

BEEBE RANCH HOA
FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE
INFORMATION FOR 2016)

LITTRELL & BAILEY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditor's Report.....	1-2
Balance Sheet.....	3
Statement of Revenues and Expenses.....	4
Statement of Changes in Fund Balances.....	5
Statement of Cash Flows	6
Notes to the Financial Statements.....	7-9
Supplementary Information on Future Major Repairs and Replacements (Unaudited)	10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Homeowners of
Beebe Ranch HOA

We have audited the accompanying financial statements of Beebe Ranch HOA (the Association), which comprise the balance sheet as of December 31, 2017, and the related statements of revenues and expenses, changes in fund balances 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.

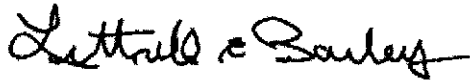
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beebe Ranch HOA as of December 31, 2017, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Littrell & Bailey".

Littrell & Bailey, P.S.
Wenatchee, WA
November 26, 2019

BEEBE RANCH HOA

BALANCE SHEET

December 31, 2017

(With summarized comparative information for December 31, 2016 (Unaudited))

ASSETS

	<u>Operating</u>	<u>2017</u>	<u>Total</u>	<u>2016</u>
	<u>Fund</u>	<u>Replacement</u>		<u>Total</u>
		<u>Fund</u>		
CURRENT ASSETS				
Cash	\$ 50,071	\$ -	\$ 50,071	\$ 35,472
Assessments receivable	10,387	-	10,387	15,909
Prepaid insurance	2,008	-	2,008	1,330
TOTAL ASSETS	<u>\$ 62,466</u>	<u>\$ -</u>	<u>\$ 62,466</u>	<u>\$ 52,711</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES				
Accounts payable	\$ 3,064	\$ -	\$ 3,064	\$ 2,862
TOTAL LIABILITIES	3,064	-	3,064	2,862
TOTAL FUND BALANCES	<u>59,402</u>	<u>-</u>	<u>59,402</u>	<u>49,849</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,466</u>	<u>\$ -</u>	<u>\$ 62,466</u>	<u>\$ 52,711</u>

See accompanying notes to financial statements.

BEEBE RANCH HOA

STATEMENT OF REVENUES AND EXPENSES

For the Year Ended December 31, 2017

(With summarized comparative information for December 31, 2016 (Unaudited))

	<u>Operating</u>	<u>2017</u> <u>Replacement</u>	<u>Total</u>	<u>2016</u> <u>Total</u>
	<u>Fund</u>	<u>Fund</u>		
REVENUES				
Regular assessments	\$ 30,950	\$ -	\$ 30,950	\$ 28,887
Interest income	9	-	9	142
Other	2,082	-	2,082	2,219
TOTAL REVENUES	<u>33,041</u>	<u>-</u>	<u>33,041</u>	<u>31,248</u>
 EXPENSES				
Attorney fees	3,610	-	3,610	6,485
Bookkeeping service	3,600	-	3,600	4,995
Snow plowing	3,250	-	3,250	2,350
Insurance	2,765	-	2,765	2,915
Landscaping	2,375	-	2,375	4,534
Weed control	2,361	-	2,361	1,154
Irrigation	2,248	-	2,248	1,288
Mowing of residential lots	1,217	-	1,217	1,948
Repairs and maintenance	749	-	749	1,026
Office	389	-	389	1,440
Postage and delivery	285	-	285	330
Events	329	-	329	-
Utilities	164	-	164	336
Bank fees	146	-	146	441
Information technology	-	-	-	800
Reserve study fees	-	-	-	1,630
Other accounting fees	-	-	-	2,000
TOTAL EXPENSES	<u>23,488</u>	<u>-</u>	<u>23,488</u>	<u>33,672</u>
 EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENSES	<u>\$ 9,553</u>	<u>\$ -</u>	<u>\$ 9,553</u>	<u>\$ (2,424)</u>

See accompanying notes to financial statements.

BEEBE RANCH HOA

STATEMENT OF CHANGES IN FUND BALANCES

For the Year Ended December 31, 2017

(With summarized comparative information for December 31, 2016 (Unaudited))

	<u>Operating Fund</u>	<u>2017 Replacement Fund</u>	<u>Total</u>	<u>2016 Total</u>
FUND BALANCES, BEGINNING OF YEAR	\$ 49,849	\$ -	\$ 49,849	\$ 52,273
Excess (deficiency) of revenues over expenses	<u>9,553</u>	<u>-</u>	<u>9,553</u>	<u>(2,424)</u>
FUND BALANCES, END OF YEAR	<u>\$ 59,402</u>	<u>\$ -</u>	<u>\$ 59,402</u>	<u>\$ 49,849</u>

See accompanying notes to financial statements.

BEEBE RANCH HOA

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

(With summarized comparative information for December 31, 2016 (Unaudited))

	<u>Operating</u>	<u>2017</u>	<u>Replacement</u>	<u>Total</u>	<u>2016</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenses	\$ 9,553	\$ -	\$ 9,553	\$ (2,424)	
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:					
(Increase) decrease in assets:					
Assessments receivable	5,522	-	5,522	(5,472)	
Other receivables	-	-	-	4,901	
Prepaid insurance	(678)	-	(678)	635	
Increase (decrease) in liabilities:					
Accounts payable	202	-	202	210	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>14,599</u>	<u>-</u>	<u>14,599</u>	<u>(2,150)</u>	
NET INCREASE (DECREASE) IN CASH	14,599	-	14,599	(2,150)	
CASH - BEGINNING OF YEAR	<u>35,472</u>	<u>-</u>	<u>35,472</u>	<u>37,622</u>	
CASH - END OF YEAR	<u>\$ 50,071</u>	<u>\$ -</u>	<u>\$ 50,071</u>	<u>\$ 35,472</u>	

See accompanying notes to financial statements.

BEEBE RANCH HOA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 – NATURE OF ORGANIZATION

Beebe Ranch HOA (the Association) is a nonprofit corporation incorporated in the State of Washington for the purpose of operating a homeowners association for the community of Beebe Ranch. The Association is responsible for the operation and maintenance of the common property and roads within the development. The Association consists of 105 residential lots, located in Orondo, Washington.

The Association is one of three Associations that share road maintenance costs and is responsible for 45% of the total costs. This percentage is based upon the number of residential lots under the Association in comparison to the total number of lots and planted acreage.

NOTE 2 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition through November 26, 2019, the date that the financial statements were available to be issued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and replacement expenditures.

Fund Accounting

Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - The operating fund is used to account for financial resources available for the general operations of the Association.

Reserve Fund - The reserve fund is used to accumulate financial resources designated for future major repairs and replacements.

Summarized Prior Year Financial Information

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31 of the prior year, from which the summarized information was derived.

BEEBE RANCH HOA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Association maintains cash balances at several banks. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances greater than \$250,000 are not insured.

Property and Equipment

The Association owns real property directly associated with common areas and roads. The Association generally capitalizes any other property and equipment which it has title or other evidence of ownership.

Member Assessments and Receivables

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and future repairs and replacements. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from homeowners. As of December 31, 2017, the Association has no formal policy to place liens on homeowners with unpaid assessments. The Association considers all assessments receivable at December 31, 2017 to be fully collectible. Any prepaid assessments at year end are retained by the Association for use in future years.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association is a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2017. Under that Section, the Association is not taxed on all income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government.

BEEBE RANCH HOA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 – REPLACEMENT FUND

The Association's governing documents grant the Association the power to establish and maintain an adequate reserve fund for future repairs and replacements. The Association's reserve fund for future repairs and replacements is utilized to accumulate funds for future major repairs and replacements. Deductions from the fund are recorded as costs as incurred, which are determined by the Board to meet the objective for which the fund was established. As of December 31, 2017, no funds have been accumulated in the Association's reserve fund.

The Association engaged Association Reserves who conducted a study in August of 2019 to estimate the remaining useful lives and the replacement costs of the common property components allocable to the Association. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously designated for future repairs and replacements. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to the Board's approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Association is one of three Associations that share road maintenance costs and is responsible for 45% of the total costs. This percentage is based upon the number of residential lots under the Association in comparison to the total number of lots and planted acreage.

SUPPLEMENTARY INFORMATION

BEEBE RANCH HOA

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
December 31, 2017**

The Association engaged Association Reserves who conducted a study in August of 2019 to estimate the remaining useful lives and the replacement costs of the common property components allocable to the Association. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 3% and interest at 1%, net of taxes, on amounts funded for future major repairs and replacements.

Management believes the 2019 study to be materially correct as no significant improvements or repairs were made during the current year through the date of the study that would affect the estimated remaining useful lives or estimated current replacement cost.

The following information is based on the study and presents significant information about the components of common property.

Components	Estimated remaining useful lives (years)	Estimated current replacement costs
Common		
Concrete -- repair/replace	0	\$ 2,500
Asphalt -- resurface (overlay)	30	451,700
Asphalt -- seal coat	0	50,200
Road shoulder gravel -- replenish	4	5,000
Guard rail -- repair/replace	35	54,600
Irrigation system -- repair/replace	4	1,500
Street signage -- replace	15	1,200
Mailboxes -- replace	12	11,200
Total		\$ 577,900

See Independent Auditor's Report on pages 1 and 2.