

GREENWOOD AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
CAROL ANN GREENWOOD, CPA

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Communication with Those charged with Governance under SAS no. 114

This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

January 31, 2013

To the Board of Directors of Wildflower Ridge
Homeowners Association, Inc.

We have audited the financial statements of Wildflower Ridge Homeowners Association, Inc. for the year ended December 31, 2011, and have issued our report thereon dated January 31, 2013. Professional standards require that we provide you with the following related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated August 18, 2011, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with auditing standards generally accepted in the United States of America.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal controls of Wildflower Ridge Homeowners Association, Inc. and Clagett Enterprises, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wildflower Ridge Homeowners Association, Inc. are described in note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2011. We noted no transactions entered into by the Association during the year that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Association's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Association, either individually or in the aggregate, indicate matters that could have a significant effect on the Association's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management of Clagett Enterprises, Inc. in performing and completing our audit.

This information is intended solely for the use of the Board of Directors as of January 31, 2013 and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Greenwood and Associates.

Certified Public Accountants

GREENWOOD AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
CAROL ANN GREENWOOD, CPA

MAY 03 2012

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***Communication of Significant Deficiencies and/or Material Weaknesses under SAS
No. 115***

This communication is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

To the Board of Directors
Wildflower Ridge Homeowner's Association, Inc.

Dear Board of Directors:

In planning and performing our audit of the financial statements of Wildflower Ridge Homeowner's Association, Inc. as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Wildflower Ridge Homeowner's Association, Inc. and Clagett Enterprises, Inc. internal controls over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a control deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following to be a significant deficiency in internal control:

Interest Income

The Association earned \$1,029 of interest during 2011. This income was not recorded in the financial statements. An adjustment has been proposed to record the interest income as revenue in 2011. This adjustment corrects a material misstatement in the Association's financial statements.

The communication is intended solely for the information and use of the Board of Directors, Clagett Management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Greenwood and Associates,

Certified Public Accountants

Frederick, MD 21701

January 31, 2013.

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

GREENWOOD & ASSOCIATES
Certified Public Accountants
Frederick, MD

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
FINANCIAL STATEMENTS
Year Ended December 31, 2011**

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INDEPENDENT AUDITOR'S REPORT

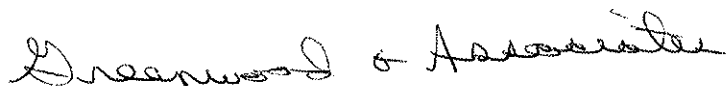
To the Board of Directors
Wildflower Ridge Homeowners
Association, Inc.

We have audited the accompanying balance sheet of Wildflower Ridge Homeowners Association, Inc. as of December 31, 2011 and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended. These statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildflower 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.

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 9 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Frederick, Maryland
January 31, 2013

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
December 31, 2011**

ASSETS	Operating Fund	Replacement Fund	Total
Cash	\$ 24,753	\$ 11,467	\$ 36,220
Assessments receivable	85,206	-	85,206
Fixed assets, net of accumulated depreciation of \$1,118 and \$1,118, respectively	-	-	-
Certificates of deposit	51,889	-	51,889
TOTAL ASSETS	\$ 161,848	\$ 11,467	\$ 173,315
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 2,355	\$ -	\$ 2,355
Prepaid assessments	1,141	-	1,141
TOTAL LIABILITIES	3,496	-	3,496
Fund balances	158,352	11,467	158,352
TOTAL LIABILITIES AND FUND BALANCES	\$ 161,848	\$ 11,467	\$ 161,848

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

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
Year Ended December 31, 2011

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessment income	\$ 68,361	\$ 4,283	\$ 72,644
Interest income	1,023	6	1,029
Other income	663	-	663
TOTAL REVENUES	<u>70,047</u>	<u>4,289</u>	<u>74,336</u>
EXPENSES			
Bad debt expense	2,955	-	2,955
Management fees	8,597	-	8,597
Legal	709	-	709
Accounting	300	-	300
Property taxes	123	-	123
Insurance	276	-	276
Office & administrative expense	3,703	-	3,703
Grounds maintenance	6,779	-	6,779
Snow removal	5,197	-	5,197
Utilities	7,679	-	7,679
TOTAL EXPENSES	<u>36,318</u>	<u>-</u>	<u>36,318</u>
EXCESS OF REVENUES OVER EXPENSES	33,729	4,289	38,018
FUND BALANCES			
Beginning of year	124,623	7,178	131,801
End of year	<u>\$ 158,352</u>	<u>\$ 11,467</u>	<u>\$ 169,819</u>

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

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2011**

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficit) of revenues over expenses	\$ 33,729	\$ 4,289	\$ 38,018
Adjustments to reconcile excess revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	(27,500)	-	(27,500)
Increase (decrease) in:			
Accounts payable	20	-	20
Prepaid assessments	447	-	447
Other liability	(168)	-	(168)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,528	4,289	10,817
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificates of deposit	(754)	-	(754)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(754)	-	(754)
NET INCREASE (DECREASE) IN CASH	5,774	4,289	10,063
CASH AT BEGINNING OF YEAR	18,979	7,178	26,157
CASH AT END OF YEAR	<u>\$ 24,753</u>	<u>\$ 11,467</u>	<u>\$ 36,220</u>
SUPPLEMENTAL DISCLOSURES			
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Cash

For purposes of reporting cash flows, the Association considers all cash accounts which are not subject to withdrawal restrictions or penalties and money market funds with a maturity of three months or less as cash.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

Use 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.

4 - INCOME TAXES

Homeowner associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, the Association elected to be taxed as a homeowners' association. As a homeowners' association, the Association generally is taxed only on its nonexempt function income, such as interest earnings, at a federal flat rate of 30%. In calculating taxable income, nonexempt function income may be reduced by expenses that are attributable to or directly connected to generating the income. Exempt function income, which consists primarily of member assessments, is not taxable. Income tax expense for the year ended December 31, 2009. Income tax expense for the year ended December 31, 2011 was \$0.

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

1 - NATURE OF ORGANIZATION

Wildflower Ridge Homeowners Association, Inc. was incorporated on July 19, 1997 in the State of West Virginia, as a non-stock corporation. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 293 residential units located in Martinsburg, West Virginia.

2 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 31, 2013, the date that the financial statements were available to be issued.

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's financial statements have been prepared on the accrual basis of accounting and the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following fund:

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

Member Assessments

Association members are subject to annual assessments, payable over seven months, 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 fees due from unit owners. Assessments received in advance at the balance sheet date represent fees prepaid by unit owners. The Association's policy is to retain legal counsel and place liens on those properties whose assessments are delinquent. The Association considers all assessments receivable at December 31, 2011 to be fully collectible. Any excess assessments at year end are retained by the Association for use in future years.

Interest Income

Interest income is allocated to the operating fund, based on the nature of the interest bearing deposits.

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

5 - FIXED ASSETS

Fixed assets consisted of the following at December 31, 2011:

	<u>Useful Life</u>	<u>2011</u>
Sign	7	\$ 1,118

Depreciation charged to income was \$0 for the year ended December 31, 2011.

6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's documents do not require the accumulation of funds for future major repairs and replacements. The Board of Directors has not formally established a replacement fund nor have they accumulated replacement funds.

The Association engaged an independent engineer who conducted a study in 2008 to estimate the remaining useful lives and the replacement costs of the common property components. When funds are needed for a replacement expense, the Association has the right to delay major repairs and replacements until funds are available.

7 - COMMITMENTS

Management Contract

The Association has entered into an annually renewable contract with Clagett Management to manage the daily affairs of the Association.

Maintenance Contracts

The Association has entered into contracts, none with terms extending beyond one year, to provide for various maintenance services to common areas. At year end, no contracts were in dispute and all payments were current. Contracts entered into during the past year included grounds maintenance and snow removal services.

Supplementary Information
(Unaudited)

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2011
(Unaudited)**

During 2008, the Association engaged an independent engineer to conduct a study to estimate the remaining useful lives and replacement costs of the common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

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

	Estimated remaining useful lives (years)	Estimated current replacement costs
Asphalt -crack and repair	1-2	640,598
Asphalt-mill and overlay (Cosmos)	12-17	30,045
Asphalt-overlay (Moonlight & Universe)	12-17	98,667
Asphalt-overlay (side streets)	12-17	579,009
Asphalt-total replacement (Moonlight & Universe)	12-17	350,018
Asphalt-total replacement (side streets)	12-17	684,363
Fence-wood	12-17	30,253
Ponds-aerator	7-12	14,175
Ponds-dredging	to 17	11,070
Ponds-erosion control	to 17	24,707
Signage allowance	12-17	19,884
Reserve study update with site visit	1	2,700
		<u>\$ 2,485,489</u>

See independent auditor's report.