

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 and 2011

GREENWOOD & ASSOCIATES
Certified Public Accountants
Frederick, Maryland

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Wildflower Ridge Homeowners Association, Inc., which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years 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 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.

Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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.

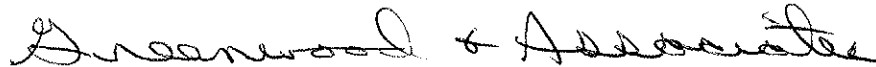
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildflower Ridge Homeowners Association, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information about future major repairs and replacements on page 10 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

June 28, 2013

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEETS
December 31, 2012 and 2011**

ASSETS	Operating Fund	Replacement Fund	2012	2011
Cash	\$ 38,145	\$ 19,648	\$ 57,793	\$ 36,220
Assessments receivable	56,480	-	56,480	85,206
Fixed assets, net of accumulated depreciation of \$1,118 and \$1,118, respectively	-	-	-	-
Certificates of deposit	52,438	-	52,438	51,889
TOTAL ASSETS	\$ 147,063	\$ 19,648	\$ 166,711	\$ 173,315
 LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 6,577	\$ -	\$ 6,577	\$ 2,355
Prepaid assessments	4,863	-	4,863	1,141
TOTAL LIABILITIES	11,440	-	11,440	3,496
Fund balances	135,623	19,648	155,271	169,819
TOTAL LIABILITIES AND FUND BALANCES	\$ 147,063	\$ 19,648	\$ 166,711	\$ 173,315

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

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.**
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
Years Ended December 31, 2012 and 2011

	Operating Fund	Replacement Fund	2012	2011
REVENUES				
Assessment income	\$ 60,660	\$ 8,160	\$ 68,820	\$ 72,644
Interest income	609	21	630	1,029
Other income	14,195	-	14,195	663
TOTAL REVENUES	75,464	8,181	83,645	74,336
EXPENSES				
Bad debt expense	27,399	-	27,399	2,955
Management fees	22,125	-	22,125	8,597
Legal	3,495	-	3,495	709
Accounting	2,100	-	2,100	300
Property taxes	4,444	-	4,444	123
Insurance	1,297	-	1,297	276
Office & administrative expense	10,142	-	10,142	3,703
Grounds maintenance	15,943	-	15,943	6,779
Snow removal	2,818	-	2,818	5,197
Utilities	8,430	-	8,430	7,679
TOTAL EXPENSES	98,193	-	98,193	36,318
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(22,729)	8,181	(14,548)	38,018
FUND BALANCES				
Beginning of year	158,352	11,467	169,819	131,801
End of year	\$ 135,623	\$ 19,648	\$ 155,271	\$ 169,819

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

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011**

	Operating Fund	Replacement Fund	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficit) of revenues over expenses	\$ (22,729)	\$ 8,181	\$ (14,548)	\$ 38,018
Adjustments to reconcile excess revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable	28,726	-	28,726	(27,500)
Increase (decrease) in:				
Accounts payable	4,222	-	4,222	20
Prepaid assessments	3,722	-	3,722	447
Other liability	-	-	-	(168)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,941	8,181	22,122	10,817
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of certificates of deposit	(549)	-	(549)	(754)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(549)	-	(549)	(754)
NET INCREASE (DECREASE) IN CASH	13,392	8,181	21,573	10,063
CASH AT BEGINNING OF YEAR	24,753	11,467	36,220	26,157
CASH AT END OF YEAR	\$ 38,145	\$ 19,648	\$ 57,793	\$ 36,220
SUPPLEMENTAL DISCLOSURES				
Income taxes paid	\$ -	\$ -	\$ -	\$ -

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

**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 June 28, 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 funds:

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.

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, 2012 and 2011 to be fully collectible. Any excess assessments at year-end are retained by the Association for use in future years.

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Interest Income

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

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 years ended December 31, 2012 and 2011 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 years ended December 31, 2012 and 2011 was \$0 and \$0, respectively.

5 - FIXED ASSETS

Fixed assets consisted of the following at December 31, 2012 and 2011:

	<u>Useful Life</u>	<u>2012</u>	<u>2011</u>
Sign	7	\$ 1,118	\$ 1,118

Depreciation charged to income was \$0 and \$0 for the years ended December 31, 2012 and 2011, respectively.

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 engaged an independent engineer during calendar year 2008 that conducted a study to estimate the remaining useful lives and the replacement costs of the common property components. In this regard, the Board of Directors established a replacement fund to accumulate funds for the anticipated future repairs and replacements. The replacement fund balances as of December 31, 2012 and 2011 were \$19,648 and \$11,467, respectively. When funds are needed for a repair or a replacement, 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, 2012
(Unaudited)**

During calendar year 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	\$ 640,598
Asphalt - mill and overlay (Cosmos)	11-16	30,045
Asphalt - overlay (Moonlight & Universe)	11-16	98,667
Asphalt - overlay (side streets)	11-16	579,009
Asphalt - total replacement (Moonlight & Universe)	11-16	350,018
Asphalt - total replacement (side streets)	11-16	684,363
Fence - wood	11-16	30,253
Ponds - aerator	6-11	14,175
Ponds - dredging	to 16	11,070
Ponds - erosion control	to 16	24,707
Signage allowance	11-16	19,884
Reserve study update with site visit	1	2,700
		<u>\$2,485,489</u>

See independent auditor's report.