

**WILDWOOD HOMEOWNERS ASSOCIATION**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

WILDWOOD HOMEOWNERS ASSOCIATION

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# HALEY SHAW & BUTIKOFER, LLP

Certified Public Accountants

Dan Haley • John Shaw • Paul Butikofer

## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors  
Wildwood Homeowners Association

Management is responsible for the accompanying financial statements of Wildwood Homeowners Association, 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 in accordance with accounting principles generally accepted in the United States of American. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee and the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 9 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of the financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Such information contained in the Schedule of Operating Fund Revenues and Expenses – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management. The supplementary information was not subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

*Haley Shaw & Butikofer, LLP*

HALEY SHAW & BUTIKOFER, LLP  
Roseville, California

September 7, 2018

**WILDWOOD HOMEOWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2017**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 3,589	\$ 7,601	\$ 11,190
Assessments receivable, less bad debt allowance of \$98,615	37,414		37,414
Prepaid insurance	3,527		3,527
Total assets	<u>\$ 44,530</u>	<u>\$ 7,601</u>	<u>\$ 52,131</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 74,483	\$	\$ 74,483
Assessments paid in advance	15,204		15,204
Unfunded replacement reserve	42,499	(42,499)	-
Total liabilities	132,186	(42,499)	89,687
Fund balance (deficit)	(87,656)	50,100	(37,556)
Total liabilities and fund balance	<u>\$ 44,530</u>	<u>\$ 7,601</u>	<u>\$ 52,131</u>

See accompanying notes and independent accountants' compilation report.

**WILDWOOD HOMEOWNERS ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Members' assessments	\$ 420,960	\$ 36,000	\$ 456,960
Other income and recoveries	74,612		74,612
Late fees and penalties	1,869		1,869
	<u>497,441</u>	<u>36,000</u>	<u>533,441</u>
<b>EXPENSES</b>			
Administrative	58,311		58,311
Bad debt	49,615		49,615
Insurance	41,111		41,111
Landscape maintenance	82,145		82,145
Legal and professional	840		840
Onsite management	65,912		65,912
Pool maintenance	8,697		8,697
Professional management	6,111		6,111
Repairs and maintenance	155,303	1,000	156,303
Security	12,862		12,862
Utilities	19,160		19,160
	<u>500,067</u>	<u>1,000</u>	<u>501,067</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(2,626)	35,000	32,374
BEGINNING FUND BALANCE (DEFICIT)	<u>(85,030)</u>	<u>15,100</u>	<u>(69,930)</u>
ENDING FUND BALANCE	<u>\$ (87,656)</u>	<u>\$ 50,100</u>	<u>\$ (37,556)</u>

See accompanying notes and independent accountants' compilation report.

**WILDWOOD HOMEOWNERS ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficit) of revenues over expenses	\$ (2,626)	\$ 35,000	\$ 32,374
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Prepaid insurance	(583)		(583)
Other receivables	4,763		4,763
Assessments receivable	(15,872)		(15,872)
Increase (decrease) in:			
Accounts payable	9,987		9,987
Deposits liability	(2,810)		(2,810)
Assessments paid in advance	1,678		1,678
Bank overdraft	(18,447)		(18,447)
Net cash provided (used) by operating activities	<u>(23,910)</u>	<u>35,000</u>	<u>11,090</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Unfunded replacement reserve	<u>27,499</u>	<u>(27,499)</u>	<u>-</u>
NET INCREASE IN CASH	3,589	7,501	11,090
CASH AT BEGINNING OF YEAR	<u>-</u>	<u>100</u>	<u>100</u>
CASH AT END OF YEAR	<u>\$ 3,589</u>	<u>\$ 7,601</u>	<u>\$ 11,190</u>
<b>SUPPLEMENTARY DISCLOSURE</b>			
Income taxes paid			<u>\$ -</u>
Interest paid			<u>\$ -</u>

See accompanying notes and independent accountants' compilation report.

**WILDWOOD HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Operations

Wildwood Homeowners Association (the Association) is a nonprofit mutual benefit corporation incorporated in January 1979, under the Nonprofit Mutual Benefit Corporation Law of the State of California. The specific and primary purpose for which the Association was formed is to repair, maintain, and manage common areas, enforce the rules and regulations adopted by the Board of Directors from time to time, and discharge such other lawful duties and responsibilities required pursuant to the Corporation's Bylaws and the Declaration of Covenants, Conditions, and Restrictions. The Association is supported by monthly assessments to its 137 residential units located in Sacramento County, California.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent assessments due from unit owners. The Association's policy is to place liens on the properties of homeowners whose assessments are sixty days or more delinquent. The Association has determined that \$98,615 of assessments receivable should be considered bad debt allowance and considers the balance of assessments receivable at December 31, 2017, to be fully collectible. Any excess assessments at year end are retained by the Association for use in future years.

Replacement Fund

The Association has elected to set aside funds for future capital expenditures. Accumulated funds, which aggregate approximately \$7,601 at December 31, 2017, are held in separate accounts and are generally not available for operating purposes. The annual provision to the fund is determined by the Board of Directors after its consideration of a study of the reserve account requirements. The Board may estimate the total annual contribution necessary each year so as to accumulate funds in order to repair, replace, restore, or maintain its capital assets at the end of their useful life. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts designated for the future repair and replacements may not be adequate to meet future needs.

Unless the governing documents impose more stringent standards, the California Civil Code limits the Board of Directors in their use of the replacement fund. The Board of Directors shall not expend funds designated as reserve funds for any purpose other than to repair, replace, restore, or maintain major components that the Association is obligated by the establishment of the reserve fund. However, such accumulated funds may only be temporarily transferred to the Association's operating fund as specified in the Civil Code. Any funds so transferred must thereafter be restored as reserve funds.

According to the Civil Code, the Board of Directors may, unless the governing documents impose more stringent standards, without approval of owners, impose the regular assessment up to 20% greater than the preceding year's regular assessment and impose the special assessment up to 5% greater than the preceding year's budgeted gross expenses.

**WILDWOOD HOMEOWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Replacement Fund (Continued)

Further, for special circumstances, the Association may impose assessments without limit for emergency situations.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. The Association is taxed on its nonexempt function income, such as interest earnings, Exempt function income, which consists primarily of member assessments, is not taxable.

The Association's income tax returns are subject to examination, generally three years for federal and four years for state, after they are filed. There were no penalties or interest related to the current year federal and state tax returns. There were no federal or state taxes due for the year ended December 31, 2017.

Cash and Cash Equivalents

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

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Basis of Presentation

The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

Unfunded Reserve

These balances generally arise when cumulatively through the balance sheet date one fund pays expenses of another and is not reimbursed, does not remit revenues as required, or has otherwise borrowed from the other.



**WILDWOOD HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established 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

*Replacement Fund* – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Capitalization Policy and Depreciation

In accordance with the Association's capitalization policy, property and equipment acquired to which the Association has normal ownership rights, will be capitalized at cost and depreciated over its estimated useful life using the straight-line method.

Common area property and equipment contributed to the Association by the project developer has not been capitalized on the Association's financial statements since they are owned by the lot owners in common rather than the Association.

**NOTE 2 – FUND BALANCE**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Association as a going concern. At December 31, 2017, the Association liabilities have exceeded assets leaving the fund balance at a deficit of \$37,556. Furthermore, the reserve for replacement fund is not being funded according to budgets and have not provided for future repairs and replacements. In view of these matters, the accompanying operating fund and replacement fund account balances are dependent upon continued operations of the Association, which is in turn is dependent upon the Associations ability to provide revenues to fund operating costs and reserve for replacement contributions for future replacement expenses. Management has represented that the Association has taken steps to provide for future operations by increasing member dues, potential special assessments, more aggressive collection actions and tighter controls on expenses. The Association believes that the actions being taken to provide funding for the operating fund and reserve for replacement fund provide the opportunity to continue as a going concern.

**NOTE 3 – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 7, 2018, the date that the financial statements were available to be issued.

See independent accountants' compilation report.

**SUPPLEMENTARY INFORMATION**

**WILDWOOD HOMEOWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2017**

The Association's Board of Directors conducted a study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from an independent consultant who inspected the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2018 Fully Funded Balance</i>
<b>01000 - Paving</b>	<b>170,509</b>	<b>5-25</b>	<b>1-12</b>	<b>131,028</b>
<b>02000 - Concrete</b>	<b>74,667</b>	<b>5-50</b>	<b>1-11</b>	<b>58,557</b>
<b>03000 - Painting; Exterior</b>	<b>258,020</b>	<b>4-5</b>	<b>1-3</b>	<b>171,584</b>
<b>04000 - Structural Repairs</b>	<b>284,670</b>	<b>1-30</b>	<b>0-15</b>	<b>147,498</b>
<b>05000 - Roofing</b>	<b>678,924</b>	<b>1-22</b>	<b>1-13</b>	<b>520,467</b>
<b>08000 - Rehab</b>	<b>5,500</b>	<b>10-10</b>	<b>1-1</b>	<b>4,950</b>
<b>11000 - Gate Equipment</b>	<b>26,745</b>	<b>8-30</b>	<b>1-19</b>	<b>17,963</b>
<b>12000 - Pool</b>	<b>15,750</b>	<b>5-12</b>	<b>1-1</b>	<b>14,058</b>
<b>18000 - Landscaping</b>	<b>20,530</b>	<b>1-20</b>	<b>1-2</b>	<b>17,215</b>
<b>19000 - Fencing</b>	<b>44,350</b>	<b>5-30</b>	<b>1-16</b>	<b>29,913</b>
<b>20000 - Lighting</b>	<b>6,650</b>	<b>5-5</b>	<b>3-3</b>	<b>2,660</b>
<b>21000 - Signage</b>	<b>2,500</b>	<b>10-10</b>	<b>9-9</b>	<b>250</b>
<b>24600 - Safety / Access</b>	<b>6,050</b>	<b>20-20</b>	<b>18-18</b>	<b>605</b>
<b>30000 - Miscellaneous</b>	<b>16,000</b>	<b>20-20</b>	<b>11-11</b>	<b>7,200</b>
<b>Totals</b>	<b><u>\$1.610.864</u></b>			<b><u>\$1.123.949</u></b>

Total reserve funds at December 31, 2017

\$ 7,601

See independent accountants' compilation report.

**WILDWOOD HOMEOWNERS ASSOCIATION  
SCHEDULE OF OPERATING FUND REVENUES  
AND EXPENSES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2017**

	Budget	Actual
<b>REVENUES</b>		
Members' assessments	\$ 456,960	\$ 456,960
Other income and recoveries		74,612
Late fees and penalties	45,696	1,869
	502,656	533,441
<b>EXPENSES</b>		
Administrative	48,581	58,311
Bad Debt	10,000	49,615
Insurance	38,370	41,111
Landscape maintenance	86,680	82,145
Legal and professional	3,400	840
Onsite management	75,000	65,912
Pool maintenance	9,700	8,697
Professional management	20,000	6,111
Repairs and maintenance	126,385	155,303
Security	30,540	12,862
Utilities	18,000	19,160
Total expenses	466,656	500,067
EXCESS OF REVENUES OF EXPENSES	36,000	33,374
LESS REPLACEMENT PROVISION	36,000	36,000
DEFICIT OPERATING REVENUES AND EXPENSES	\$ -	\$ (2,626)

See independent accountants' compilation report.