

**TUSCAWILLA HILLS CITIZENS'  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS  
AND AUDITORS' REPORT**

**DECEMBER 31, 2013**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Tuscowilla Hills Citizens' Association, Inc.  
Charles Town, West Virginia

We have audited the accompanying financial statements of Tuscowilla Hills Citizens' Association, Inc., which include the balance sheet as of December 31, 2013, and the related statements of revenues, expenses and changes in fund balance and cash flows for the 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 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 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 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 Tuscawilla Hill Citizens' Association, Inc. as of December 31, 2013 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.

## Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Future Major Repairs and Replacements 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 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.

  
Donald A. Hiltner & Co., LLC

October 1, 2014

TUSCAWILLA HILLS CITIZENS' ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2013

ASSETS

	Operating Fund	Replacement Fund	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 113,091	\$ 162,230	\$ 275,321
Assessments receivable - net of allowance for doubtful accounts of \$6,237	57,809	-0-	57,809
Prepaid expenses	<u>2,436</u>	<u>-0-</u>	<u>2,436</u>
TOTAL ASSETS	<u>\$ 173,336</u>	<u>\$ 162,230</u>	<u>\$ 335,566</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 6,998	\$ -0-	\$ 6,998
Prepaid assessments	<u>25,720</u>	<u>-0-</u>	<u>25,720</u>
Total	\$ 32,718	\$ -0-	\$ 32,718

FUND BALANCE

Operating fund balance	\$ 140,618	\$ -0-	\$ 140,618
Replacement fund balance	<u>-0-</u>	<u>162,230</u>	<u>162,230</u>
Total	<u>\$ 140,618</u>	<u>\$ 162,230</u>	<u>\$ 302,848</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 173,336</u>	<u>\$ 162,230</u>	<u>\$ 335,566</u>
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See accompanying notes and auditors' report.

TUSCAWILLA HILLS CITIZENS' ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2013

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Assessments	\$ 182,062	\$ 69,142	\$ 251,204
Late fees and miscellaneous	19,105	-0-	19,105
Interest income	<u>437</u>	<u>479</u>	<u>916</u>
Total	\$ 201,604	\$ 69,621	\$ 271,225
<b>EXPENSES</b>			
Electricity	\$ 19,229	\$ -0-	\$ 19,229
Grounds care	47,076	-0-	47,076
Repairs and maintenance	10,078	-0-	10,078
Snow removal	9,025	-0-	9,025
Trash removal	3,969	-0-	3,969
Professional fees	23,372	-0-	23,372
Insurance	2,891	-0-	2,891
Administrative and miscellaneous	5,363	-0-	5,363
Management	38,100	-0-	38,100
Bad debts	9,957	-0-	9,957
Income taxes	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ 169,060	\$ -0-	\$ 169,060
NET EXCESS OF REVENUES OVER EXPENSES	\$ 32,544	\$ 69,621	\$ 102,165
FUND BALANCE - Beginning	<u>108,074</u>	<u>92,609</u>	<u>200,683</u>
FUND BALANCE - Ending	<u>\$ 140,618</u>	<u>\$ 162,230</u>	<u>\$ 302,848</u>

See accompanying notes and auditors' report.

TUSCAWILLA HILLS CITIZENS' ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2013

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of revenues over expenses	\$ 32,544	\$ 69,621	\$ 102,165
Adjustments to reconcile to cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	11,416	-0-	11,416
Interfund balance due	5,876	(5,876)	-0-
Prepaid expenses	(48)	-0-	(48)
Prepaid income taxes	277	-0-	277
Increase (decrease) in:			
Accounts payable	193	-0-	193
Prepaid assessments	<u>4,742</u>	<u>-0-</u>	<u>4,742</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 55,000	\$ 63,745	\$ 118,745
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -0-	\$ -0-	\$ -0-
CASH FLOWS FROM FINANCING ACTIVITIES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET INCREASE IN CASH	\$ 55,000	\$ 63,475	\$ 118,745
CASH - Beginning of year	<u>58,091</u>	<u>98,485</u>	<u>156,576</u>
CASH - End of year	<u>\$ 113,091</u>	<u>\$ 162,230</u>	<u>\$ 275,321</u>

See accompanying notes and auditors' report.

TUSCAWILLA HILLS CITIZEN' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

Note 1 - NATURE OF ORGANIZATION

Tusawilla Hills Citizens' Association, Inc. is a non-stock corporation formed under the laws of the State of West Virginia on January 30, 1976. Its purpose is to maintain and protect the common areas of the Clearbrook community which consists of 502 units and is located in Jefferson County, West Virginia.

Note 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, the date the financial statements were available to be issued.

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Corporation's accounts are organized and operated on a fund accounting basis. Financial resources are classified for accounting and reporting purposes in the following funds according to their nature and purpose:

Operating Fund - used to account for financial resources available for the general operations of the Corporation.

Replacement Fund - used to accumulate financial resources designated for future major repairs and replacements.

Management

The Corporation's Board of Directors has engaged Property Management People, Inc. as its agent to handle its finances and to assist in managing the affairs of the Corporation. The management firm maintains separate bank accounts on behalf of the Corporation.

Allowance for Doubtful Accounts

It is the Corporation's policy to set up an allowance for doubtful accounts deemed uncollectible by the Corporation's management agent.

Property and Equipment

Real and common area property acquired by the unit owners is not capitalized by the Corporation because it is owned in common by the individual unit owners and not the Corporation.

Replacements and improvements to the real property and common areas are not capitalized as they would also belong to the individual unit owners and not the Corporation.



#### Income Taxes

Under the provisions of the Internal Revenue Code, a qualifying condominium or homeowners association may elect annually to be taxed as an exempt homeowners association. Under this election the association is exempt from income taxes on its dues, assessments and other membership function income. It is however, taxable on non-exempt function income such as interest, dividends, non-member service fees, etc. If the election is not made then the association is taxable as a regular corporation.

For the year ended December 31, 2013, the election was made.

Income tax returns are subject to audit by various taxing authorities for three years from the date of filing.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

#### Note 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation's governing documents require it to provide for future repairs and replacements of the common areas of the community. Accumulated funds, which total \$162,230 at December 31, 2013 are held in separate accounts and are generally not available for expenditures for normal operations.

The Corporation is funding such major repairs and replacements over the estimated useful lives of the components based on the estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. 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, the Corporation has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

## SUPPLEMENTARY INFORMATION

TUSCAWILLA HILLS CITIZENS' ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2013  
(UNAUDITED)

The Corporation engaged an independent consultant in September, 2011 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the estimates. Estimated current replacement costs do not take into account the effects of inflation between the date of the estimates and the date that the components will require repair or replacement.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>
Asphalt components	3 - 23	\$ 1,059,733
Concrete components	3 - 49	613,589
Site features	5 - 38	<u>142,600</u>
Total		<u>\$ 1,815,922</u>