

**CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**For the Year ended December 31, 2017**

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2017

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

## Independent Accountant's Review Report

We have reviewed the accompanying financial statements of Carlson's Ridge Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2017, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

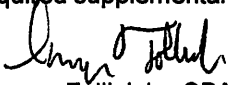
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion on the Financial Statements**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 8 be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

  
George Follini Jr., CPA, P.C.  
Danbury, Connecticut  
November 17, 2018

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2017

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents (Note 6)	\$ 16,102	\$ 149,353	\$ 165,455
Investment in certificate of deposits	-	210,001	210,001
Accounts receivable - unit owners	-	-	-
Prepaid insurance	<u>8,109</u>	<u>-</u>	<u>8,109</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 24,211</b></u>	<u><b>\$ 359,354</b></u>	<u><b>\$ 383,565</b></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Unit owners' fees paid in advance	1,404	-	1,404
Accrued income tax (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	1,404	-	1,404
<b>FUND BALANCE</b>			
Fund Balances (deficit)	<u>22,807</u>	<u>359,354</u>	<u>382,161</u>
Fund Balances (deficit)	<u>22,807</u>	<u>359,354</u>	<u>382,161</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 24,211</b></u>	<u><b>\$ 359,354</b></u>	<u><b>\$ 383,565</b></u>

See accountant's review report and notes to financial statements.

**CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUNDBALANCE**  
For the Year Ended December 31, 2017

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Common charges	\$ 178,560	\$ -	\$ 178,560
Interest income	18	1,059	1,077
Capital contribution	-	620	620
Other income	<u>1,880</u>	<u>-</u>	<u>1,880</u>
<b>Total Revenues</b>	<b>\$ 180,458</b>	<b>\$ 1,679</b>	<b>\$ 182,137</b>
<b>Expenses:</b>			
Office expenses	765	-	765
Management fee	8,984	-	8,984
Insurance	23,547	-	23,547
Tax preparation	250	-	250
Gutter cleaning	1,965	-	1,965
Grounds care and maintenance	70,934	-	70,934
Hydrant fees	3,311	-	3,311
Common areas electricity	1,436	-	1,436
Repair and maintenance	6,510	-	6,510
Powerwashing	5,743	-	5,743
Refuse Removal	10,848	-	10,848
Miscellaneous	3,064	-	3,064
Driveways	-	3,600	3,600
Walkways	-	2,575	2,575
Shutters	400	-	400
Bump-outs	<u>2,520</u>	<u>-</u>	<u>2,520</u>
<b>Total Expenses</b>	<b><u>140,277</u></b>	<b><u>6,175</u></b>	<b><u>146,452</u></b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>40,181</b>	<b>(4,496)</b>	<b>35,685</b>
<b>Fund balances beginning of year</b>	<b>23,617</b>	<b>322,859</b>	<b>346,476</b>
<b>Interfund transfers</b>	<b><u>(40,991)</u></b>	<b><u>40,991</u></b>	<b><u>-</u></b>
<b>Fund balances end of year</b>	<b><u>\$ 22,807</u></b>	<b><u>\$ 359,354</u></b>	<b><u>\$ 382,161</u></b>

See accountant's review report and notes to financial statements.

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

	Operating Fund	Reserve Fund	Total
Cash Flows From Operating Activities			
Excess/(deficiency) of revenue over expenses	\$ 40,181	\$ (4,496)	\$ 35,685
Adjustment to reconcile excess of revenue over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Common charges receivable, net	7,460	-	7,460
Prepaid insurance	(5,124)	-	(5,124)
Increase (decrease) in:			
Accounts payable	(983)	-	(983)
Accrued expenses	(2,277)	-	(2,277)
Common charges received in advance	(8,726)	-	(8,726)
Net cash provided/(used) by operating activities	30,530	(4,496)	26,034
Cash Flows From Investing Activities			
Investment in certificates of deposit	-	(830)	(830)
Cash Flows From Financing Activities	-	-	-
Net Increase (decrease) in Cash	30,530	(5,326)	25,204
Cash at beginning of year	26,563	113,688	140,251
Interfund transfers	(40,991)	40,991	-
Cash at end of year	<u>\$ 16,102</u>	<u>\$ 149,353</u>	<u>\$ 165,455</u>
Income tax paid in 2017	\$ -	\$ -	\$ -

See accountant's review report and notes to financial statements.

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - NATURE OF ORGANIZATION

Carlson's Ridge Homeowners Association, Inc. Association, Inc. (the "Association") is a non-stock Connecticut corporation, not organized for profit. 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

*Method of Accounting*

These financial statements are prepared on the accrual basis using accounting principles generally accepted in the United States of America and appropriate for homeowner's associations. Revenue is recorded when due and expenses are recorded when incurred. To ensure that the Association observes any limitations or restrictions on the use of financial resources, the financial records are kept using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the association.

Long-term Reserve Fund - This Fund is used to account for the financial resources designated for future major repairs and replacements.

Deferred Maintenance Fund - This fund is used to account for financials resources available for the maintenance and repair of a non-recurring nature. Funds may also be used to pay for other expenses as the board of directors approve.

*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. Prepaid common charges appear as a liability.

The Association's policy is to record a provision for uncollectible accounts for fees and assessments that are more than six months in arrears, if any. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose common charges are delinquent in accordance with the Connecticut Common Interest Ownership Act procedures. Any excess common charges at year end are retained by the Association for use in the succeeding year.

*Capital Contributions*

The Association desires to levy on each transferred unit an assessment of not more than 2 months of regularly budgeted common charges in effect at the time of the sale (both the initial sale and subsequent re-sales) of any unit.

*Capitalization Policy*

Consistent with industry practice, the Association has not capitalized common property since it does not have title and control over disposition. Common property and related additions or improvements are owned by the individual unit owners in common and not by the Association.

CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 3 - PROPERTY AND EQUIPMENT**

The Association has the responsibility to maintain and preserve the common property, whether or not capitalized. Common property not capitalized consists of building exteriors and roofs, decks, streets, grounds and utility systems.

**NOTE 4 - INCOME TAXES**

The Association has elected to be treated as a qualified homeowner's association, according to Section 528 of the Internal Revenue Code. Under this section, the Association is taxed on certain net income that derives from sources outside the Association, such as interest and dividends. Common charges received from owners and used for Association expenses are generally exempt from taxation. When the Association elects this filing status, no taxes are due to the State of Connecticut, although an information return must be filed. There was no tax liability for the year ended December 31, 2017.

The Association accounts for uncertainty in income taxes in accordance with the Income Tax Topic of the FASB Accounting Standards Codification (FASB ASC). The Association files Federal and Connecticut income tax returns, which represent the major tax jurisdictions of the Association. The statutes of limitations for federal and state tax years 2014 through 2017 remain open for audit under the various statutes of limitations.

**NOTE 5 - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates may affect 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 6 - CASH AND CASH EQUIVALENTS**

For purposes of the cash flow statement, the Association considers cash to be checking accounts, savings accounts and cash equivalents. Cash equivalents are highly liquid investments with maturities of 90 days or less and money funds.

**NOTE 7 - ASSOCIATION MANAGEMENT**

The Association has a management contract with REI Property Management (the "Management Company") which provides day to day supervision, maintenance and accounting functions for the Association. The Management Company provides monthly financial reports, as well as services to maintain the common property of the Association in accordance with the Association's budget, or as requested by the Board of Directors. The management fee for these services was \$8,984 and \$1,014 for other administrative services for the year ended December 31, 2017.

**NOTE 8 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents suggest, but do not require, that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings and investment accounts and generally are not available for expenditures in normal operations.

The Board is funding for major repairs and replacements over the remaining useful lives of the component



CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 8 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements 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 fund may not be adequate to meet all future needs for major repairs and replacements.

If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**NOTE 9 – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents. The Association maintains its cash in bank deposit accounts and CD's, which at times may exceed Federally insured limits.

**NOTE 10 - COMMITMENTS**

The Association has contracts for management, landscaping, snow removal, grounds maintenance, and carting.

**NOTE 11 - SUSEQUENT EVENTS**

The Association has evaluated events and transactions for potential recognition or disclosure through November 17, 2018 which is the date the financial statements were available to be issued.

**CARLSON'S RIDGE HOMEOWNERS ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENT**

The Association conducted a reserve study in 2011 to estimate the remaining lives and replacement costs of various components of the common property. The Association amended the reserve analysis in 2014 and 2017. This study indicates the expected date on which repairs, and replacements may occur, and inflation is not included in the cost estimates. As routine repairs are performed, the estimated useful lives of the components may change as well. In addition, it should be noted that the Association annually completes repairs and maintenance on specific units to ensure that all units are repaired timely which may change the useful lives of the components.

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

	Estimated Remaining Useful Lives (Years)	Estimated Replacement Costs	Components of Capital Reserve Fund at 12/31/2017
Streets - Asphalt Overlay	6	\$ 114,041	\$ -
Streets - Asphalt Repairs	2	3,571	-
Driveways - Asphalt Repairs	2	3,600	-
Cement Walkways - Repairs	2	2,575	-
Gutters & Downspouts	8	94,356	-
Roofs - Asphalt Shingle (Schedule #1)	8	82,000	-
Roofs - Asphalt Shingle (Schedule #2)	9	82,000	-
Roofs - Asphalt Shingle (Schedule #3)	11	82,000	-
Roofs - Asphalt Shingle (Schedule #4)	12	82,000	-
Roofs - Asphalt Shingle (Schedule #5)	13	82,000	-
Roofs - Asphalt Shingle (Schedule #6)	14	80,000	-
Unallocated			359,354
<b>Total</b>		<b>\$ 708,143</b>	<b>\$ 359,354</b>