

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2011

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To the Board of Directors
Carlson's Ridge Homeowners Association, Inc.

Independent Auditor's Report

I have audited the accompanying balance sheet of Carlson's Ridge Homeowners Association, Inc. as of December 31, 2011 and the related statements of revenue and expenses and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carlson's Ridge Homeowners Association, Inc. as of December 31, 2011 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.

The supplementary information on future major repairs and replacements on Page 8 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

August 27, 2012

J.R. Wolff & Co., P.C.
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CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2011

ASSETS

Cash in banks	\$ 20,422
Bank certificates of deposit	148,657
Common charges receivable	280
Prepaid insurance	<u>7,582</u>
TOTAL ASSETS	<u>\$176,941</u>

LIABILITIES AND FUND BALANCES

Accounts payable	159
Common charges received in advance	5,850
Accrued income taxes (note 4)	-
Total Liabilities	<u>6,009</u>
Fund Balances	
Operating Fund	6,495
Capital Reserve Fund	164,437
Total Fund Balances	<u>170,932</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$176,941</u>

See accompanying notes to financial statements

CARLSON'S RIDGE HOMEOWNERS' ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2011

Revenue	
Common charges (note 3)	\$ 149,116
Capital contributions	2,080
Interest	1,419
Late charges	144
Resale certificates	100
Total Revenue	<u>152,859</u>
Expenses	
Electricity	1,700
Refuse	11,801
Hydrants	3,037
Insurance	18,093
Management fees	8,364
General repairs and maintenance	13,970
Landscape maintenance and snow removal	52,835
Emergency snow removal	8,227
Professional fees	226
Office expenses	3,888
Income tax (note 4)	-
Total Expenses	<u>122,141</u>
Excess of Revenues Over Expenses	30,718
Beginning Fund Balances	<u>140,214</u>
Ending Fund Balances	<u>\$ 170,932</u>

See accompanying notes to financial statements

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2011

Cash Flows From Operating Activities

Excess of Revenues over Expenses	\$ 30,718
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Increase (Decrease) in: Accounts payable	<u>(1,041)</u>
Net Cash Provided (used) By Operating Activities	29,677
Cash Flows from Investing Activities	
Increase in bank certificates of deposit	(35,574)
Cash Flows from Financing Activities	<u> -</u>
Net increase (decrease) in cash	(5,897)
Cash at beginning of year	<u>26,319</u>
Cash at end of year	<u>\$ 20,422</u>

Income tax paid was \$0.

See accompanying notes to financial statements.

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - NATURE OF ORGANIZATION

Carlson's Ridge Homeowners Association, Inc. (the Association), is a non-stock corporation organized under the laws of the State of Connecticut. The Association is responsible for the operation and maintenance of the common property of 48 residential units located on 33 acres in New Milford, Connecticut.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Association considers cash and all highly liquid instruments with a maturity of three months or less to be cash or cash equivalents.

Common Charges - Association members are subject to monthly common charge assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Common charges receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose common charges are ninety days or more delinquent. Any excess common charges at year end are retained by the Association for use in the succeeding year.

Capital Contributions - The Association receives from each purchaser, at closing, a working capital contribution for the Association to be used to capitalize the operating funds of the Association.

Income Taxes - The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528. Under that Section, the Association is not taxed on income and expense related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of Association property. Net non-exempt function income, which includes earned interest and revenues received from non-members, is taxed at 30% by the federal government.

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 asset 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.

NOTE 3 - ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Association recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Association had no uncertain tax positions that would require financial statement recognitions.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Association maintains its cash in bank deposit accounts and CD's, which at times may exceed Federally insured limits. Concentrations of credit risk with respect to accounts receivable are limited due to large number of homeowners and generally short payment terms.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition or disclosure through August 27, 2012, which is the date the financial statements were available to be issued.

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements.

The Association conducted a study in 2011 to estimate the remaining useful lives and the replacement costs of the common property components. The study was completed by a professional engineering firm. The Association is funding for such major repairs and replacements over the estimated useful

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (continued)

lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. When replacement funds are needed to meet future needs of major repairs and replacements, the Association has the right to increase the regular common charges, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future common charges has not been determined at this time.

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

REQUIRED SUPPLEMENTARY INFORMATION ON ESTIMATED FUTURE MAJOR
REPAIRS AND REPLACEMENTS
(Unaudited)

December 31, 2011

The Board of Directors completed a study in 2011 to estimate the remaining useful lives and the replacement costs of the components of common property.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance At 12/31/11</u>
Streets			
Asphalt overlay	12	\$114,041	\$ -
Asphalt repairs	3	3,571	-
Roofs			
Asphalt shingle	14	82,000	-
Asphalt shingle	15	82,000	-
Asphalt shingle	17	82,000	-
Asphalt shingle	18	82,000	-
Asphalt shingle	19	82,000	-
Asphalt shingle	20	80,000	-
Decks			
Wood/Trex	17	68,400	-
Wood/Trex	18	68,400	-
Garage doors	10	27,800	-
Gutters and downspouts	14	94,356	-
Unallocated		<u>-</u>	<u>164,437</u>
Total		<u>\$866,568</u>	<u>\$164,437</u>