

CLARIDGE POINTE
HOMEOWNERS ASSOCIATION
AUDITED FINANCIAL STATEMENT
DECEMBER 31, 2014

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TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Accountant's Report	3-4
Balance Sheet	5
Statement of Revenues and Expenses and Changes in Fund Balances	6
Statement of Cash Flows	7-8
Notes to Financial Statements	9-11
Supplementary Information on Future Major Repairs and Replacements	12
Schedule of Actual vs. Budgeted Expenses	13

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Claridge Pointe Homeowners Association:

I have audited the accompanying financial statements of Claridge Pointe Homeowners Association, which comprise the balance sheet as of December 31, 2014, and the related statements of revenues, expenses, and changes in fund balance 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

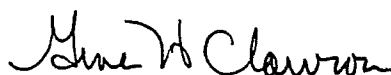
Opinion

In my opinion, the balance sheet referred to in the first paragraph presents fairly, in all material respects, the financial position of Claridge Pointe Homeowners Association as of December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on the Schedule of Actual VS. Budgeted Expenses on page 13 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. 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on page 12 pertaining to future major repairs and replacements of common property 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Gene H. Clawson, CPA

Sparks, Nevada
April 15, 2015

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2014
(SEE ACCOUNTANT'S REPORT)

	Operating <u>Fund</u>	Reserve <u>Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$30,261	\$118,634	\$148,895
Certificates of Deposit		41,657	41,657
Assessments Receivable, Net	2,962		2,962
Prepaid Expense	<u>640</u>	<u> </u>	<u>640</u>
TOTAL ASSETS	<u>\$33,863</u>	<u>\$160,291</u>	<u>\$194,154</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 352	\$ -0-	\$ 352
Prepaid Assessments	<u>7,467</u>	<u> </u>	<u>7,467</u>
TOTAL LIABILITIES	7,819	-0-	7,819
FUND BALANCES	<u>26,044</u>	<u>160,291</u>	<u>186,335</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$33,863</u>	<u>\$160,291</u>	<u>\$194,154</u>

The accompanying notes are an integral part of these financial statements.

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
 STATEMENT OF REVENUES AND EXPENSES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (SEE ACCOUNTANT'S REPORT)

	Operating <u>Fund</u>	Reserve <u>Fund</u>	<u>Total</u>
<u>REVENUES</u>			
Member Assessments	\$59,238	\$ 37,572	\$ 96,810
Interest		702	702
Other Income	9,270		9,270
Reimbursements	<u>475</u>	<u> </u>	<u>475</u>
 TOTAL REVENUES	 68,983	 38,274	 107,257
 <u>EXPENSES</u>			
Administrative	14,486		14,486
Bad Debts	2,358		2,358
Insurance	3,825		3,825
Income Tax	-0-		-0-
Maintenance	14,112		14,112
Management Fees	17,860		17,860
Reserve Expenses		29,252	29,252
Utilities	<u>6,345</u>	<u> </u>	<u>6,345</u>
 TOTAL EXPENSES	 <u>58,986</u>	 <u>29,252</u>	 <u>88,238</u>
 Excess (Deficit) of Revenues Over Expenses	 9,997	 9,022	 19,019
 Beginning Fund Balances	 <u>16,047</u>	 <u>151,269</u>	 <u>167,316</u>
 ENDING FUND BALANCES	 <u>\$26,044</u>	 <u>\$160,291</u>	 <u>\$186,335</u>

The accompanying notes are an integral part of these financial statements.

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (SEE ACCOUNTANT'S REPORT)

	Operating <u>Fund</u>	Reserve <u>Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Member assessments collected	\$ 58,269	\$ 37,572	\$ 95,841
Interest received		702	702
Other receipts	9,270		9,270
Reimbursements	475		475
Cash paid for operating expenditures	-58,908	-29,252	-88,160
Income taxes paid	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided by/to operating activities	9,106	9,022	18,128
Cash flows from investing activities:			
Purchase of certificates of deposit	-0-	-41,657	-41,657
Redemption of certificates of deposit	<u> </u>	<u>41,082</u>	<u>41,082</u>
Net cash provided by/to investing activities	<u>-0-</u>	<u>-575</u>	<u>-575</u>
Net increase (decrease) in cash	9,106	8,447	17,553
Cash at beginning of year	<u>21,155</u>	<u>110,187</u>	<u>131,342</u>
Cash at end of year	<u>\$ 30,261</u>	<u>\$118,634</u>	<u>\$148,895</u>

The accompanying notes are an integral part of these financial statements.

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(SEE ACCOUNTANT'S REPORT)

	Operating <u>Fund</u>	Reserve <u>Fund</u>	<u>Total</u>
Reconciliation of excess of revenues over expenses to net cash provided by operating activities:			
Excess or (deficit) of revenues over expenses	\$ 9,997	\$ 9,022	\$19,019
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) or Decrease in:			
Assessments receivable	1,305		1,305
Prepaid expense	101		101
Increase or (Decrease) in:			
Prepaid assessments	-1,999		-1,999
Accounts payable	-2,381		-2,381
Allowance for bad debts	<u>2,083</u>	<u> </u>	<u>2,083</u>
Net cash provided by/to operating activities	<u>\$ 9,106</u>	<u>\$ 9,022</u>	<u>\$18,128</u>

The accompanying notes are an integral part of these financial statements.

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. ORGANIZATION

Claridge Pointe Homeowners Association is a homeowner association organized for the purpose of maintaining and preserving common property of the Association. The Association consists of 101 units located in Washoe County, Nevada. The Association began its operations on December 26, 1995.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pervasiveness of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Fund Accounting. The Association uses accrual basis fund accounting, which requires that funds, such as operating funds, deferred maintenance funds, and funds designated for future major repairs and replacements, be classified separately for accounting reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the reserve fund generally may be made only for designated purposes.

Interest Earned. The Board's policy is to allocate to each fund interest earned on all accounts.

Cash Equivalents. Cash equivalents are defined as investments which have an original maturity of three months or less. There were no cash equivalents at December 31, 2014.

Date of Management's Review. Management has evaluated events and transactions occurring after the balance sheet date through April 15, 2105, which is the date the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of management's review substantially affect the amounts and disclosure of the accompanying financial statements.

3. OWNERS' ASSESSMENTS

Monthly assessments to owners were \$80 per unit in 2014. Of the assessments collected \$37,572 was designated to the reserve fund.

The annual budget and assessments of owners are determined by the Board of Directors. The Association either retains excess operating funds at the end of the operating year, if any, for use in future operating periods or credits the individual homeowner assessments for the following year.

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future repairs and replacements. Accumulated funds are in separate savings accounts and are generally not available for expenditures for normal operations. Professional Reserve Studies, LLC conducted a study in August, 2013 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider annual inflation rates of 3.00 percent and interest of 0.36 percent, net of taxes, on amounts funded for major repairs and replacements. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on that study.

The Board funds for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considers amounts previously accumulated in the reserve fund.

Funds are being accumulated in the reserve fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board has the right, to increase regular assessments, or delay major repairs and replacements until funds are available.

5. FEDERAL INCOME TAXES

In 2014, the Association elected to file as a homeowners association in accordance with Internal Revenue Code section 528, using form 1120-H. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenues from uniform assessments to owners. The Association's investment income and other nonexempt income were subject to tax.

The Association's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

6. ASSESSMENTS RECEIVABLE, NET

The Association's policy is to place liens on the properties of homeowners whose assessments are in arrears and therefore considered delinquent. As of December 31, 2014, the Association had assessments receivable of \$7,969. It is the policy of the Association to record assessments receivable at their net realizable value. Accordingly, an allowance for doubtful accounts has been established in the amount of \$5,007 at December 31, 2014.

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

7. CONCENTRATION OF CREDIT RISK

The Association's financial instruments that are potentially exposed to concentration of credit risk consist of cash. The Association places its cash and temporary investments with high quality institutions. At December 31, 2014 no investments were in excess of the FDIC insurance limit.

8. RELATED PARTY TRANSACTIONS

A member of the Board of Directors produced the association's reserve study at a cost of \$300.

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
 REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2014
 (UNAUDITED)
 (SEE ACCOUNTANT'S REPORT)

Professional Reserve Studies, LLC conducted a study in August, 2013 to estimate the remaining useful lives and replacements costs of the components of common property. The estimates were based on future estimated replacements costs. Funding requirements consider an annual inflation rate of 3.00 percent and interest of 0.36 percent, net of taxes, on amounts funded for future repairs and replacements. The projected reserve fund cash balance as of December 31, 2014 was \$167,261. The actual reserve fund cash balance as of December 31, 2014 was \$160,291.

<u>Components</u>	<u>Remaining Life Range</u>	<u>Current Cost</u>
Access	0-26	\$ 73,903
Artificial Turf	0-41	132,272
Concrete	2	5,139
Grounds	0-28	60,729
Mailboxes	2	9,054
Painting	0-1	6,245
Perimeter Fencing	12-16	78,756
Signs	0-8	1,164
Streets	0-11	97,095
Surveillance	3-24	96
Utilities	0-1	8,907
Reserve Study	0-3	3,000
Contingency	n/a	<u>n/a</u>
 Total		 <u>\$476,360</u>

CLARIDGE POINTE HOMEOWNERS ASSOCIATION
 SCHEDULE OF ACTUAL VS. BUDGETED EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (SEE ACCOUNTANT'S REPORT)

	<u>Actual</u>	<u>Budgeted</u>	<u>Variance</u>
<u>Operating Fund</u>			
Administrative	\$14,486	\$15,248	\$ 762
Insurance	3,825	4,000	175
Income Tax	-0-	-0-	-0-
Maintenance	14,112	17,085	2,973
Management Fees	17,860	17,860	-0-
Utilities	6,345	5,930	-415
Bad Debts	<u>2,358</u>	<u>2,000</u>	<u>-358</u>
 Total Expenses	 <u>\$58,986</u>	 <u>\$62,123</u>	 <u>\$ 3,137</u>
 <u>Reserve Fund</u>			
Reserve Study	\$ 300	\$ 500	\$ 200
Asphalt	19,920	758	-19,162
Concrete	4,150	-0-	-4,150
Wrought Iron Fence	-0-	3,859	3,859
Signs	-0-	360	360
Landscape Project	-0-	2,569	2,569
Camera System	3,532	3,000	-532
Gate Computer	1,350	-0-	-1,350
Vehicle Access System	-0-	3,000	3,000
Golf Course/Adult	-0-	2,569	2,569
Utilities/Sewer Line	<u>-0-</u>	<u>4,537</u>	<u>4,537</u>
 Total Expenses	 <u>\$29,252</u>	 <u>\$21,152</u>	 <u>\$ -8,100</u>