572	67,857	4,715
Group Insurance	353,610	493,923	(140,313)
Total Payroll and Related	<u>\$ 2,379,043</u>	<u>\$ 2,527,304</u>	<u>\$ (148,261)</u>

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
SCHEDULE OF ACTUAL INCOME AND EXPENSES  
COMPARED TO BUDGETED INCOME AND EXPENSES  
FOR THE YEAR ENDED MAY 31, 2019  
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited"</u> <u>Budget</u>	<u>Variance</u>
Administrative:			
Audit and Tax Preparation	\$ 18,687	\$ 14,500	\$ 4,187
Advertising/Employment	2,028	400	1,628
Engineering	4,850	15,000	(10,150)
Legal	36,893	50,000	(13,107)
Collections	13,160	15,000	(1,840)
Management	94,176	68,802	25,374
Office Supplies	16,620	15,500	1,120
Office/Machine Equipment	58,899	37,200	21,699
Office Systems Services	97,873	25,000	72,873
Professional Fees	1,248	-	1,248
Telephone	42,628	32,500	10,128
Other	30,744	33,000	(2,256)
Board/Annual Meeting	14,162	13,350	812
Communications/Newsletter	39,520	38,500	1,020
Copying	14,607	6,800	7,807
Committees and Activities	12,671	10,675	1,996
Dues/Subscriptions	-	300	(300)
Association Owned Units	95,015	89,440	5,575
Postage	12,109	20,000	(7,891)
Printing	5,856	4,400	1,456
Total Administrative	<u>\$ 611,746</u>	<u>\$ 490,367</u>	<u>\$ 121,379</u>
Utilities:			
Electricity	\$ 91,405	\$ 100,000	\$ (8,595)
Gas	272,172	260,000	12,172
Water and Sewer	1,163,459	1,263,996	(100,537)
Total Utilities	<u>\$ 1,527,036</u>	<u>\$ 1,623,996</u>	<u>\$ (96,960)</u>
Repairs:			
General	\$ 140,108	\$ 60,000	\$ 80,108
Maintenance Supplies	58,648	35,000	23,648
Building Repairs and Insurance Losses	61,068	90,000	(28,932)
Electrical/Lighting	43,443	20,000	23,443
Equipment	2,861	1,000	1,861

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
SCHEDULE OF ACTUAL INCOME AND EXPENSES  
COMPARED TO BUDGETED INCOME AND EXPENSES  
FOR THE YEAR ENDED MAY 31, 2019  
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited"</u> <u>Budget</u>	<u>Variance</u>
Equipment and Tool Purchases	5,793	3,000	2,793
Painting	262,795	206,000	56,795
Plumbing	70,150	30,000	40,150
Swimming Pool	16,908	12,000	4,908
Total Repairs	<u>\$ 661,774</u>	<u>\$ 457,000</u>	<u>\$ 204,774</u>
Services and Supplies:			
Exterminating	\$ 45,105	\$ 100,000	\$ (54,895)
Pool Contracts	98,820	91,800	7,020
Trash Removal Contract	354,718	324,641	30,077
Uniforms	33,990	18,000	15,990
Unit Service Program Supplies	21,608	15,000	6,608
Landscaping Contract	275,460	277,460	(2,000)
Landscaping Other	394,511	270,000	124,511
Snow Removal Contract	-	20,000	(20,000)
Vehicles	55,474	47,000	8,474
Cleaning	31,554	20,000	11,554
Exercise Facility	972	3,000	(2,028)
Total Services and Supplies	<u>\$ 1,312,212</u>	<u>\$ 1,186,901</u>	<u>\$ 125,311</u>
Other:			
Taxes - Income	\$ 41,019	\$ 15,000	\$ 26,019
Taxes - Real Estate	27,837	23,000	4,837
Insurance - Building Liability	356,887	351,000	5,887
Permits/Licenses	150	35,000	(34,850)
Interest	6,057	10,325	(4,268)
Total Other	<u>\$ 431,950</u>	<u>\$ 434,325</u>	<u>\$ (2,375)</u>
Total Expenses	<u>\$ 6,923,761</u>	<u>\$ 6,719,893</u>	<u>\$ 203,868</u>
Net Income before Contribution to Reserves	\$ 2,512,558	\$ 2,643,373	\$ (130,815)
Contribution to Reserves	<u>(2,643,372)</u>	<u>(2,643,373)</u>	<u>1</u>
Net Income (Loss)	<u>\$ (130,814)</u>	<u>\$ -</u>	<u>\$ (130,814)</u>

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CPAs, P.C.

## Principals

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1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

## Associate Principals

Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

### *Management Letter*

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

December 18, 2019

Board of Directors

Parkfairfax Condominium Unit Owners Association

Dear Board Members:

In planning and performing our audit of the financial statements of Parkfairfax Condominium Unit Owners Association as of May 31, 2019 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and improving operating efficiency. This letter summarizes our comments and suggestions regarding those matters.

### Association Specific Comments

#### Financial Analysis

Associations budget their income evenly over a twelve-month period. When assessments become delinquent, cash flow problems develop and the Association may have problems paying its monthly expenses. Assessments receivable at a level of 3% or less of annual assessments indicates good collection procedures and has a positive impact on cash flow, whereas a balance of more than 3% of annual assessments suggests the Association may have future cash flow problems. As of May 31, 2019, the Association's assessments receivable balance of \$144,689 (before deducting the allowance for doubtful assessments of \$80,398) was equal to 2% of annual assessments. We recommend the Association continue to aggressively pursue all delinquent accounts.

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As of May 31, 2019, the Association had a surplus of \$991,058 in unappropriated members' equity (excess operating funds). This represents 11% of annual assessments. We recommend the Association maintain excess operating funds at a level of 10% to 20% of annual assessments. This procedure will decrease the chance that potential operating deficits will consume funds designated for replacement reserves.

However, over the last three fiscal years, the Association has reduced its balance in unappropriated members' equity (excess operating funds) from \$1,501,950 as of May 31, 2016 to \$991,058 as of May 31, 2019. This reduction is the result of net losses from operations. We recommend the Association review its budget process to ensure that adequate funds are available.

The designated replacement reserves of \$3,254,811 as of May 31, 2019 were funded by cash and interest-bearing deposits. We recommend the Association continue to annually review the status of its reserve funds in connection with the study. Also, we understand that the Association is currently updating its study, which is good. However, we recommend that close attention be paid to the beginning balance assumptions used in the funding models provided by the engineering firm. Based on our review of the 2017 Reserve Advisors, Inc. report, an inflated beginning balance was used which likely resulted in significantly less recommended contributions to reserves.

#### Bank Reconciliation

As of May 31, 2019, the Association's bank reconciliation contained several stale outstanding checks and two miscellaneous reconciling items. In addition, it appears that an outstanding check of \$19,207 was listed in error. Prior management is aware of this issue and is working to correct this matter.

In addition, we noted that the Association's merchant deposits are still being processed through the Union Bank account after year end. We recommend the Association resolve this matter and close the Union Bank account. As of November 2019, the bank balance in this account was approximately \$125,000.

#### Prior Owners' Balances

As of May 31, 2019, the Association maintained several prior owner delinquent assessment balances and prepaid (or credit) balances. We recommend the Association continue to review all former owner delinquent assessment balances and determine if these accounts should be written off. In addition, prior owner credit balances should be resolved in a timely manner. Refund checks should be issued if the prior owner can be located and, if not, we recommend the Association review with legal counsel its responsibility to turn these funds over to the Commonwealth of Virginia as unclaimed property.

#### Late Fees on Expenses

During fiscal year 2019, the Association incurred several penalties for late payments of certain utility and credit card invoices. Several of these penalties seem excessive. We recommend the Association make every effort to pay its invoices in a timely manner to avoid these costly fees.

#### Vacation Hours

As of May 31, 2019, three employees maintained accrued vacation hours in excess of 200. Based on the August 2017 employee handbook, the maximum allowed carryover was reduced to 200. We recommend the Association resolve these excess accrued hours.

### 401K Withholding

As of May 31, 2019, the Association's financial statements include a 401K withholding liability balance of \$18,709. Of this amount, \$8,106 related to May 2019 payroll transactions. The remaining balance in the account was from a prior year. We recommend the Association resolve this outstanding liability.

### Credit Cards

The Association maintains several credit cards for staff to use on behalf of the Association. We recommend the Association periodically review the controls over the use of these cards. At a minimum, we generally recommend the following minimum standards.

- Purchases using the credit card should be limited to situations where payment cannot be made by check. Using the credit card bypasses the Association's established internal control procedures.
- Original receipts should be submitted with the statements.
- The original statements should be mailed to the management company's office and a copy should be sent to the property manager and/or Board Treasurer to reconcile and review.
- The credit card should be kept in a secure location and used only by authorized individuals.
- The Association should periodically review the credit limit and should keep the credit limit at a minimum amount.

As of May 31, 2019, the Association's Union Bank credit card had a cash limit of \$3,480. We recommend the Association remove the cash advance option from this account. In addition, the card has a rewards program, which should be discontinued or examined further to ensure that the points are disposed of in an appropriate manner.

### Income Taxes

Associations have two methods of filing income taxes. They are as follows:

- 1) Exempt - The Association may file as an exempt association under special provisions set aside for associations under the Tax Reform Act of 1976. Basically, the Act states that if an association meets certain tests as to revenues and expenses then all nonexempt revenue is taxed at the rate of 30%. An example of nonexempt revenue is interest income. Under this method, there are no tax consequences related to reserves or excess operating funds.
- 2) Corporate - Under the corporate method, the Association must apply Code Section 277 in which operating and nonoperating income must be treated separately. However, a rate of 21% is used instead of the 30% rate of the exempt method. This can result in reduced taxes if close attention is paid to revenue rulings related to the handling of reserves and the deferring or refunding of excess assessments. In order to qualify, reserves must be accounted for separately and they must be capital in nature. Such items as painting, contingency, and general operating reserves are specifically excluded. In order to qualify for the deferring or refunding of excess assessments, action of the Board of Directors must be taken prior to fiscal year end.

For fiscal year 2019, we recommend the Association file using the corporate method.



## Industry Standard Comments

### Insurance

We recommend the Association meet with its insurance agent at least annually to discuss insurance coverage. The Association should make sure the insurance policies provide the necessary and appropriate protection. In addition to all of the standard coverage that is usually recommended, the Association should maintain appropriate crime and directors & officers (D&O) coverage. At a minimum, the Association should maintain crime coverage that equals or exceeds the total of its funds or as required by state law. It should be structured to include a defalcation or misappropriation committed by a Board member, an employee of the Association, or employees of the management company, including principals.

### Investment Policy

The Association should have a conservative investment policy, which is structured around three elements, in order of importance 1) safety, 2) liquidity and 3) yield. Because safety and liquidity are of prime importance to any association, we recommend investments be limited to instruments of the federal government, which are backed by its full faith and credit, and money market accounts and certificates of deposit at insured institutions.

Periodically, the Association should monitor its accounts for FDIC and SIPC coverage. The FDIC insurance limit is \$250,000 per financial institution. 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 should also periodically check the ratings for all financial institutions used by the Association.

### Monitoring Activities

The Board of Directors is an integral part of the Association's internal controls. Each month the individual board members should be performing monitoring activities. When performed routinely, these monitoring activities strengthen the Association's internal controls and are essential to ensuring the financial security of the Association's resources.

The Board of Directors should obtain and read the monthly financial statements as prepared and presented by management. At a minimum, the financial statements should include a balance sheet, income statement with budget to actual comparisons, a check register, a general ledger, and bank statements with reconciliations. Variances and unusual transactions should be discussed with management and resolved in a timely manner.

The Board of Directors should consider periodically reviewing randomly selected copies of paid invoices to ensure that the appropriate level of approval has occurred and that the approval is appropriately documented. The Board of Directors should also consider selecting invoices from vendors not recognized or not used on a regular basis.

We shall be pleased to discuss our comments and recommendations in greater detail and we are always available to give advice on any financial matter. Please do not hesitate to contact us if there are any questions regarding proper accounting procedures or the implementation of our suggested changes.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

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## Associate Principals

Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

### ***Communication with Those Charged with Governance under AU-C §260***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

December 18, 2019

Board of Directors  
Parkfairfax Condominium Unit Owners Association

Dear Board Members:

We have audited the financial statements of Parkfairfax Condominium Unit Owners Association as of May 31, 2019 and for the year then ended and have issued our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information required by the Financial Accounting Standards Board, as described by professional standards, is to apply certain limited procedures to the information about management's methods of preparing the information; however, we will not express an opinion or any assurance on the information.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

#### Allowance for Doubtful Assessments

The Association's estimate of the allowance for doubtful assessments was established by reviewing the receivables for collectability. We evaluated key factors and assumptions used to develop the allowance for doubtful assessments in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Accumulated Depreciation and Depreciation Expense

The Association's estimates of accumulated depreciation and depreciation expense were established using the straight line method of depreciation whereby the cost of an asset is amortized over its useful life. We evaluated key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of subsequent events.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjusting journal entries have been provided to the Association and will be posted to the Association's accounts, if appropriate. The journal entries are material, either individually or in the aggregate, to the financial statements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Supplementary Information Accompanying the Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Required Supplementary Information*

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

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### ***Communication of Significant Deficiencies and/or Material Weaknesses under AU-C §265***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

December 18, 2019

Board of Directors

Parkfairfax Condominium Unit Owners Association

Dear Board Members:

In planning and performing our audit of the financial statements of Parkfairfax Condominium Unit Owners Association as of May 31, 2019 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses or other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Association's internal control to be material weaknesses or significant deficiencies:

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### Adjustments

We proposed several adjustments to the Association's financial statements, which were individually immaterial. However, in the aggregate, these adjustments had a material effect on the Association's financial statements. The originally reported net loss of approximately \$269,000 was reduced to approximately \$131,000 for fiscal year 2019. This is considered a material weakness. The Association must have controls in place to ensure that the financial statements are properly stated. If the Association does not have these controls in place, then material misstatements could occur in the Association's financial statements that would not be prevented, or detected and corrected, by the Association's internal control.

### Accounts Payable/Reserve Expenditures

We proposed an adjustment in the amount of approximately \$100,000 to record additional accounts payable for various replacement reserve project costs as of May 31, 2019. This adjustment corrects a material misstatement in the Association's financial statements and is considered a material weakness. If the Association does not have controls in place to ensure that accounts payable is properly stated, then a material misstatement of the financial statements could occur that would not be prevented, or detected and corrected, by the Association's internal control. This adjustment can be attributed to the change in management as of May 31, 2019 due to the prior management agent's lack of access to subsequent vendor invoices received after the transition date.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.



### ***Representation Letter***

*This letter needs to be signed by the Board President or Treasurer and management representative, if applicable, and returned to our office within 60 days.*

#### **Parkfairfax Condominium Unit Owners Association**

GOLDKLANG GROUP CPAs, P.C.  
1801 Robert Fulton Drive, Suite 200  
Reston, Virginia 20191

Dear Auditors:

The representation letter is provided in connection with your audit of the financial statements of **Parkfairfax Condominium Unit Owners Association** which comprise the balance sheet as of **May 31, 2019**, and the related statements of income, members' equity and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, **to the best of our knowledge and belief**, the following representations made to you during your audit:

#### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements. In regard to the non-attest services outlined in our engagement letter to be performed by you, we have –
  - Assumed all management responsibilities.
  - Designated an individual with suitable skill, knowledge, or experience to oversee the services.
  - Evaluated the adequacy and results of the services performed.
  - Accepted responsibility for the results of the services.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Association's accounts, if appropriate.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning pending litigation, claims, or assessments.
- Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Transfers or designations of equity balance or inter-equity borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with U.S. GAAP.
- Uncollectible inter-equity loans have been properly accounted for and disclosed in accordance with U.S. GAAP.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- We have provided you with minutes of meetings of the Board of Directors.
- We have provided you with communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if any.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning pending litigation, claims, or assessments.
- We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
- Except as made known to you and disclosed in the notes to the financial statements, the Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral. If applicable, we have reviewed our long lived assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.
- Assessments receivable recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- We have reviewed with our insurance agent the adequacy of our insurance coverage, including compliance with any statutory or documentary requirements.
- We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI. The Association had a study conducted in 2017. 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.
- We acknowledge our responsibility for presenting the Schedule of Actual Income and Expenses Compared to Budgeted Income and Expenses in accordance with U.S. GAAP, and we believe the supplementary information above, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information above have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- We understand that the Association is responsible for the choice of income tax filing method and the consequences thereof. The Association's allocation of expenses against membership and non-membership income conforms to IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocation. If the Association has excess membership income in the current year the Association, for tax purposes, has elected to either (a) offset it against next year's assessments or (b) refund it to members. We have adequately documented such election in the current year.
- We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork on December 16, 2019 and through the date of this letter. Examples of material events include, but are not limited to, contracts for replacement reserve expenditures, losses due to a fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

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**Parkfairfax Condominium Unit Owners Association**  
**May 31, 2019**

Management Representative:

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Signature

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Printed Name

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Date

President/Treasurer:

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Signature

---

Printed Name

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Date

1223-A19

## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

Prepared by \_\_\_\_\_

12/17/2019  
03:11 PMAdjusted Trial Balance  
for the period ended May 31, 2019Reviewed by \_\_\_\_\_  
Page 1

Account # / Description	Prior Period (Adjusted) 05/31/2018	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
1008-0000 UNION BANK	357,526.00	247,163.89	AJE-15	5,000.00	252,163.89	B-1
1020-0000 PETTY CASH	500.00	500.00			500.00	
1030-0000 CASH IN TRANSIT		5,000.00	AJE-15 AJE-16	(5,000.00) 130,276.34	130,276.34	B-3
1040-0000 WELLS FARGO - MM	438,402.00	145,206.42			145,206.42	B-2
1050-0000 WELLS FARGO - CDS	4,718,000.00	4,350,000.00			4,350,000.00	B-2
1110-0000 ASSESSMENTS RECEIVABLE	153,563.00	144,689.01			144,689.01	E-1
1111-0000 ALLOWANCE FOR DBTFL ACCTS	(128,043.00)	(92,954.79)	AJE-1 AJE-10	(42,431.96) 54,988.26	(80,398.49)	F-1
1115-0000 A/R - OTHER			AJE-1 AJE-4	2,388.72 (2,388.72)		
1122-0000 ACCRUED INTEREST	14,165.00	15,316.27			15,316.27	Y-2
1125-0001 A/R - INS. CLAIM - FIRE LOSS	58,042.00	82,057.88	AJE-1 AJE-11	(77,351.36) (4,706.52)		
1126-0000 A/R - RENT		2,672.80	AJE-1	(2,672.80)		
1127-0000 A/R - LAUNDRY	5,860.00	24,805.40	AJE-1 AJE-9	(4,945.40) (12,860.00)	7,000.00	Y-4
1130-0000 A/R - FEDERAL TAXES		(11,544.51)	AJE-1	11,544.51		
1140-0000 A/R - STATE TAXES		(8,435.00)	AJE-1	8,435.00		
1149-0000 DEFERRED TAXES	20,542.00	23,919.00	AJE-1 AJE-2	(3,377.00) 2,516.00	23,058.00	T-2
1210-0000 PREPAID INSURANCE	93,595.00	193,276.12	AJE-1 AJE-18	(14,566.52) (22,709.60)	156,000.00	G-1
1220-0000 PREPAID EXPENSES	55,460.00	85,417.11	AJE-18	(28,961.77)	56,455.34	G-2
1390-0000 EXCHANGE [CLEARING]	(2,611.00)	(3,784.47)	AJE-1	1,407.75	(2,376.72)	
1530-0000 CONDOMINIUM UNITS	875,271.00	875,271.07			875,271.07	I-1
1540-0000 AUTOS & TRUCKS	515,819.00	500,400.96	AJE-1	15,415.32	515,816.28	I-1
1600-0000 ACCUMULATED DEPRECIATION	(988,330.00)	(993,689.39)	AJE-1 AJE-3	5,360.21 (27,190.56)	(1,015,519.74)	I-1
2020-0000 ACCRUED EXPENSES	(600,982.00)	(355,922.29)	AJE-19	(47,312.22)	(403,234.51)	N-1
2024-0000 ACCRUED PAYROLL	(59,262.00)	(71,551.00)	AJE-7	1,776.95	(69,774.05)	O-1

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## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

Prepared by \_\_\_\_\_

12/17/2019

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Adjusted Trial Balance  
for the period ended May 31, 2019Reviewed by \_\_\_\_\_  
Page 2

Account # / Description	Prior Period (Adjusted) 05/31/2018	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
2025-0000 ACCRUED VACATION	(91,035.00)	(87,452.69)	AJE-5 AJE-7	(3,582.67) 7,089.36	(83,946.00)	O-2
2026-0000 ACCRUED GARNISHMENTS	(1,381.00)	(1,380.70)	AJE-17	1,380.70		
2027-0000 UNION DUES WITHHELD	(369.00)	(369.00)	AJE-17	369.00		
2028-0000 WITHHOLDING - RETIREMENT	(10,654.00)	(22,292.14)	AJE-5	3,582.67	(18,709.47)	
2029-0000 WITHHOLDING - OTHER	(14,308.00)	(14,308.23)	AJE-17	14,308.23		
2050-0000 INCOME TAXES PAYABLE	(19,761.00)	(2,089.00)	AJE-1 AJE-12 AJE-12 AJE-12 AJE-20	(17,672.00) 3,467.00 9,475.00 6,819.00 (12,111.00)	(12,111.00)	T-1
2070-0000 MEMORIAL TREE FUND	(920.00)	(920.00)	AJE-17	920.00		
2080-0000 RESIDENT REFUNDS	(700.00)	(700.47)	AJE-17	700.47		
2090-0000 PREPAID ASSESSMENTS	(263,811.00)	(121,169.09)			(121,169.09)	E-1
2090-1000 RECEIPTS AFTER CUTOFF			AJE-16	(130,284.34)	(130,284.34)	B-3
2111-0000 SEC DEP - 309-3546 MARTHA CUSTIS	(1,400.00)					
2112-0000 SEC DEP - 309-3552 MARTHA CUSTIS	(2,759.00)	(2,759.00)			(2,759.00)	
2113-0000 SEC DEP - 401-1401 M CUSTIS	(1,500.00)	(1,500.00)			(1,500.00)	
2114-0000 SEC DEP - 401-1403 MARTHA CUSTIS	(1,570.00)	(1,570.00)			(1,570.00)	
2116-0000 SEC DEP - 3344 VALLEY DRIVE		(2,000.00)			(2,000.00)	
2130-0000 DEFERRED INSURANCE CLAIMS	(43,988.00)					
2140-0000 DEFERRED LAUNDRY ALLOWANCE	(21,732.00)	(25,732.00)	AJE-1 AJE-9	4,000.00 4,000.00	(17,732.00)	Y-4
2150-0000 DEFERRED CABLE INCOME	(102,200.00)	(85,400.00)			(85,400.00)	T-2
2185-0000 MORTGAGE ON UNIT 3278	(151,748.00)	379.18	AJE-8	(379.18)		M-1
3100-0100 REPLACEMENT RESERVES	(3,271,218.00)	(3,127,644.44)	AJE-1 AJE-1 AJE-13 AJE-19	(52,078.12) (146,547.59) (28,526.55) 99,985.30	(3,254,811.40)	R-1
3300-0000 UNAPPROPR. MEMBERS' EQUITY	(1,398,605.83)	(1,546,392.18)	AJE-1 AJE-1	382,812.18 41,708.17	(1,121,871.83)	V-1
3405-0000 PROPERTY FUND	(402,758.17)	(381,982.64)	AJE-1	20,932.64	(375,567.61)	I-1

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## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

Prepared by\_\_\_\_\_

12/17/2019

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Adjusted Trial Balance  
for the period ended May 31, 2019

Reviewed by\_\_\_\_\_

Page 3

Account # / Description	Prior Period (Adjusted) 05/31/2018	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
			AJE-1	(41,708.17)		
			AJE-3	27,190.56		
3510-0000 AWARD FUND CONTRIBUTION	(1,833.00)	(1,833.18)			(1,833.18)	
(Profit) Loss	276,734.00	269,301.10		(138,485.29)	130,815.81	

1223-A19

## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

Prepared by \_\_\_\_\_

12/17/2019  
03:11 PMAdjusted Trial Balance  
for the period ended May 31, 2019Reviewed by \_\_\_\_\_  
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Account # / Description	Prior Period (Adjusted) 05/31/2018	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
4410-0000 RESIDENTIAL ASSESSMENT	(8,924,781.00)	(8,923,776.08)			(8,923,776.08)	Y-1
4500-0000 223-3278 MARTHA CUSTIS DR	(20,005.00)	(16,670.00)			(16,670.00)	Y-3
4501-0000 309-3544 MARTHA CUSTIS DR	(6,600.00)	(7,800.00)			(7,800.00)	Y-3
4502-0000 309-3546 MARTHA CUSTIS DR	(15,750.00)	(16,117.00)			(16,117.00)	Y-3
4503-0000 309-3552 MARTHA CUSTIS DR	(17,837.00)	(17,360.00)			(17,360.00)	Y-3
4504-0000 401-1401 MARTHA CUSTIS DR	(16,995.00)	(17,040.00)			(17,040.00)	Y-3
4505-0000 401-1403 MARTHA CUSTIS DR	(18,840.00)	(18,900.00)			(18,900.00)	Y-3
4507-0000 401-1407 MARTHA CUSTIS DR	(11,133.00)	(11,355.60)			(11,355.60)	Y-3
4508-0000 802-3344 VALLEY DRIVE	(7,700.00)	(18,300.00)			(18,300.00)	Y-3
4509-0000 309-3554 MARTHA CURTIS DR	(7,581.00)	(10,660.00)	AJE-4	2,860.00	(7,800.00)	Y-3
4510-0000 802-3354 VALLEY DRIVE	(8,400.00)	(9,600.00)			(9,600.00)	Y-3
4515-0000 401-1405 MARTHA CUSTIS DR	(9,360.00)	(10,980.00)			(10,980.00)	Y-3
4610-0000 CABLE REVENUE	(16,800.00)	(16,800.00)			(16,800.00)	T-2
4615-0000 LATE FEES	(12,160.00)	(5,622.74)			(5,622.74)	
4625-0000 KEY/CARDS	(8,835.00)	(9,330.00)			(9,330.00)	
4630-0000 UNIT SRVC PROGRAM	(55,344.00)	(50,195.03)			(50,195.03)	
4635-0000 LAUNDRY	(42,540.00)	(44,983.85)	AJE-9 AJE-9	(4,000.00) 12,860.00	(36,123.85)	Y-4
4645-0000 NEWSLETTER ADVERTISING	(14,382.00)	(15,891.00)			(15,891.00)	
4650-0000 FACILITIES RENTAL	(6,765.00)	(4,614.00)			(4,614.00)	
4655-0000 STORAGE UNITS	(43,035.00)	(33,251.00)			(33,251.00)	
4660-0000 RESALE PACKAGES	(37,048.00)	(40,440.00)			(40,440.00)	
4690-0000 OTHER USER FEES	(4,438.00)	(3,017.60)			(3,017.60)	
4695-0000 INTEREST - OPERATING	(352.00)	(298.56)			(298.56)	Y-2
4700-0000 INTEREST - RESERVES	(83,533.00)	(85,455.56)	AJE-6	(2,500.00)	(87,955.56)	Y-2
4710-0000 OTHER	(25.00)	78.73	AJE-4 AJE-17	(471.28) (17,678.40)	(18,070.95)	
4900-0000 DEFERRED TAXES			AJE-2	(2,516.00)	(2,516.00)	T-2



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## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

Prepared by\_\_\_\_\_

12/17/2019  
03:11 PMAdjusted Trial Balance  
for the period ended May 31, 2019Reviewed by\_\_\_\_\_  
Page 5

Account # / Description	Prior Period (Adjusted) 05/31/2018	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
4930-0000 INCOME TAX REFUNDS	(19,980.00)					
5010-0000 ACTIVITY CHARGES	8,596.00	6,648.54			6,648.54	
5011-0000 75TH ANNIVERSARY COMMITTEE		2,166.89	AJE-1	3,855.01	6,021.90	
5020-0000 COMPUTERS	33,226.00	56,005.84	AJE-14 AJE-19	(2,426.81) 2,864.04	56,443.07	X-1
5030-0000 OFFICE EQUIPMENT LEASE	2,609.00	3,650.58	AJE-14	(1,194.87)	2,455.71	
5035-0000 OFFICE SUPPLIES	18,437.00	15,480.38	AJE-1 AJE-14	(55.25) 1,194.87	16,620.00	
5036-0000 COPYING	12,134.00	12,180.20	AJE-14	2,426.81	14,607.01	
5040-0000 OFFICE SYSTEMS SERVICES	38,160.00	100,451.58	AJE-18	(2,578.34)	97,873.24	X-1
5045-0000 DUES & SUBSCRIPTIONS	30.00					
5050-0000 NEWSLETTER PRODUCTION	38,841.00	36,815.00	AJE-19	2,705.00	39,520.00	X-1
5055-0000 ASSOCIATION OWNED UNITS	95,300.00	95,015.16			95,015.16	X-3
5060-0000 POSTAGE	16,913.00	12,046.08	AJE-1 AJE-19	(324.39) 387.80	12,109.49	
5070-0000 PRINTING	3,803.00	5,856.37			5,856.37	
5080-0000 TELEPHONE	36,494.00	42,952.00	AJE-1	(323.84)	42,628.16	
5090-0000 OTHER ADMINISTRATIVE	31,313.00	31,567.90	AJE-1 AJE-1 AJE-16 AJE-19	(1,406.52) 6.15 8.00 569.60	30,745.13	
5095-0000 WEBSITE	228.00					
5100-0000 BOARD/ANNUAL MEETING	13,755.00	14,161.92			14,161.92	X-1
5302-0000 SALARIES - ADMINISTRATIVE	217,616.00	296,362.51	AJE-7 AJE-7	(272.86) (851.00)	295,238.65	X-2
5304-0000 SALARIES - MAINTENANCE	1,150,091.00	1,152,722.81	AJE-7 AJE-7	(1,268.18) (4,466.00)	1,146,988.63	X-2
5306-0000 SALARIES - MANAGEMENT	307,106.00	329,352.94	AJE-7	(1,772.36)	327,580.58	X-2
5325-0000 BONUSES	500.00	808.19			808.19	
5330-0000 MEDICAL/HEALTH BENEFITS	461,871.00	398,153.64	AJE-14 AJE-18 AJE-19	4,481.00 (5,025.00) (44,000.00)	353,609.64	X-1

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## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

Prepared by \_\_\_\_\_

12/17/2019  
03:11 PMAdjusted Trial Balance  
for the period ended May 31, 2019Reviewed by \_\_\_\_\_  
Page 6

Account # / Description	Prior Period (Adjusted) 05/31/2018	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
5340-0000 PAYROLL TAXES - MANAGEMENT	25,085.00	26,457.57	AJE-7	0.03	26,457.60	X-2
5345-0000 PAYROLL TAXES - ADMIN	18,169.00	20,716.02	AJE-7	(69.37)	20,646.65	X-2
5350-0000 PAYROLL TAXES - MAINTENANCE	96,816.00	93,648.49	AJE-7	(166.57)	93,481.92	X-2
5365-0000 RETIREMENT - MANAGEMENT	11,850.00	9,873.14			9,873.14	
5370-0000 RETIREMENT - ADMINISTRATIVE	8,257.00	6,635.97			6,635.97	
5375-0000 RETIREMENT - MAINTENANCE	30,583.00	22,339.74			22,339.74	
5380-0000 EMPLOYEE RECRUITMENT	1,780.00	2,028.49			2,028.49	
5390-0000 WORKERS COMP	54,620.00	61,461.05	AJE-14 AJE-18	(4,481.00) 15,591.65	72,571.70	G-1
5395-0000 TRAINING EDUCATION	3,587.00	2,808.17			2,808.17	
6010-0000 WATER/SEWER	1,242,641.00	1,205,978.75	AJE-1 AJE-19	(2,519.86) (40,000.00)	1,163,458.89	X-1
6020-0000 GAS	285,405.00	266,765.46	AJE-1 AJE-19	9,406.39 (4,000.00)	272,171.85	X-1
6030-0000 ELECTRICITY	117,048.00	102,874.20	AJE-1	(11,469.43)	91,404.77	X-1
6035-0000 TRASH REMOVAL	307,841.00	352,899.60	AJE-1 AJE-19	(300.00) 2,118.00	354,717.60	X-1
6110-0000 LANDSCAPE MAINT CONTRACT	271,512.00	252,721.05	AJE-1 AJE-14	(259.66) 22,998.61	275,460.00	X-1
6115-0000 USP PARTS & SUPPLIES	13,396.00	21,156.78	AJE-19	451.05	21,607.83	
6120-0000 TREE MAINTENANCE	257,075.00	303,711.00			303,711.00	X-1
6130-0000 LANDSCAPE OTHER	149,206.00	111,675.83	AJE-1 AJE-14 AJE-19	(1,605.40) (22,998.61) 3,727.93	90,799.75	X-1
6140-0000 EXTERMINATING CONTRACT	164,536.00	53,024.42	AJE-1 AJE-6 AJE-19	(14,000.00) 2,500.00 3,581.00	45,105.42	X-1
6150-0000 UNIFORMS	19,882.00	28,923.14	AJE-19	5,066.71	33,989.85	
6160-0000 SNOW REMOVAL	299.00					
6170-0000 EXERCISE FACILITY	6,933.00	972.00			972.00	
6190-0000 VEHICLES	17,733.00	15,986.17	AJE-1	(2,076.85)	13,909.32	
6195-0000 VEHICLE GAS & MAINTENANCE	27,989.00	40,753.11	AJE-1	(1,274.68)	41,565.28	X-1

12/17/2019

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Adjusted Trial Balance  
for the period ended May 31, 2019

Reviewed by \_\_\_\_\_

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Account # / Description	Prior Period (Adjusted) 05/31/2018	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
			AJE-19	2,086.85		
6410-0000 BUILDING REPAIR/MAINT	119,842.00	91,572.58	AJE-1 AJE-13	(77.04) 8,853.55	100,349.09	X-1
6415-0000 ELECTRICAL/LIGHTING REPAIR & MAINT	38,664.00	54,313.83	AJE-1	(10,871.26)	43,442.57	X-1
6420-0000 EQUIPMENT REPAIR & MAINT		5,722.70	AJE-13	(2,861.35)	2,861.35	
6430-0000 GENERAL REPAIR & MAINT	54,124.00	116,063.66	AJE-13 AJE-19	16,419.55 7,624.72	140,107.93	X-1
6440-0000 GENERAL MAINT SUPPLIES	68,289.00	63,518.81	AJE-1	(4,871.15)	58,647.66	X-1
6445-0000 JANITORIAL/CLEANING SUPPLIES	29,400.00	32,598.49	AJE-1	(1,044.21)	31,554.28	
6450-0000 PAINTING	199,809.00	226,065.25	AJE-19	9,467.50	235,532.75	X-1
6452-0000 PAINTING SUPPLIES	15,075.00	31,004.46	AJE-1 AJE-14 AJE-19	(671.17) (3,167.50) 95.73	27,261.52	
6455-0000 PLUMBING SUPPLIES	58,141.00	64,253.74	AJE-1 AJE-13	(218.28) 6,114.80	70,150.26	X-1
6470-0000 TOOLS & EQUIPMENT	3,588.00	5,793.41			5,793.41	
6510-0000 POOL MANAGEMENT CONTRACT	92,404.00	95,652.85	AJE-14	3,167.50	98,820.35	X-1
6520-0000 POOL REPAIR & MAINT	15,361.00	16,907.65			16,907.65	
6610-0000 AUDIT/TAX RETURN	18,004.00	18,687.00			18,687.00	X-1
6620-0000 ENGINEERING SERVICES	(4,200.00)	5,250.05	AJE-14	(400.05)	4,850.00	X-1
6630-0000 LEGAL - COLLECTIONS	17,901.00	25,632.27	AJE-1 AJE-19	(2,472.24) (10,000.00)	13,160.03	X-1
6640-0000 LEGAL - GENERAL	42,711.00	36,404.43	AJE-1 AJE-19	(4,092.00) 4,580.99	36,893.42	X-1
6645-0000 LEGAL - LABOR SERVICES	17,584.00					
6650-0000 MANAGEMENT FEE	87,577.00	94,175.75			94,175.75	X-1
6660-0000 PROFESSIONAL FEES	1,381.00	848.40	AJE-14	400.05	1,248.45	
6710-0000 BAD DEBT	21,205.00	18,496.21	AJE-10	(54,988.26)	(36,492.05)	F-1
6720-0000 INSURANCE - BUILDING	340,687.00	313,204.30	AJE-18	43,683.06	356,887.36	G-1
6725-0000 INSURANCE DEDUCTIBLE	121,336.00		AJE-1	(43,987.90)	(39,281.38)	X-1A

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## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

Prepared by \_\_\_\_\_

12/17/2019  
03:11 PMAdjusted Trial Balance  
for the period ended May 31, 2019Reviewed by \_\_\_\_\_  
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Account # / Description	Prior Period (Adjusted) 05/31/2018	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
			AJE-11	4,706.52		
6730-0000 LICENSE/FEES	2,935.00	150.00			150.00	
6740-0000 INCOME TAXES	23,138.00	44,510.00	AJE-12 AJE-12 AJE-12 AJE-20	(3,925.00) (9,475.00) (8,843.00) 12,111.00	34,378.00	T-1
6740-5000 INCOME TAX PENALTIES			AJE-12 AJE-12 AJE-12	691.66 3,925.00 2,024.00	6,640.66	T-3
6750-0000 PROPERTY/REAL ESTATE TAXES	26,619.00	31,995.67	AJE-12	(4,158.66)	27,837.01	X-1
6760-0000 OTHER EXPENSES	286.00					
6780-0000 OWNED UNIT MORTGAGE INTEREST	8,062.00	5,678.20	AJE-8	379.18	6,057.38	M-1
6900-0000 REPAIR/REPL RESERVES	2,647,764.00	2,643,372.00			2,643,372.00	R-1
(Profit) Loss	276,734.00	269,301.10		(138,485.29)	130,815.81	

Account #	Account Name / Description	Debits	Credits
05/31/2019	AJE 1		
1111-0000	ALLOWANCE FOR DBTFL ACCTS		42,431.96
1115-0000	A/R - OTHER	2,388.72	
1125-0001	A/R - INS. CLAIM - FIRE LOSS		77,351.36
1126-0000	A/R - RENT		2,672.80
1127-0000	A/R - LAUNDRY		4,945.40
1130-0000	A/R - FEDERAL TAXES	11,544.51	
1140-0000	A/R - STATE TAXES	8,435.00	
1149-0000	DEFERRED TAXES		3,377.00
1210-0000	PREPAID INSURANCE		14,566.52
1390-0000	EXCHANGE [CLEARING]	1,407.75	
1540-0000	AUTOS & TRUCKS	15,415.32	
1600-0000	ACCUMULATED DEPRECIATION	5,360.21	
3100-0100	REPLACEMENT RESERVES		52,078.12
5011-0000	75TH ANNIVERSARY COMMITTEE	3,855.01	
5035-0000	OFFICE SUPPLIES		55.25
5060-0000	POSTAGE		324.39
5080-0000	TELEPHONE		323.84
6010-0000	WATER/SEWER		2,519.86
6020-0000	GAS	9,406.39	
6030-0000	ELECTRICITY		11,469.43
6035-0000	TRASH REMOVAL		300.00
6110-0000	LANDSCAPE MAINT CONTRACT		259.66
6130-0000	LANDSCAPE OTHER		1,605.40
6140-0000	EXTERMINATING CONTRACT		14,000.00
6190-0000	VEHICLES		2,076.85
6195-0000	VEHICLE GAS & MAINTENANCE		1,274.68
6410-0000	BUILDING REPAIR/MAINT		77.04
6415-0000	ELECTRICAL/LIGHTING REPAIR & MAINT		10,871.26
6440-0000	GENERAL MAINT SUPPLIES		4,871.15
6445-0000	JANITORIAL/CLEANING SUPPLIES		1,044.21
6452-0000	PAINTING SUPPLIES		671.17
6455-0000	PLUMBING SUPPLIES		218.28
6630-0000	LEGAL - COLLECTIONS		2,472.24
6640-0000	LEGAL - GENERAL		4,092.00
6725-0000	INSURANCE DEDUCTIBLE		43,987.90
5090-0000	OTHER ADMINISTRATIVE		1,406.52
2050-0000	INCOME TAXES PAYABLE		17,672.00
2140-0000	DEFERRED LAUNDRY ALLOWANCE	4,000.00	
3405-0000	PROPERTY FUND	20,932.64	
3100-0100	REPLACEMENT RESERVES		146,547.59
5090-0000	OTHER ADMINISTRATIVE	6.15	
3300-0000	UNAPPROPR. MEMBERS' EQUITY	382,812.18	
3300-0000	UNAPPROPR. MEMBERS' EQUITY	41,708.17	
3405-0000	PROPERTY FUND		41,708.17

TO RECORD PRIOR YEAR AUDIT ADJUSTMENTS. TO RESTATE BEGINNING EQUITY PER CURRENT YEAR ANALYSIS.

12/17/2019  
03:11 PMAdjusting Journal Entries  
for the period ended May 31, 2019

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Account #	Account Name / Description	Debits	Credits
05/31/2019	<u>AJE 2</u>		
1149-0000	DEFERRED TAXES	2,516.00	
4900-0000	DEFERRED TAXES		2,516.00
TO ADJUST DEFERRED TAXES RELATED TO COMCAST REVENUE TAXATION.			
05/31/2019	<u>AJE 3</u>		
3405-0000	PROPERTY FUND	27,190.56	
1600-0000	ACCUMULATED DEPRECIATION		27,190.56
TO RECORD CURRENT YEAR DEPRECIATION.			
05/31/2019	<u>AJE 4</u>		
4509-0000	309-3554 MARTHA CURTIS DR	2,860.00	
1115-0000	A/R - OTHER		2,388.72
4710-0000	OTHER		471.28
TO REVERSE PRIOR YEAR AUDIT ADJUSTMENT. TO WRITE OFF PRIOR YEAR INCOME ACCRUALS.			
05/31/2019	<u>AJE 5</u>		
2028-0000	WITHHOLDING - RETIREMENT	3,582.67	
2025-0000	ACCRUED VACATION		3,582.67
TO CORRECT CODING OF 12/12/18 PAYROLL ENTRY - 401K WITHHOLDING AND LOAN PAYMENTS.			
05/31/2019	<u>AJE 6</u>		
6140-0000	EXTERMINATING CONTRACT	2,500.00	
4700-0000	INTEREST - RESERVES		2,500.00
TO RECLASSIFY JE 11-26 TO AMORTIZE PEST CONTROL EXPENSES.			
05/31/2019	<u>AJE 7</u>		
2024-0000	ACCRUED PAYROLL	1,776.95	
5302-0000	SALARIES - ADMINISTRATIVE		272.86
5304-0000	SALARIES - MAINTENANCE		1,268.18
5340-0000	PAYROLL TAXES - MANAGEMENT	0.03	
5345-0000	PAYROLL TAXES - ADMIN		69.37
5350-0000	PAYROLL TAXES - MAINTENANCE		166.57
2025-0000	ACCRUED VACATION	7,089.36	
5302-0000	SALARIES - ADMINISTRATIVE		851.00
5304-0000	SALARIES - MAINTENANCE		4,466.00
5306-0000	SALARIES - MANAGEMENT		1,772.36

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## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

12/17/2019  
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for the period ended May 31, 2019

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Account #	Account Name / Description	Debits	Credits
TO ADJUST PAYROLL ACCRUALS.			
05/31/2019	AJE 8		
6780-0000	OWNED UNIT MORTGAGE INTEREST	379.18	
2185-0000	MORTGAGE ON UNIT 3278		379.18
TO RECLASSIFY INTEREST CHARGES THROUGH PAYOFF DATE.			
05/31/2019	AJE 9		
2140-0000	DEFERRED LAUNDRY ALLOWANCE	4,000.00	
4635-0000	LAUNDRY		4,000.00
4635-0000	LAUNDRY	12,860.00	
1127-0000	A/R - LAUNDRY		12,860.00
TO RECORD AMORTIZATION OF PRIOR YEAR LAUNDRY DECORATING FUNDS. TO ADJUST A/R LAUNDRY PER AUDIT ANALYSIS.			
05/31/2019	AJE 10		
1111-0000	ALLOWANCE FOR DBTFL ACCTS	54,988.26	
6710-0000	BAD DEBT		54,988.26
TO ADJUST ALLOWANCE FOR D/A.			
05/31/2019	AJE 11		
6725-0000	INSURANCE DEDUCTIBLE	4,706.52	
1125-0001	A/R - INS. CLAIM - FIRE LOSS		4,706.52
TO EXPENSE RESIDUAL CLAIM EXPENSES RELATED TO PRIOR YEAR FIRE LOSS EVENT.			
05/31/2019	AJE 12		
2050-0000	INCOME TAXES PAYABLE	3,467.00	
6740-5000	INCOME TAX PENALTIES	691.66	
6750-0000	PROPERTY/REAL ESTATE TAXES		4,158.66
6740-5000	INCOME TAX PENALTIES	3,925.00	
6740-0000	INCOME TAXES		3,925.00
2050-0000	INCOME TAXES PAYABLE	9,475.00	
6740-0000	INCOME TAXES		9,475.00
2050-0000	INCOME TAXES PAYABLE	6,819.00	
6740-5000	INCOME TAX PENALTIES	2,024.00	
6740-0000	INCOME TAXES		8,843.00

TO RECLASSIFY INCOME TAX PAYMENTS AND RELATED LATE FILING AND OTHER PENALTIES.

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## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

12/17/2019  
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for the period ended May 31, 2019

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Account #	Account Name / Description	Debits	Credits
05/31/2019	<u>AJE 13</u>		
6410-0000	BUILDING REPAIR/MAINT	8,853.55	
6420-0000	EQUIPMENT REPAIR & MAINT		2,861.35
6430-0000	GENERAL REPAIR & MAINT	16,419.55	
6455-0000	PLUMBING SUPPLIES	6,114.80	
3100-0100	REPLACEMENT RESERVES		28,526.55
TO REVERSE EXPENSE RECLASSIFICATIONS BOOKED TWICE [JE 9-88 AND JE 10-90].			
05/31/2019	<u>AJE 14</u>		
6510-0000	POOL MANAGEMENT CONTRACT	3,167.50	
6452-0000	PAINTING SUPPLIES		3,167.50
5036-0000	COPYING	2,426.81	
5020-0000	COMPUTERS		2,426.81
6660-0000	PROFESSIONAL FEES	400.05	
6620-0000	ENGINEERING SERVICES		400.05
5330-0000	MEDICAL/HEALTH BENEFITS	4,481.00	
5390-0000	WORKERS COMP		4,481.00
5035-0000	OFFICE SUPPLIES	1,194.87	
5030-0000	OFFICE EQUIPMENT LEASE		1,194.87
6110-0000	LANDSCAPE MAINT CONTRACT	22,998.61	
6130-0000	LANDSCAPE OTHER		22,998.61
TO RECLASSIFY EXPENSES TO CORRECT ACCOUNT.			
05/31/2019	<u>AJE 15</u>		
1008-0000	UNION BANK	5,000.00	
1030-0000	CASH IN TRANSIT		5,000.00
TO VOID CHECK FROM MARCH 2019 TO BARKAN MANAGEMENT. AMOUNT NOT CLEARED AS OF 5/31/19.			
05/31/2019	<u>AJE 16</u>		
1030-0000	CASH IN TRANSIT	130,276.34	
5090-0000	OTHER ADMINISTRATIVE	8.00	
2090-1000	RECEIPTS AFTER CUTOFF		130,284.34
TO RECORD BANK ACTIVITY FOR MAY 2019 - BARKAN MGMT OPERATING ACCOUNT.			
05/31/2019	<u>AJE 17</u>		
2029-0000	WITHHOLDING - OTHER	14,308.23	
2070-0000	MEMORIAL TREE FUND	920.00	
2080-0000	RESIDENT REFUNDS	700.47	
2026-0000	ACCRUED GARNISHMENTS	1,380.70	
2027-0000	UNION DUES WITHHELD	369.00	



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## PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

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for the period ended May 31, 2019

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Account #	Account Name / Description	Debits	Credits
4710-0000	OTHER		17,678.40
	TO WRITE OFF STALE LIABILITIES GREATER THAN 5 YEARS OLD.		
05/31/2019	AJE 18		
5040-0000	OFFICE SYSTEMS SERVICES		2,578.34
5330-0000	MEDICAL/HEALTH BENEFITS		5,025.00
6720-0000	INSURANCE - BUILDING	43,683.06	
5390-0000	WORKERS COMP	15,591.65	
1210-0000	PREPAID INSURANCE		22,709.60
1220-0000	PREPAID EXPENSES		28,961.77
	TO ADJUST PREPAID EXPENSES.		
05/31/2019	AJE 19		
3100-0100	REPLACEMENT RESERVES	99,985.30	
6630-0000	LEGAL - COLLECTIONS		10,000.00
6640-0000	LEGAL - GENERAL	4,580.99	
5330-0000	MEDICAL/HEALTH BENEFITS		44,000.00
6010-0000	WATER/SEWER		40,000.00
6020-0000	GAS		4,000.00
5020-0000	COMPUTERS	2,864.04	
5050-0000	NEWSLETTER PRODUCTION	2,705.00	
5060-0000	POSTAGE	387.80	
5090-0000	OTHER ADMINISTRATIVE	569.60	
6035-0000	TRASH REMOVAL	2,118.00	
6115-0000	USP PARTS & SUPPLIES	451.05	
6130-0000	LANDSCAPE OTHER	3,727.93	
6140-0000	EXTERMINATING CONTRACT	3,581.00	
6150-0000	UNIFORMS	5,066.71	
6195-0000	VEHICLE GAS & MAINTENANCE	2,086.85	
6430-0000	GENERAL REPAIR & MAINT	7,624.72	
6450-0000	PAINTING	9,467.50	
6452-0000	PAINTING SUPPLIES	95.73	
2020-0000	ACCRUED EXPENSES		47,312.22
	TO RECORD/ADJUST ACCRUED EXPENSES.		
05/31/2019	AJE 20		
6740-0000	INCOME TAXES	12,111.00	
2050-0000	INCOME TAXES PAYABLE		12,111.00
	TO RECORD PROVISION FOR TAXES.		

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PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

12/17/2019

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Adjusting Journal Entries  
for the period ended May 31, 2019

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Account #	Account Name / Description	Debits	Credits
		<u>1,093,840.65</u>	<u>1,093,840.65</u>
Totals		<u>1,093,840.65</u>	<u>1,093,840.65</u>