



**Principals**

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**Associate Principals**

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**Managers**

Allison A. Day, CPA  
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Sheila M. Lewis, CPA

Independent Auditor's Report

To the Board of Directors of  
Snow Hill Homeowners Association, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Snow Hill Homeowners Association, Inc., which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, members' equity and cash flows for the years 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 audits. We conducted our audits 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 Snow Hill Homeowners Association, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years 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 information on future major repairs and replacements on page 10 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.

*Goldklang Group CPAs, P.C.*

Reston, Virginia  
November 7, 2016

SNOW HILL HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 108,663	\$ 145,411
Interest-Bearing Deposits	50,488	-
Assessments Receivable	-	35
Accrued Interest	55	-
Prepaid Expenses	<u>1,180</u>	<u>2,992</u>
 Total Assets	 <u>\$ 160,386</u>	 <u>\$ 148,438</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 378	\$ 510
Prepaid Assessments	<u>39,409</u>	<u>45,960</u>
Total Liabilities	<u>\$ 39,787</u>	<u>\$ 46,470</u>
 Replacement Reserves	 \$ 91,999	 \$ 72,575
Unappropriated Members' Equity	<u>28,600</u>	<u>29,393</u>
Total Members' Equity	<u>\$ 120,599</u>	<u>\$ 101,968</u>
 Total Liabilities and Members' Equity	 <u>\$ 160,386</u>	 <u>\$ 148,438</u>

See Accompanying Notes to Financial Statements

SNOW HILL HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>INCOME:</u>		
Assessments	\$ 80,360	\$ 80,360
Interest	751	234
Other	285	-
Total Income	<u>\$ 81,396</u>	<u>\$ 80,594</u>
 <u>EXPENSES:</u>		
Management	\$ 17,089	\$ 16,291
Legal, Audit and Tax Preparation	4,178	2,150
Insurance	2,550	2,558
Printing and Postage	1,903	905
Administrative	2,529	2,779
Electricity	193	176
Grounds Maintenance	24,430	28,765
Common Area Maintenance	1,693	443
Community Improvements	2,224	1,100
Bad Debt	-	57
Total Expenses	<u>\$ 56,789</u>	<u>\$ 55,224</u>
Net Income before Contribution to Reserves	\$ 24,607	\$ 25,370
Contribution to Reserves	<u>(25,400)</u>	<u>(23,300)</u>
Net Income (Loss)	<u>\$ (793)</u>	<u>\$ 2,070</u>

See Accompanying Notes to Financial Statements

SNOW HILL HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2013	\$ 60,386	\$ 27,323	\$ 87,709
Additions:			
Contribution to Reserves	23,300		23,300
Net Income		2,070	2,070
Deductions:			
Lake and Pond Management	(3,984)		(3,984)
Trash Rack	(4,200)		(4,200)
Signage	(2,927)		(2,927)
Balance as of December 31, 2014	\$ 72,575	\$ 29,393	\$ 101,968
Addition:			
Contribution to Reserves	25,400		25,400
Deductions:			
Lake and Pond Management	(5,976)		(5,976)
Net Loss		(793)	(793)
Balance as of December 31, 2015	<u>\$ 91,999</u>	<u>\$ 28,600</u>	<u>\$ 120,599</u>

See Accompanying Notes to Financial Statements

SNOW HILL HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (793)	\$ 2,070
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense	-	57
Decrease (Increase) in:		
Assessments Receivable	35	(65)
Accrued Interest	(55)	-
Prepaid Expenses	1,812	(1,804)
Increase (Decrease) in:		
Accounts Payable	(132)	(422)
Prepaid Assessments	(6,551)	(3,295)
Net Cash Flows from Operating Activities	<u>\$ (5,684)</u>	<u>\$ (3,459)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 25,400	\$ 23,300
Disbursed for Reserve Expenditures	(5,976)	(11,111)
Disbursed for Interest-Bearing Deposits	<u>(50,488)</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (31,064)</u>	<u>\$ 12,189</u>
Net Change in Cash and Cash Equivalents	\$ (36,748)	\$ 8,730
Cash and Cash Equivalents at Beginning of Year	<u>145,411</u>	<u>136,681</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 108,663</u></u>	<u><u>\$ 145,411</u></u>

See Accompanying Notes to Financial Statements

SNOW HILL HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized and incorporated under the laws of the Commonwealth of Virginia for the purposes of preserving and maintaining the common property of the community. The Association is located in Warrenton, Virginia and consists of 164 homes. The Association's Board of Directors administers the community operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting in which revenues are recognized when earned and expenses when incurred, not necessarily when received or paid.

B) Member Assessments - 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 homeowners. The Association's policy is to assess late and interest charges and to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method to account for bad debt.

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, land and site improvements.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the 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.

E) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

SNOW HILL HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES: (CONTINUED)

The Association had a replacement reserve study conducted by management and the Board of Directors during 2009. This study was updated during 2015. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the updated study.

The 2009 study recommends a contribution to reserves of \$25,400 for 2015. For 2015, the Association budgeted to contribute \$25,400 to reserves.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2015 and 2014, the Association had designated \$91,999 and \$72,575, respectively, for replacement reserves. These designated reserves were funded by cash and interest-bearing deposits.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt homeowners association or as an association taxable as a corporation. As an exempt homeowners association, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For 2015 and 2014, the income taxes were calculated using the exempt method, which resulted in no income tax liability.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2015 and 2014, the Association did not incur any penalties and interest related to income taxes. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the Commonwealth of Virginia.



SNOW HILL HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(CONTINUED)

NOTE 5 - CASH AND CASH EQUIVALENTS:

As of December 31, 2015, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>	<u>Total</u>
Mutual of Omaha	Checking	\$ 36,951	\$ -	\$ 36,951
Mutual of Omaha	Money Market	71,712		71,712
Freedom Bank	Certificate of Deposit		<u>50,488</u>	<u>50,488</u>
	Totals	<u>\$ 108,663</u>	<u>\$ 50,488</u>	<u>\$ 159,151</u>

NOTE 6 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 7, 2016, the date the financial statements were available to be issued.

Subsequent to year end, the Association incurred replacement reserve expenditures of \$5,583 for pond maintenance.

SNOW HILL HOMEOWNERS ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2015  
(UNAUDITED)

The Association had a replacement reserve study conducted by management and the Board of Directors during 2015 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 study. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement; however, the Association's replacement reserve study does take inflation into consideration when evaluating future expenditures and recommended contributions to reserves. The study does not present the estimated remaining useful lives in a format that can be summarized. Therefore, the estimated remaining useful lives of the common property components are not presented below.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	<u>2015 Estimated Replacement Cost</u>
Front Entrance Features	\$ 14,587
Tennis Court Features	179,361
Pond Restoration and Dredging	191,823
Pond and Tennis Signs	600
Wooden Foot Bridge	4,482
Rear Entrance Features	7,542