

Oak Ranch Estates Homeowners Association

Compilation Report
Financial Statements

&

Supplementary Information
December 31, 2021

Prepared by:

Jimenez & Company

CERTIFIED PUBLIC ACCOUNTANT

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*Members - Community Associations Institute – Channel Islands
American Institute of Certified Public Accountants
California Society of Certified Public Accountants*

JIMENEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANT
Joyce E. Jimenez, CPA



Independent Accountant's Compilation Report

To the Board of Directors and Homeowners
Oak Ranch Estates Homeowners Association
Oak View, California

Management is responsible for the accompanying financial statements of Oak Ranch Estates Homeowners Association, which comprise the balance sheet as of December 31, 2021 and the related statements of income, changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements 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. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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 the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of the management of Oak Ranch Estates Homeowners Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Jimenez & Company
Certified Public Accountant
Camarillo, CA
Report Date: March 18, 2022

OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

Balance Sheet
December 31, 2021

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash, including interest bearing deposits	\$ 24,763	\$ 31,293	\$ 56,056
Assessments Receivable	656		656
Prepaid Insurance	1,124		1,124
TOTAL ASSETS	<u>\$ 26,543</u>	<u>\$ 31,293</u>	<u>\$ 57,836</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 164	\$	\$ 164
Assessments Received in Advance	\$ 5,587	\$	\$ 5,587
Security Deposit Corral	600		600
TOTAL LIABILITIES	<u>6,351</u>		<u>6,351</u>
FUND BALANCES (NOTE 1)			
Operating	20,192		20,192
Replacement (Note 2)		31,293	31,293
TOTAL FUND BALANCES	<u>20,192</u>	<u>31,293</u>	<u>51,485</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,543</u>	<u>\$ 31,293</u>	<u>\$ 57,836</u>

OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

Statement of Changes in Fund Balances
For the Year Ended December 31, 2021

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Balance at the Beginning of the Year	\$ 19,608	\$ 28,439	\$ 48,047
Excess <Deficiency> of Revenues over Expenses	584	2,854	3,438
Balance at the End of the Year	<u>\$ 20,192</u>	<u>\$ 31,293</u>	<u>\$ 51,485</u>

OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

Statement of Revenues and Expenses
For the Year Ended December 31, 2021

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Assessments	\$ 25,668	\$ 4,092	\$ 29,760
Late Fees	1,443		1,443
Horse Stall/Shed Fees	5,069		5,069
Interest		6	6
Miscellaneous	195		195
TOTAL REVENUES	<u>32,375</u>	<u>4,098</u>	<u>36,473</u>
EXPENSES			
Collections	1,018		1,018
Compilation & Tax Preparation	800		800
Corral	2,808		2,808
Insurance	2,499		2,499
Landscape	11,935		11,935
Legal	1,125		1,125
Management	5,760		5,760
Miscellaneous	3,014		3,014
Postage & Copies	790		790
Repairs & Maintenance	2,042		2,042
Reserve Expenses:			
Fixtures		533	533
Paving		571	571
Plumbing/Electric		140	140
TOTAL EXPENSES	<u>31,791</u>	<u>1,244</u>	<u>33,035</u>
EXCESS <DEFICIENCY> OF REVENUES OVER EXPENSES	<u>\$ 584</u>	<u>\$ 2,854</u>	<u>\$ 3,438</u>

OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

Statement of Cash Flows
For the Year Ended December 31, 2021

	<u>OPERATING FUND</u>		<u>REPLACEMENT FUND</u>		<u>TOTAL</u>
<i>Cash Flows from Operating Activities:</i>					
Cash from Assessments	\$ 24,832	\$	4,092	\$	\$ 28,924
Interest Received			6		6
Miscellaneous Income	6,707				6,707
Cash Paid for Services and Products	<u>(32,486)</u>		<u>(1,244)</u>		<u>(33,730)</u>
Net Increase <Decrease> in Cash from Operating Activities	<u>(947)</u>		<u>2,854</u>		<u>1,907</u>
Net Increase <Decrease> in Cash	(947)		2,854		1,907
Cash, including interest bearing deposits, at the Beginning of Year	25,710		28,439		54,149
Cash, including interest bearing deposits, at the End of Year	<u>\$ 24,763</u>	\$	<u>31,293</u>	\$	<u>56,056</u>

Reconciliation of Excess <Deficiency> of Revenues over Expenses to Net Cash Received by Operations:

Excess <Deficiency> of					
Revenues over Expenses	\$ 584	\$	2,854	\$	\$ 3,438
Decreased Assessments Receivable	228				228
Increased Prepaid Insurance	(12)				(12)
Decreased Accounts Payable	(285)				(285)
Decreased Prepaid Assessments	(1,063)				(1,063)
Decreased Security Deposit Corral	(400)				(400)
Rounding	1				1
Net Increase <Decrease> in Operating Cash	<u>\$ (947)</u>	\$	<u>2,854</u>	\$	<u>1,907</u>

OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

Notes to the Financial Statement:
December 31, 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Oak Ranch Estates Homeowners Association was incorporated December 11, 1978 in the state of California as a mutual benefit corporation. The Association is responsible for the operation and maintenance of the common property. This is a 40 unit planned residential development located in Oak View, California.

Accounting Method

The Association prepares its statements on the accrual basis of accounting whereby income and expenses are recognized when earned and incurred. Fund accounting is employed to properly account for the monies. The Operating Fund is used to pay for all utility, insurance, general maintenance, landscaping, and administrative obligations of the Association. The Replacement Fund has been established to meet the replacement and major repair obligations of the Association with regard to the common area components.

The Association's primary accounting records are maintained by an outside management company appointed by the Board of Directors.

Capitalization Policy

Replacements and improvements to the real property are not capitalized on the books of the Association as assets are owned in common by the individual members of the Association. Property and equipment acquired by the Association are recorded at cost. The property is depreciated over its estimated useful lives using the straight line method of depreciation. There is no capitalized property at the end of the year.

Assessments Receivable

Association members are subject to assessments 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. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on the assets of the unit owner. The Association uses the allowance method to account for uncollectible assessments receivable. There is no allowance necessary at the end of the fiscal year.

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.

Cash, including Interest Bearing Deposits

For purposes of the statement of cash flows, Cash, including Interest Bearing Deposits, includes cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less.

Date of Compilation

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the compilation report, which is the date that the financial statements were available to be issued.

OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

Notes to the Financial Statements
December 31, 2021

NOTE 2 - REPLACEMENT FUNDING PROGRAM

The Association is currently funding replacement reserve accounts for the future major repair and replacement of Association common areas as disclosed in Note 1. Accumulated funds are held in separate accounts and are generally not available for operating purposes. The funding is based upon a professional reserve study approved by the board of directors.

An independent study was conducted in July 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs are derived from actual contractor prices or by using standard construction industry estimating techniques. Funding requirements consider an annual inflation rate of 3.0% and interest earned of 1.0% on amounts funded for future repairs and replacements. The table included in the Supplementary Information on Future Major Repairs and Replacements on page 9 is based on this study.

The Board of Directors is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Funding in the amount of \$3,624 has been included in the 2022 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and variations may be material. Therefore, the amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to certain legal limitations, to increase monthly assessments, pass special assessments, or delay replacement if these funds are found to be inadequate for all future costs.

NOTE 3 - INCOME TAXES

Associations may be taxed either as homeowners associations or as regular corporations. For the current year the Association elected to file as a homeowners association using form 1120-H under Internal Revenue Code Section 528. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of Association property. Net nonexempt function income which includes interest, user fees and revenues from non-members is taxed at 30%. Certain expenses were allocated to offset a portion of the taxable income.

The Association's tax returns are subject to audit. The federal tax returns for the current and prior two fiscal years remain open for examination by the IRS. The state tax returns for the current and prior three fiscal years remain open for examination by the Franchise Tax Board. In evaluating the Association's tax positions and accruals, the Association believes that its estimates are appropriate based on the current facts and circumstances.

NOTE 4 - OWNERS' ASSESSMENTS

Monthly assessments to owners were \$62. Of this amount, a portion was designated to the replacement fund.

The annual budget and owners' assessments are determined by the Board of Directors, within certain restrictions. The Association retains excess operating funds at the end of the year, if any, for use in future operating periods.

OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

Notes to the Financial Statements
December 31, 2021

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Association contracts with various service providers for maintenance and management of its facilities and equipment. These contracts are generally one year or less in duration.

NOTE 6 - SUBSEQUENT EVENTS

Management has evaluated events and transactions for potential recognition or disclosure through March 18, 2022, the date the financial statements were available to be issued.

OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

December 31, 2021
 Supplementary Information on Future Major Repair
 and Replacements
 (Unaudited)

A study was prepared on July 18, 2021 by J.D. Brooks for the period beginning January 1, 2022 to December 31, 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.0% and interest of 1.0% net of taxes, on amounts funded for future major repairs and replacements. Funding requirements did not consider an annual inflation rate or interest. The following table is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life	Estimated Replacement Costs	Fund Balance at Year End
Roofing	13-37 yrs.	\$ 5,600	
Sheds/Buildings	19-37 yrs.	18,620	
Paving	3-15 yrs.	8,140	
Fencing	3-37 yrs.	33,820	
Equipment	7-9 yrs.	5,730	
Fixtures	5-16 yrs.	6,540	
Plumbing & Electric	3-4 yrs.	5,820	
TOTAL			\$ 31,293

Percent Funded as of December 31, 2021 - 75%