

BEEBE RANCH HOA
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

LITTRELL & BAILEY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditor's Report.....	1-2
Balance Sheets	3-4
Statements of Revenues and Expenses	5-6
Statements of Changes in Fund Balances	7-8
Statements of Cash Flows	9-10
Notes to the Financial Statements.....	11-13
Supplementary Information on Future Major Repairs and Replacements (Unaudited)	14



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 sheets as of December 31, 2018 and 2017, and the related statements of revenues and expenses, changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

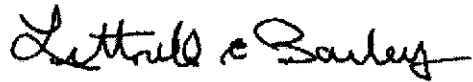
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beebe Ranch HOA as of December 31, 2018 and 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 14 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.



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

BEEBE RANCH HOA

BALANCE SHEETS

December 31, 2018 and 2017

ASSETS

	Operating Fund	2018 Replacement Fund	Total
CURRENT ASSETS			
Cash	\$ 65,132	\$ 19,212	\$ 84,344
Assessments receivable	1,825	983	2,808
Accounts receivable - interfund	-	617	617
Prepaid insurance	1,976	-	1,976
TOTAL ASSETS	\$ 68,933	\$ 20,812	\$ 89,745

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Prepaid assessments	\$ 2,478	\$ -	\$ 2,478
Accounts payable	1,042	-	1,042
Accounts payable - interfund	617	-	617
TOTAL LIABILITIES	4,137	-	4,137
TOTAL FUND BALANCES	64,796	20,812	85,608
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,933	\$ 20,812	\$ 89,745

See accompanying notes to financial statements.

	<u>2017</u>	
Operating Fund	Replacement Fund	Total
\$ 50,071	\$ -	\$ 50,071
10,387	-	10,387
-	-	-
2,008	-	2,008
\$ 62,466	\$ -	\$ 62,466

\$ -	\$ -	\$ -
3,064	-	3,064
-	-	-
3,064	-	3,064
59,402	-	59,402
\$ 62,466	\$ -	\$ 62,466

BEEBE RANCH HOA

STATEMENTS OF REVENUES AND EXPENSES

For the Years Ended December 31, 2018 and 2017

	<u>Operating Fund</u>	<u>2018 Replacement Fund</u>	<u>Total</u>
REVENUES			
Regular assessments	\$ 23,250	\$ -	\$ 23,250
Road fund assessment	-	20,800	20,800
Interest income	18	12	30
Other	936	-	936
TOTAL REVENUES	<u>24,204</u>	<u>20,812</u>	<u>45,016</u>
EXPENSES			
Insurance	3,556	-	3,556
Bookkeeping service	3,450	-	3,450
Landscaping	2,953	-	2,953
Attorney fees	2,585	-	2,585
Irrigation	1,765	-	1,765
Weed control	1,292	-	1,292
Snow plowing	1,013	-	1,013
Mowing of residential lots	925	-	925
Office	615	-	615
Postage and delivery	381	-	381
Utilities	166	-	166
Bank fees	109	-	109
Repairs and maintenance	-	-	-
Events	-	-	-
TOTAL EXPENSES	<u>18,810</u>	<u>-</u>	<u>18,810</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 5,394</u>	<u>\$ 20,812</u>	<u>\$ 26,206</u>

See accompanying notes to financial statements.

	<u>2017</u>	
Operating Fund	Replacement Fund	Total
\$ 30,950	\$ -	\$ 30,950
-	-	-
9	-	9
2,082	-	2,082
<u>33,041</u>	<u>-</u>	<u>33,041</u>
2,765	-	2,765
3,600	-	3,600
2,375	-	2,375
3,610	-	3,610
2,248	-	2,248
2,361	-	2,361
3,250	-	3,250
1,217	-	1,217
389	-	389
285	-	285
164	-	164
146	-	146
749	-	749
329	-	329
<u>23,488</u>	<u>-</u>	<u>23,488</u>
<u>\$ 9,553</u>	<u>\$ -</u>	<u>\$ 9,553</u>

BEEBE RANCH HOA

STATEMENTS OF CHANGES IN FUND BALANCES

For the Years Ended December 31, 2018 and 2017

	<u>Operating Fund</u>	<u>2018 Replacement Fund</u>	<u>Total</u>
FUND BALANCES, BEGINNING OF YEAR	\$ 59,402	\$ -	\$ 59,402
Excess of revenues over expenses	<u>5,394</u>	<u>20,812</u>	<u>26,206</u>
FUND BALANCES, END OF YEAR	<u>\$ 64,796</u>	<u>\$ 20,812</u>	<u>\$ 85,608</u>

See accompanying notes to financial statements.

	<u>2017</u>		
<u>Operating</u>	<u>Replacement</u>		<u>Total</u>
<u>Fund</u>	<u>Fund</u>		
\$ 49,849	\$ -	\$	49,849
9,553	-		9,553
\$ 59,402	\$ -	\$	59,402

BEEBE RANCH HOA

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>Operating Fund</u>	<u>2018 Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 5,394	\$ 20,812	\$ 26,206
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in assets:			
Assessments receivable	8,562	(983)	7,579
Prepaid insurance	32	-	32
Increase (decrease) in liabilities:			
Accounts payable	(2,022)	-	(2,022)
Prepaid assessments	2,478	-	2,478
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>14,444</u>	<u>19,829</u>	<u>34,273</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfer	<u>617</u>	<u>(617)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>617</u>	<u>(617)</u>	<u>-</u>
NET INCREASE IN CASH	15,061	19,212	34,273
CASH - BEGINNING OF YEAR	<u>50,071</u>	<u>-</u>	<u>50,071</u>
CASH - END OF YEAR	<u>\$ 65,132</u>	<u>\$ 19,212</u>	<u>\$ 84,344</u>

See accompanying notes to financial statements.

<u>Operating Fund</u>	<u>2017 Replacement Fund</u>	<u>Total</u>
\$ 9,553	\$ -	\$ 9,553
5,522	-	5,522
(678)	-	(678)
202	-	202
-	-	-
14,599	-	14,599
-	-	-
-	-	-
14,599	-	14,599
35,472	-	35,472
\$ 50,071	\$ -	\$ 50,071

BEEBE RANCH HOA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 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 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.

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.

BEEBE RANCH HOA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Prior to November 17, 2018, the Association had no formal policy to place liens on homeowners with unpaid assessments. As of November 17, 2018, the Association will start a lien process if assessments are not received within 90 days from the due date. The Association considers all assessments receivable at December 31, 2018 and 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, 2018 and 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.

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

BEEBE RANCH HOA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4 – REPLACEMENT FUND (CONTINUED)

the objective for which the fund was established. Accumulated funds, which aggregate approximately \$19,200 at December 31, 2018 are held in a separate account.

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 – PREPAID ASSESSMENTS

As of December 31, 2018, \$2,478 of prepaid assessments were received by the Association prior to December 31, 2018.

NOTE 6 – 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, 2018

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		<u>\$ 577,900</u>

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