

TUSCAWILLA HILLS CITIZENS' ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

GREENWOOD & ASSOCIATES
Certified Public Accountants
Frederick, MD

TUSCAWILLA HILLS CITIZENS' ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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GREENWOOD AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
CAROL ANN GREENWOOD, CPA

1195 North East Street
Frederick, Maryland 21701

TELEPHONE
301-698-5075

Fax
301-698-5259

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tuscowilla Hills Citizens' Association
Charles Town, West Virginia

We have audited the accompanying balance sheet of Tuscowilla Hills Citizens' Association as of December 31, 2008 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 Tuscowilla Hills Citizens' Association's management. 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 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 audit provides 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 Tuscowilla Hills Citizens' Association as of December 31, 2008 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 of America.

The supplementary information on future major repairs and replacements on page 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Greenwood & Associates

Frederick, Maryland
September 22, 2009

TUSCAWILLA HILLS CITIZENS' ASSOCIATION
BALANCE SHEET
December 31, 2008

ASSETS	Operating Fund	Replacement Fund	Total 2008
Cash	\$ 18,483	\$ 12,237	\$ 30,720
Assessments receivable	22,300	-	22,300
Certificate of deposit	-	14,535	14,535
TOTAL ASSETS	\$ 40,783	\$ 26,772	\$ 67,555
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 829		\$ 829
Prepaid assessments	1,707		1,707
Income tax payable	426		426
TOTAL LIABILITIES	2,962	-	2,962
Fund balances	37,821	26,772	64,593
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,783	\$ 26,772	\$ 67,555

The accompanying notes are an integral part of these financial statements

TUSCAWILLA HILLS CITIZENS' ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
Year Ended December 31, 2008

	Operating Fund	Replacement Fund	Total 2008
REVENUES			
Assessment income	\$ 116,646	\$ 57,310	\$ 173,956
Interest income	28	4,857	4,885
Other income	7,415	-	7,415
TOTAL REVENUES	124,089	62,167	186,256
EXPENSES			
Bad debt expense	463		463
Management fees	33,528		33,528
Legal	6,668		6,668
Property taxes	5,018		5,018
Income taxes	426		426
Insurance	2,486		2,486
Office & administrative expense	667		667
Postage and printing	2,839		2,839
Grounds maintenance	27,883		27,883
Snow removal	4,022		4,022
Repairs & maintenance	7,077	83,931	91,008
Storm water management	14,331		14,331
Supplies	-		-
Utilities	16,562		16,562
TOTAL EXPENSES	121,970	83,931	205,901
EXCESS OF REVENUES OVER EXPENSES	2,119	(21,764)	(19,645)
FUND BALANCES			
Beginning of year	84,238	-	84,881
Interfund transfer	(48,536)	48,536	-
End of Year	\$ 37,821	\$ 26,772	\$ 65,236

The accompanying notes are an integral part of these financial statements

TUSCAWILLA HILLS CITIZENS' ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008

	Operating Fund	Replacement Fund	Total 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit) excess of revenues over expenses	\$ 2,119	\$ (21,764)	\$ (19,645)
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:			
Allowance for doubtful accounts	(504)		(504)
(Increase) decrease in:			
Assessments receivable	1,969		1,969
Increase (decrease) in:			
Accounts payable	(222)		(222)
Prepaid assessments	(588)		(588)
Income tax payable	346		346
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,120	(21,764)	(18,644)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of certificate of deposit		32,000	32,000
Purchase of certificate of deposit		(4,463)	(4,463)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	27,537	27,537
NET INCREASE (DECREASE) IN CASH	3,120	5,773	8,893
CASH AT BEGINNING OF YEAR	15,363	6,464	21,827
CASH AT END OF YEAR	\$ 18,483	\$ 12,237	\$ 30,720
SUPPLEMENTAL DISCLOSURES			
Income taxes paid	\$ 80	\$ -	\$ 80

The accompanying notes are an integral part of these financial statements

TUSCAWILLA HILLS CITIZENS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

1- NATURE OF ORGANIZATION

Tuscawilla Hills Citizens' Association was incorporated on January 30, 1976 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 504 residential units located in Charles Town, West Virginia.

2- 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 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.

Member Assessments

Association members are subject to annual assessments, payable on an annual basis, 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 the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Allowance for Doubtful Accounts

The Association established an allowance for doubtful accounts based on the recommendation of the management company's analysis of the outstanding assessments.

TUSCAWILLA HILLS CITIZENS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Interest Income

Interest income is allocated to the operating and replacement funds according to the interest bearing deposits of each fund.

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 assets at cost and depreciates it over its estimated useful life 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.

3 - INCOME TAXES

Homeowner associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2008, the Association elected to be taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal corporate rates. Income tax expense for the year ended December 31, 2008 was \$426.

TUSCAWILLA HILLS CITIZENS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's documents do not require the accumulation of funds for future major repairs and replacements. However, the Board of Directors has determined it prudent and wise to plan for the future replacement and repair of common property components. Subsequently, the Board of Directors has established a replacement fund and has accumulated funds of approximately \$26,772 as of December 31, 2008 which are held in separate accounts and are generally not available for operating purposes.

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. The Association is following the cash flow method funding analysis disclosed in the reserve study to fund its reserves. The method provides the annual contributions necessary to meet projected expenditures without allowing total reserves on hand to fall below the specified minimum level in any year.

Actual expenditures however may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, they may delay major repairs and replacements until funds are available.

5 - COMMITMENTS

Management Contract

The Association has entered into an annually renewable contract with Property Management People, Inc., 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)

TUSCAWILLA HILLS CITIZENS' ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
UNAUDITED
Year Ended December 31, 2008

During 2008, the Association engaged an independent engineer to perform a study to estimate the remaining useful lives and the current 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 <u>(years)</u>	Estimated current replacement <u>costs</u>
Asphalt restoration	25	1,182,738
Asphalt repairs	20	179,033
Concrete sidewalks	5	409,437
Concrete curbs & gutters	5	202,112
Entrance features	25	8,500
Central mall station re-roofing	20	1,654
Central mailboxes	40	30,000
Summit point mall station re-roofing	20	2,961
Summit point mailboxes	40	26,550
Tot lot & outdoor furniture	15	18,500
Basketball standards	40	4,400
Basketball court restoration	20	3,700
Spilt-rail fencing	20	32,700
Storm water drainage system allowance	7	<u>7,500</u>
		<u>\$ 2,109,785</u>