

EAGLE RIDGE (SPOKANE) HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR
YEAR ENDED DECEMBER 31, 2016)**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**EAGLE RIDGE (SPOKANE) HOMEOWNERS ASSOCIATION
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YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR
YEAR ENDED DECEMBER 31, 2016)**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eagle Ridge (Spokane) Homeowners Association
Spokane, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Eagle Ridge (Spokane) Homeowners Association, which comprise the statement of assets and fund balances – modified cash basis as of December 31, 2017, and the related statement of revenues, expenses, and changes in fund balances – modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' 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 Association'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 Association'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 2017 financial statements referred to above present fairly, in all material respects, the financial position of Eagle Ridge (Spokane) Homeowners Association as of December 31, 2017, and the results of operations for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting


We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Required Supplementary Information

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.

Report on Summarized Comparative Information

The 2016 financial statements were audited by other auditors, whose report dated January 5, 2018 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Spokane, Washington
March 4, 2019

**EAGLE RIDGE (SPOKANE) HOMEOWNERS ASSOCIATION
STATEMENT OF ASSETS AND FUND BALANCES – MODIFIED CASH BASIS
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)**

	Operating Fund	Reserve Fund	Totals	
			2017	2016
ASSETS				
Cash	\$ 9,565	\$ 208,195	\$ 217,760	\$ 162,945
Equipment, Net of Accumulated Depreciation 2017 \$3,034; 2016 \$6,883	7,078	-	7,078	10,112
Total Assets	\$ 16,643	\$ 208,195	\$ 224,838	\$ 173,057
FUND BALANCES				
FUND BALANCES	\$ 16,643	\$ 208,195	\$ 224,838	\$ 173,057

See accompanying Notes to Financial Statements.

EAGLE RIDGE (SPOKANE) HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES –
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

	Operating Fund	Reserve Fund	Totals	
			2017	2016
REVENUES				
Maintenance Assessments:				
Regular Assessments	\$ 488,193	\$ -	\$ 488,193	\$ 421,902
Reserve Assessments	-	122,276	122,276	105,796
Late Fees and Interest	7,116	-	7,116	12,221
Developer's Contributions	-	-	-	199
Other	15,446	319	15,765	2,052
Total Revenues	<u>510,755</u>	<u>122,595</u>	<u>633,350</u>	<u>542,170</u>
OPERATING EXPENSES				
Insurance	18,010	-	18,010	23,888
Landscaping	94,767	-	94,767	119,740
Maintenance	1,613	-	1,613	31,834
Office Expense	11,417	-	11,417	10,551
Other Administrative Expenses	78,695	-	78,695	84,916
Community Events	11,981	-	11,981	11,958
Payroll	192,171	-	192,171	115,537
Real Estate Taxes and Licenses	2,619	-	2,619	689
Streets	64	-	64	23
Utilities	104,959	-	104,959	106,706
Total Operating Expenses	<u>516,296</u>	<u>-</u>	<u>516,296</u>	<u>505,842</u>
MAJOR REPAIRS AND REPLACEMENTS				
	<u>-</u>	<u>62,239</u>	<u>62,239</u>	<u>-</u>
NET OF REVENUES AND EXPENSES BEFORE DEPRECIATION	(5,541)	60,356	54,815	36,328
DEPRECIATION	<u>3,034</u>	<u>-</u>	<u>3,034</u>	<u>4,334</u>
NET OF REVENUES OVER EXPENSES	(8,575)	60,356	51,781	31,994
Fund Balances - Beginning of Year	10,112	162,945	173,057	141,063
INTERFUND TRANSFER	<u>15,106</u>	<u>(15,106)</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 16,643</u>	<u>\$ 208,195</u>	<u>\$ 224,838</u>	<u>\$ 173,057</u>

See accompanying Notes to Financial Statements.

EAGLE RIDGE (SPOKANE) HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eagle Ridge (Spokane) Homeowners Association (the Association) was incorporated as a homeowners association corporation on February 5, 1996, in the state of Washington. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of greater than 800 residential units located on approximately 527 acres in Spokane, Washington.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized, with the exception of equipment capitalized as an asset. Otherwise, all transactions are recognized as either cash receipts or disbursements, with the exception of depreciation recognized and disclosed separately as a noncash transaction. The modified cash basis differs from generally accepted accounting principles primarily because (a) the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statements are not included in the balance sheet, and (b) accounts payable are not calculated or recorded in the statements of assets and fund balances.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, 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.

Reserve Fund – This fund is used to accumulate financial resources designed for future major repairs and replacements.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and future major repairs and replacements. The Association's policy is that homeowners that are two quarters in arrears receive a Past Due Letter. Then, after a homeowner has received three Delinquency Letters without a response at the next quarter, an Impending Lien Letter will be sent. If the homeowner does not respond to the Impending Lien Letter, WEB Properties will ask the board for permission to file a lien. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

EAGLE RIDGE (SPOKANE) HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Common Property

Real common property acquired by the Association is not capitalized because those properties are owned by individual unit owners in common and not the Association, therefore, its use and disposition by the Association's board of directors is restricted. Property not capitalized consists of several acres of sidewalks, access roads, and greenbelts.

Depreciation

The Association's accounting policy is to capitalize personal property at cost. Equipment is depreciated over its estimated useful life of five years using accelerated methods of depreciation. Based on the nature of property and equipment and related balances, use of accelerated methods to calculation depreciation results in an insignificant difference from use of estimated economically useful lives.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Association has evaluated subsequent events through March 4, 2019, the date which the financial statements were available to be issued.

Prior Year Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2 INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2017, the Association was taxed as a homeowners' association and filed Form 1120-H.

EAGLE RIDGE (SPOKANE) HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

NOTE 3 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$208,195 and \$162,945 at December 31, 2017 and 2016, respectively, are held in a separate account and are generally not available for operating purposes.

The Association has a program to accumulate funds for estimated future major repairs and replacements. The Association levied quarterly additional assessments of \$30 per member during both years ended December 31, 2017 and 2016. The Association levied no additional special assessments for the years ended December 31, 2017 and 2016.

In accordance with state of Washington RCW 64.38.065, the Association's board of directors initiated a follow-up reserve study in November 2015 to estimate the remaining useful lives and the replacement costs of the components of the development's common property. The study was conducted by a reserve study professional that inspected the property.

The Association plans to fund such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering that there were previously insufficient amounts 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 Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 4 CONCENTRATIONS

The Association's cash consists principally of money funds invested with one financial institution. Generally, cash is available on demand and is subject to minimal market risk. Although possible, the Association does not expect that the amounts on deposit will exceed the insured limit of \$250,000 established by the United States Federal Deposit Insurance Corporation, which may potentially subject the Association to credit risk.

NOTE 5 DUE TO RESERVE FUND

The operating fund borrowed funds from the reserve fund during 2017. The amount owed to the reserve fund at December 31, 2017 was \$39,602.

SUPPLEMENTARY INFORMATION

**EAGLE RIDGE (SPOKANE) HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

The Association's board of directors initiated a follow-up reserve study in November 2015 that was conducted by a reserve study professional to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property.

Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

Components:	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Sidewalk Spot Repairs (5% of Total)	5	\$ 28,240
Crack Repair of Asphalt Trails	1	1,500
Seal Fire Lanes and Trails	1	24,710
Replace Missing/Damaged Monument Letters	5	2,000
Replace Various Pump/Motors	3 – 8	14,280
Replace Original and Newer Wood Fences	2 – 11	342,500
Replace Sport Court Park Coated Chain Link Fence	23	11,680
Replace Street Lights	7	65,408
Resurface Sport Court Park Court	12	4,301
Repair Waterspray Park Jets and Water Supply	1	2,700
Resurface Waterspray Park Pad	1	2,285
Resurface Whispering Pines Sport Court	12	6,720
Replace Tot and Sport Court Park Playsets	3	19,000
Replace Whispering Pines Playsets	11	44,000
Replace Benches, Tables, Garbage, Pots	4 – 16	33,300
Replace Sewage Lift Pump/Motors	1	12,644
Re-Roof Storage Shed	3	500
Replace New Portion of Wood Fence	19	23,775
Fill Tot Park Sunken Area, Repair Edging	2	2,000
Replace Forest Ridge Crazy House, Zip Line	10 – 20	13,500
Replace Forest Ridge Amphitheater	15	10,000
Major Landscaping	1	5,000
Replace John Deere Gator	9	18,000
Replace Mailboxes	2 – 15	48,000
Seal 1/4 of Wood Fences Per Year	1	24,000
Reset Trail Entry Bollards	1	2,000
Replace Splash Park, Whispering Pines, and Waterspray Park Coated Chain Link Fences	29 – 30	23,008
Total		<u>\$ 785,051</u>



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