

**ELK RUN TOWNHOUSE OWNER'S ASSOCIATION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2022**  
With Summarized Financial Information  
For The Year Ended December 31, 2021

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT.....	2
FINANCIAL STATEMENTS	
Balance Sheet.....	3
Statement of Revenues, Expenses and Changes in Fund Balances .....	4
Statement of Cash Flows .....	5
SUPPLEMENTARY INFORMATION	
Supplementary Information on Future Major Repairs and Replacements .....	7

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors of  
Elk Run Townhouse Owner's Association, Inc.  
Flagstaff, Arizona

Management is responsible for the accompanying financial statements of Elk Run Townhouse Owner's Association, Inc., which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 of 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. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

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 7 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 financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. The required supplementary information was subjected to our compilation engagement; however, 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.

The financial statements include certain prior-year summarized information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

*Slater & Rutherford*

Prescott, Arizona  
March 10, 2023

ELK RUN TOWNHOUSE OWNER'S ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2022  
(with summarized financial information for December 31, 2021)

	Operating Fund	Replacement Fund	2022 Total	2021 Summarized
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,577	\$ 464,107	\$ 498,684	\$ 462,517
Certificates of deposit	-	52,389	52,389	52,034
Assessments receivable	5,092	-	5,092	5,711
Other receivables	2,786	-	2,786	1,641
TOTAL ASSETS	<u>\$ 42,455</u>	<u>\$ 516,496</u>	<u>\$ 558,951</u>	<u>\$ 521,903</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Assessments received in advance	\$ 21,396	\$ -	\$ 21,396	\$ 14,831
Accounts payable and accrued expenses	3,562	-	3,562	5,634
TOTAL LIABILITIES	<u>24,958</u>	<u>-</u>	<u>24,958</u>	<u>20,465</u>
FUND BALANCES	<u>17,497</u>	<u>516,496</u>	<u>533,993</u>	<u>501,438</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 42,455</u>	<u>\$ 516,496</u>	<u>\$ 558,951</u>	<u>\$ 521,903</u>

See independent accountants'  
compilation report

ELK RUN TOWNHOUSE OWNER'S ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2022  
(with summarized financial information for December 31, 2021)

	Operating Fund	Replacement Fund	2022 Total	2021 Summarized
REVENUES				
Homeowners assessments	\$ 479,520	\$ -	\$ 479,520	\$ 421,149
Working capital	-	9,600	9,600	13,600
Other income	3,379	-	3,379	1,243
Interest	245	1,124	1,369	808
	<u>483,144</u>	<u>10,724</u>	<u>493,868</u>	<u>436,800</u>
EXPENSES				
Common area repairs and maintenance	291,738	57,110	348,848	221,625
Contingency	4,820	-	4,820	114
Income tax	50	-	50	-
Insurance	8,836	-	8,836	8,302
Landscape	46,436	-	46,436	42,755
License and registration	410	-	410	20
Management fee	23,556	-	23,556	23,088
Office/administrative	7,781	-	7,781	6,676
Professional fees	3,671	-	3,671	1,065
Property tax	4	-	4	4
Utilities	16,901	-	16,901	17,163
	<u>404,203</u>	<u>57,110</u>	<u>461,313</u>	<u>320,812</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	78,941	(46,386)	32,555	115,988
BEGINNING FUND BALANCES	239,356	262,082	501,438	385,450
Transfers to reserves	<u>(300,800)</u>	<u>300,800</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCES	<u>\$ 17,497</u>	<u>\$ 516,496</u>	<u>\$ 533,993</u>	<u>\$ 501,438</u>

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ELK RUN TOWNHOUSE OWNER'S ASSOCIATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022  
(with summarized financial information for December 31, 2021)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2022 Total</u>	<u>2021 Summarized</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficit) of revenues over expenses	\$ 78,941	\$ (46,386)	\$ 32,555	\$ 115,988
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase)Decrease in:				
Assessments receivable	619	-	619	(3,192)
Income tax refund receivable	-	-	-	239
Other receivables	(1,145)	-	(1,145)	(497)
Increase(Decrease) in:				
Assessments received in advance	6,565	-	6,565	(3,074)
Accounts payable and accrued expenses	(2,072)	-	(2,072)	2,305
Income taxes payable	-	-	-	(50)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>82,908</u>	<u>(46,386)</u>	<u>36,522</u>	<u>111,719</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Reinvested certificate of deposit interest	-	(355)	(355)	(339)
CASH (USED) IN INVESTING ACTIVITIES	<u>-</u>	<u>(355)</u>	<u>(355)</u>	<u>(339)</u>
Interfund transfers	<u>(300,800)</u>	<u>300,800</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	(217,892)	254,059	36,167	111,380
CASH AT BEGINNING OF YEAR	<u>252,469</u>	<u>210,048</u>	<u>462,517</u>	<u>351,137</u>
CASH AT END OF YEAR	<u>\$ 34,577</u>	<u>\$ 464,107</u>	<u>\$ 498,684</u>	<u>\$ 462,517</u>
SUPPLEMENTAL DISCLOSURE				
Income taxes paid - State	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 50</u>

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SUPPLEMENTARY INFORMATION

ELK RUN TOWNHOUSE OWNERS' ASSOCIATION  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
 REPAIRS AND REPLACEMENTS (COMPILED)  
 December 31, 2022

An independent firm conducted a full, comprehensive reserve study with a site inspection in October 2022 with an effective date of January 1, 2023. The study's purpose is to estimate the remaining useful lives and replacement costs of the components of common property. The expense threshold for the analysis was \$5,000, which means any reserve related expenses under the threshold are not funded in the reserve study and need to be paid from the operating budget. The current study concluded, and the Association approved, that the monthly 2023 contribution to reserves should be \$12,000 per month. At December 31, 2022, the reserve is 22.6% funded based on the study's recommended fully funded balance. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The study factored in a 3% annual inflation adjustment from the date of the original study to the date that the components will require repair or replacement. Estimated future replacement costs are not shown below.

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

<u>Components</u>	<u>Estimated Remaining Useful Life Years</u>	<u>Estimated Current Replacement Cost</u>
<u>Grounds</u>		
Asphalt – repave	7	\$ 325,000
Asphalt – seal/repair	0	25,000
Concrete - repair	0	10,000
Mailboxes - replace	5	65,000
Retaining walls - repair	1	<u>10,000</u>
		435,000
<u>Building Exteriors</u>		
Building exteriors – paint/repair	0	140,000
Wall lights - replace	5	40,000
Decks – rebuild (A-C)	0-2	1,500,000
Garage doors – partial replace	3	20,000
Shingle roofs - replace	18	1,100,000
Gutters + downspouts - repair	3	<u>10,000</u>
		<u>2,810,000</u>
Total Funded Components		<u>\$3,245,000</u>

See independent accountants' compilation report