



**BEAVER VALLEY IMPROVEMENT  
ASSOCIATION**

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FINANCIAL STATEMENTS  
AS OF MARCH 31, 2021  
AND FOR THE FISCAL YEAR THEN ENDED



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**BEAVER VALLEY IMPROVEMENT ASSOCIATION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Beaver Valley Improvement Association

### Report on Financial Statements

We have audited the accompanying financial statements of Beaver Valley Improvement Association (an Arizona Corporation), which comprise the statement of assets, liabilities and members' equity – modified cash basis, as of March 31, 2021, and the related statement of revenues, expenses and changes in members' equity – modified cash basis for the fiscal 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit. We conducted our audit 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 of material misstatement.

An audit includes 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 assets, liabilities, and members' equity of Beaver Valley Improvement Association as of March 31, 2021, and its revenues and expenses and changes in members' equity for the fiscal year then ended, in accordance with the modified cash basis of accounting as described in Note 2.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Bretter Hansen, PLC*

Gilbert, Arizona  
October 20, 2021

**BEAVER VALLEY IMPROVEMENT ASSOCIATION**  
**STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY - MODIFIED CASH BASIS**  
**MARCH 31, 2021**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Cash	\$ 93,872	\$ 1,925	\$ 95,797
TOTAL ASSETS	\$ 93,872	\$ 1,925	\$ 95,797
 <b><u>LIABILITIES</u></b>			
Prepaid Assessments	\$ 36,062	\$ -	\$ 36,062
TOTAL LIABILITIES	36,062	-	36,062
 <b><u>FUND BALANCES</u></b>			
Operating Fund	57,810	-	57,810
Replacement Fund	-	1,925	1,925
TOTAL FUND BALANCES	57,810	1,925	59,735
TOTAL LIABILITIES AND FUND BALANCES	\$ 93,872	\$ 1,925	\$ 95,797

See accompanying notes to the financial statements.

**BEAVER VALLEY IMPROVEMENT ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
MEMBERS' EQUITY - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2021**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>REVENUES</b>			
Member Dues and Fees	\$ 49,643	\$ -	\$ 49,643
Disclosure Fees	1,290	-	1,290
Interest Income	3	-	3
Transfer Fees	3,575	-	3,575
Collection Income	404	-	404
Penalty and Interest Fees	785	-	785
Legal Fees Recovery	1,337	-	1,337
Lien Fee	50	-	50
Unapplied Cash Payment Income	290	-	290
Miscellaneous Income	672	-	672
<b>TOTAL REVENUES</b>	<b>58,049</b>	<b>-</b>	<b>58,049</b>
<b>EXPENSES</b>			
<b>ADMINISTRATIVE</b>			
Insurance	3,159	-	3,159
Bookkeeping	1,440	-	1,440
Legal Fees - Collections	1,392	-	1,392
Bank Charges	135	-	135
Bank Charges - Prior Years	170	-	170
Property Taxes	1,982	-	1,982
Supplies - Office	187	-	187
Postage, Copying and Printing	859	-	859
Webhosting	349	-	349
Quickbooks Payment Fees	201	-	201
<b>TOTAL ADMINISTRATIVE</b>	<b>9,874</b>	<b>-</b>	<b>9,874</b>
<b>UTILITIES</b>			
Water	2,458	-	2,458
Electric	1,227	-	1,227
Waste	263	-	263
Web Hosting	563	-	563
<b>TOTAL UTILITIES</b>	<b>4,511</b>	<b>-</b>	<b>4,511</b>

(CONTINUED)

See accompanying notes to the financial statements.

**BEAVER VALLEY IMPROVEMENT ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
MEMBERS' EQUITY - MODIFIED CASH BASIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED MARCH 31, 2021**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>PROPERTY MAINTENANCE</b>			
Generator Inspection	238	-	238
Fill Propane Tank	552	-	552
Propane Tank Rental	53	-	53
Asphalt Patch Work	12,146	-	12,146
<b>TOTAL PROPERTY MAINTENANCE</b>	<u>12,989</u>	<u>-</u>	<u>12,989</u>
<b>LEGAL</b>			
Collections	890	-	890
Water Company - Legal	41,185	-	41,185
<b>TOTAL LEGAL</b>	<u>42,075</u>	<u>-</u>	<u>42,075</u>
<b>CONTRACT SERVICES</b>			
Management Contract	2,200	-	2,200
<b>TOTAL CONTRACT SERVICES</b>	<u>2,200</u>	<u>-</u>	<u>2,200</u>
<b>TOTAL EXPENSES</b>	<u>71,649</u>	<u>-</u>	<u>71,649</u>
<b>EXCESS REVENUES (EXPENSES)</b>	(13,600)	-	(13,600)
<b>MEMBERS' EQUITY BEGINNING OF YEAR</b>	<u>71,410</u>	<u>1,925</u>	<u>73,335</u>
<b>MEMBERS' EQUITY END OF YEAR</b>	<u>\$ 57,810</u>	<u>\$ 1,925</u>	<u>\$ 59,735</u>

See accompanying notes to the financial statements.

**BEAVER VALLEY IMPROVEMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE 1 - NATURE OF OPERATIONS**

Beaver Valley Improvement Association (the "Association"), a non-stock homeowners association, was incorporated on May 25, 1966, under the general non-profit laws of the State of Arizona. The Association was established to provide management, maintenance and preservation of the common areas and other property owned by the Association or property placed under its jurisdiction. The Association consists of 364 lots. The Association is located in Payson, Arizona. There is a Board of Directors which was elected and acts as the managing agent for the Association. The Board of Directors has engaged Planned Development Services, LLC, to provide accounting services on behalf of the Association.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Method of Accounting

The Association's general records and the accompanying financial statements are prepared using the modified cash method of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. These financial statements have been modified to report a liability for prepaid assessments.

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, using 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.

Replacement Fund

The Replacement Fund is used to account for the accumulation of funds for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit, purchased with original maturity dates of three months, or less, as cash and cash equivalents. Certificates of deposit and financial instruments, with original maturities, at date of purchase, of more than three months, are classified as certificates of deposit.

Prepaid Assessments and Revenue Recognition

Payments received by the Association prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Association.



**BEAVER VALLEY IMPROVEMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

Property and Equipment

In accordance with American Institute of Certified Public Accountants guidelines, the Association capitalizes all common real property to which it has title or other evidence of ownership and either:

(1) can dispose of the property, at the discretion of its Board of Directors, for cash or claims to cash and it can retain the proceeds,

-or-

(2) the property is used to generate significant cash flows from the members on the basis usage.

The Association capitalizes all personal property it acquires. Purchased property and equipment is recorded at cost and depreciated utilizing various acceptable methods over the useful lives of the property and equipment.

Common Property

Certain land areas were contributed by the developer, upon completion of the project, at no cost to the Association, which are not reflected in the financial statements. The contributed areas consist of streets, play field, park, landscape and landscape rights-of-way, which can never be sold or subdivided. The Association has not placed a value on these assets. The Association's governing documents require that the Association maintain and insure these common area elements.

Date of Management's Review

Subsequent events have been evaluated through October 20, 2021, which is the date the financial statements were available to be issued.

**NOTE 3 - COVID-19 PANDEMIC**

During the fiscal year ended March 31, 2021, a pandemic caused by the coronavirus (COVID-19) has had a significant detrimental impact on the United States economy. As a result, economic uncertainties have arisen which could negatively impact revenue for the Association. Other financial impacts such as bad debt losses, contract modifications, inadequate reserve funding, or other unforeseen circumstances could occur.

**BEAVER VALLEY IMPROVEMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE 4 - MAINTENANCE ASSESSMENTS AND EXPENSES**

Association members are subject to annual assessments to provide funds for the Association's operating expenses and future major repairs and replacements. During the fiscal year ended March 31, 2021, the combined annual assessment was \$140 paid annually. Excess assessments at year end are retained by the Association for use in future periods. There is no maximum annual assessment defined in the Association's governing documents.

**NOTE 5 - CONCENTRATION OF CREDIT RISK**

The Association's primary source of revenue is member assessments, which are earned on assessable lots or parcels located within a small geographic area. Member assessments and related receivables are subject to significant concentration of credit risk, given that they are primarily from a small geographical area, which can be impacted by similar economic conditions. Member assessments may be secured by liens upon a member's property or legal judgements. The Association monitors the collectability of these receivables and pursues collection as needed. Should the Association's collection efforts be unsuccessful, the Association could incur losses up to the full amount due. Management routinely assesses the collectability of these receivables and provides for an allowance for doubtful accounts.

The Association places its cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. At various times, deposits with these financial institutions, designated as cash, cash equivalents and investments, may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), or other types of insurance programs.

**NOTE 6 - INCOME TAXES**

The Association files its income tax return as a homeowners association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed on its investment income and other non-exempt function income. The Association had a federal and state income tax liability of \$0 and \$50, respectively, for the fiscal year ended March 31, 2021. Federal and state income taxes disbursed in the current year for the prior fiscal year were \$0 and \$50, respectively.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The Association enters into various contracts for management, landscape and other services. Generally, all contracts are for one-year terms and can be canceled by either party with 30-to-90-day notifications.

**BEAVER VALLEY IMPROVEMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE 8 - UNCERTAIN TAX POSITIONS**

The Association accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Association recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax position for the fiscal year ending March 31, 2021.

The Association believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association’s financial condition or net income. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at March 31, 2021.

The Association is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Association believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2018, or by Arizona state tax authorities for years before 2017.

**NOTE 9 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association accumulates funds for future major repairs and replacements. At March 31, 2021, funds accumulated for this purpose are \$1,925 and are held in separate accounts and are generally not available for operating purposes.

The Association’s Board of Directors has not engaged a firm to conduct a study to estimate the remaining useful lives and replacements costs of the common property components. Accordingly, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association may increase regular assessments up to the maximum annual assessment, levy special assessments subject to member approval, borrow the funds necessary, subject to member approval, or may delay major repairs and replacements until funds are available.