

**Silver Oaks  
Homeowners Association, Inc.**

**Financial Statements**

**December 31, 2015**



**GREGORY & CRUTCHFIELD, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Silver Oaks Homeowners Association, Inc.**

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**GREGORY & CRUTCHFIELD, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Compilation Report

To the Board of Directors and Members  
Silver Oaks Homeowners Association, Inc.

Management is responsible for the accompanying financial statements of Silver Oaks Homeowners Association, which comprise the balance sheet as of December 31, 2015, 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 in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement 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.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 8 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Gregory & Crutchfield, LLC  
San Antonio, Texas  
June 17, 2016

**Silver Oaks Homeowners Association, Inc.**  
**Balance Sheet**  
**December 31, 2015**

	Operating Fund	Reserve Fund	Total
Assets			
Current assets			
Cash	214,475	20,224	234,699
Accounts receivable	112,925	-	112,925
Prepaid insurance	1,538	-	1,538
Total assets	<u>328,938</u>	<u>20,224</u>	<u>349,162</u>
Liabilities and fund balance			
Current liabilities			
Accounts payable	6,582	-	6,582
Assessments received in advance	45,434	-	45,434
Total liabilities	52,016	-	52,016
Fund balance	<u>276,922</u>	<u>20,224</u>	<u>297,146</u>
Total liabilities and fund balance	<u>328,938</u>	<u>20,224</u>	<u>349,162</u>

See independent accountant's compilation report and accompanying notes

**Silver Oaks Homeowners Association, Inc.**  
**Statements of Revenues, Expenses and Changes in Fund Balance**  
**For the Year Ended December 31, 2015**

	Operating Fund	Reserve Fund	Total
Revenues			
Member assessments	289,526	-	289,526
Builder assessments	11	-	11
Recoverable legal fees	40,461	-	40,461
Capitalization fee	25,020	-	25,020
Late fees	8,657	-	8,657
Other income	997	-	997
Interest	200	29	229
Total revenues	364,872	29	364,901
General and administrative expenses			
Accounting fees	740	-	740
Bad debt	19,211	-	19,211
Bank fees	745	-	745
Committee and meeting expense	1,711	-	1,711
Insurance	16,919	-	16,919
Legal fees	41,974	-	41,974
Management fees	71,724	-	71,724
Miscellaneous	1,805	-	1,805
Office supplies	4,572	-	4,572
Postage	14,630	-	14,630
Printing	9,739	-	9,739
Total general and administrative expenses	183,770	-	183,770
Common area expenses			
Repairs and maintenance - grounds	78,766	12,834	91,600
Repairs and maintenance - other	31,063	-	31,063
Utilities	28,698	-	28,698
Total common area expenses	138,527	12,834	151,361
Total expenses	322,297	12,834	335,131
Excess (deficit) of revenues over (under) expenses	42,575	(12,805)	29,770
Fund balance, beginning of year	254,347	13,029	267,376
Interfund transfers	(20,000)	20,000	-
Fund balance, end of year	276,922	20,224	297,146

See independent accountant's compilation report and accompanying notes

**Silver Oaks Homeowners Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	Operating Fund	Reserve Fund	Total
Cash flows from operating activities			
Excess (deficit) of revenues over (under) expenses	42,575	(12,805)	29,770
Adjustments to reconcile excess (deficit) of revenues over (under) expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Account receivable - members	(1,944)	-	(1,944)
Prepaid Insurance	8,635	-	8,635
Account receivable - other	-	-	-
Due from operating	-	5,000	5,000
Increase (decrease) in:			
Accounts payable	3,221	-	3,221
Assessments received in advance	8,195	-	8,195
Due to reserve	(5,000)	-	(5,000)
Net cash provided (used) by operating activities	55,682	(7,805)	47,877
Cash flows from investing activities:	-	-	-
Cash flows from financing activities:	-	-	-
Net increase (decrease) in cash	55,682	(7,805)	47,877
Cash at beginning of year	178,793	8,029	186,822
Interfund transfers	(20,000)	20,000	-
Cash at end of year	214,475	20,224	234,699
Supplemental disclosure:			
income taxes paid			-
interest paid			-

See independent accountant's compilation report and accompanying notes

**Silver Oaks Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 1 – Nature of Organization**

Silver Oaks Homeowners Association, Inc. is a nonprofit owners' association incorporated on April 27, 2005 in the State of Texas. The Association is responsible for the operation and maintenance of the common areas within the Association. The Association is located in Bexar County, Texas and at the end of 2015 consisted of 1,710 homeowners' and builder/developer lots.

**Note 2 – Summary of Significant Accounting Policies**

Accounting Basis

The accompanying financial statements have been prepared on the accrual basis of accounting.

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 prepares its financial statements using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to the 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 designated for future major repairs and replacements.

Member Assessments

Association members are subject to quarterly 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 assessments due and legal fees related to collections billed to the property owner. Assessments not paid within thirty days of delinquency shall bear interest at a rate of 12% per annum until paid in full. Delinquent homeowners who have not defaulted on two previous payment plans in two previous years may request a payment plan. No penalties shall accrue on balances while a payment plan is in effect but reasonable costs associated with administering the plan and interest shall continue to accrue.

**Silver Oaks Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 2 – Summary of Significant Accounting Policies – continued**

Member Assessments - continued

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Once legal action has commenced all legal fees and costs will be assessed to the unit owners.

No allowance for uncollectible accounts has been established as management considers all accounts collectible.

Property and Equipment

Real property and common areas donated by the developer are not capitalized on the Association's financial statements. Real and personal property purchased with Association funds, to which the Association holds title, will be capitalized at cost and depreciated over their estimated useful life using the straight-line method of depreciation.

Cash

Cash for the statement of cash flows includes amounts in checking and money market accounts.

Income Taxes

The Association elected to be taxed as a homeowner's association in 2015 in accordance with Internal Revenue Service Code Section 528 using IRS Form 1120-H. Under that election, the Association is taxed on its nonexempt function income, such as interest income, at a flat rate of 30% and exempt function income, which consists primarily of member assessments, is not taxable. The Association incurred no federal income tax expense for 2015.

The Association is not exempt from the Texas Franchise tax and must file an annual no tax due information report since their total annual income is under the current no tax due threshold.

Management is not aware of any tax positions that would have a significant impact on its financial position.



**Silver Oaks Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 2 – Summary of Significant Accounting Policies – continued**

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.

Subsequent Events

Subsequent events have been evaluated by management through the date of the report of the independent certified public accountants. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

New Accounting Pronouncements

Management is not aware of any new accounting pronouncements that have been released, and are not yet effective, which will have a significant impact to its financial position or results of operations in future periods.

**Note 3 – Future Major Repairs and Replacements**

The Association had a reserve study conducted in November 2009 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the supplementary information page is based on this study.

During the year the Association earned \$29 in interest income on its reserve funds with expenditures in the amount of \$12,834 and \$20,000 was transferred from the operating fund resulting in an ending reserve fund balance of \$20,224 as of December 31, 2015. Monies accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. Thus, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined and the effect could be material.

## **Supplementary Information**

**Silver Oaks Homeowners Association, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
**December 31, 2015**  
**(Unaudited)**

The following information is based on a reserve study conducted in November 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on estimated costs to repair or replace 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 the inflation between the date of the study and the date the components will require repair or replacement. The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	Components of Funds Balance at 12/31/15
Wood fencing - 6ft	8	\$ 204,328	13,869
Wood fencing - 8ft	10	67,274	4,566
Chain link fence	10	6,150	417
Monument rock wall	2	820	56
Monument rock wall	2	604	41
Monument rock wall	2	399	27
Monument rock wall	2	389	26
Benches	7	1,478	100
Playground equipment	4	14,859	1,009
Trash recepticle	7	1,664	113
		<u>\$ 297,965</u>	<u>\$ 20,224</u>

The reserve study is 6.78% funded.

Silver Oaks Homeowners Association, Inc.  
Working Trial Balance  
12/31/15

	Adjusted Balance 12/31/14	Unadjusted Balance 12/31/15	DR.	CR.	JE Ref	WP Ref	Adjusted Balance 12/31/15	OP Fund	RE Fund
Checking									
CAB - Operating	178,793.18	214,474.97					214,474.97	214,475	
CAB - Reserve MMkt	8,029.34	20,224.31					20,224.31	-	20,224.31
Accounts receivable - members	111,164.13	113,948.70					113,948.70	113,949	
A/R - other	116.77	26.77					26.77	27	
Prepaid insurance	10,173.05		1,537.68		2		1,537.68	1,538	
A/R - Transfer fee	(300.00)	(1,050.00)					(1,050.00)	(1,050)	
Due from operation	5,000.00								
<b>TOTAL ASSETS</b>	<b>312,976.47</b>	<b>347,624.75</b>					<b>349,162.43</b>	<b>328,938.12</b>	<b>20,224.31</b>
	F	F					F	F	F
<b>LIABILITIES</b>									
Accounts payable	3,361.23	6,582.54					6,582.54	6,582.54	-
Overdraft liability	-						-	-	-
Prepaid assessments	37,239.32	45,433.61					45,433.61	45,433.61	-
Due to reserves	5,000.00						-	-	-
Transfer to reserves	-						-	-	-
<b>Total liabilities</b>	<b>45,600.55</b>	<b>52,016.15</b>					<b>52,016.15</b>	<b>52,016.15</b>	<b>-</b>
Members' equity									
Retained earnings	254,346.58	254,346.92					254,346.92	254,346.92	
Retained earnings - RE	13,029.34	13,029.00					13,029.00	-	13,029.00
Adjustment - retained earnings	-	(10,173.05)					-	-	
Interfund transfers - OP	-		20,000.00	10,173.05	2		(20,000.00)	(20,000.00)	
Interfund transfers - RE	-	20,000.00			1		20,000.00	-	20,000.00
Current year income (loss)	-	18,405.73					29,770.36	42,575.39	(12,805.03)
<b>Total equity</b>	<b>267,375.92</b>	<b>295,608.60</b>					<b>297,146.28</b>	<b>276,922.31</b>	<b>20,223.97</b>
<b>Total liabilities and equity</b>	<b>312,976.47</b>	<b>347,624.75</b>					<b>349,162.43</b>	<b>328,938.46</b>	<b>20,223.97</b>
	F	F					F	F	F
<b>Balance check</b>	-	-					-	(0)	0

Silver Oaks Homeowners Association, Inc.  
Working Trial Balance  
For the Year Ended December 31, 2015

	Adjusted Balance 12/31/14	Unadjusted Balance 12/31/15				Adjusted Balance 12/31/15	OP Fund	RE Fund
<b>REVENUE</b>								
Homeowners assessments	266,758.22	289,525.51				289,525.51	289,525.51	
Builder subsidy	11.25	11.25				11.25	11.25	
Capitalization fees	17,280.00	25,020.00				25,020.00	25,020.00	
Late fees	5,590.00	8,656.53				8,656.53	8,656.53	
Recoverable legal	11,267.69	40,461.44				40,461.44	40,461.44	
Developer reimbursements	-	-				-	-	
Other income	512.01	996.54				996.54	996.54	
Interest income	189.25	229.25				229.25	200.28	28.97
Total income	301,608.42	364,900.52				364,900.52	364,871.55	28.97
<b>OPERATING EXPENSES</b>								
<b>Admin expenses</b>								
Office supplies	4,194.27	4,572.38				4,572.38	4,572.38	
Postage	12,257.36	14,630.45				14,630.45	14,630.45	
Printing/Xerox	10,371.25	9,739.24				9,739.24	9,739.24	
Professional fees	266.50	75.00				75.00	75.00	
Permits / recording fees	46.50	139.00				139.00	139.00	
Bad debt	14,654.62	19,210.75				19,210.75	19,210.75	
Management fees	66,370.80	71,724.20				71,724.20	71,724.20	
Bank fees	411.46	745.00				745.00	745.00	
Accounting fees	735.00	740.00				740.00	740.00	
Legal fees	13,214.41	41,974.32				41,974.32	41,974.32	
Website maintenance	818.28	937.19				937.19	937.19	
Payment plan admin fee	-	(20.00)				(20.00)	(20.00)	
Meeting expense	176.02	105.26				105.26	105.26	
Collection Fees	60.00	10.00				10.00	10.00	
<b>Grounds maintenance</b>								
Grounds - Recreational area	6,262.96	10,528.23				10,528.23	10,528.23	
Improv reim by developer	-	-				-	-	
Grounds - annual color	3,464.00	2,381.50				2,381.50	2,381.50	
Grounds improvements	5,363.79	4,708.88				4,708.88	4,708.88	
Ground maint. contract	36,585.25	45,183.48				45,183.48	45,183.48	
Monuments	-	1,239.15				1,239.15	1,239.15	
Supplies & Equipment	-	-				-	-	
Irrigation system	4,489.65	3,717.75				3,717.75	3,717.75	
Service HO Lot	(92.01)	92.02				92.02	92.02	
Tree maintenance	297.69	216.50				216.50	216.50	
Basins	-	-				-	-	
Drainage easements	4,654.76	10,698.36				10,698.36	10,698.36	
<b>Other maintenance</b>								
Lighting	528.54	412.71				412.71	412.71	
Pest control	378.88	-				-	-	
Signage	2,500.00	-				-	-	
Electrical	2,021.99	-				-	-	
Walls / fencing	48,454.75	43,484.00				43,484.00	30,650.00	12,834.00
Basin	0.00	-				-	-	
Janitorial / maintenance / repairs	343.61	-				-	-	
Vandalism	838.94	-				-	-	
<b>Utilities</b>								
Electricity	719.24	921.82				921.82	921.82	
Street lights	25,688.43	23,137.71				23,137.71	23,137.71	
Water & Sewer	5,603.64	4,638.79				4,638.79	4,638.79	
<b>Taxes</b>								
Property/Franchise taxes	515.43	(484.43)				(484.43)	(484.43)	
<b>Insurance</b>								
Insurance- property	13,123.13	5,698.50	10,173.05	1,537.68	2	14,333.87	14,333.87	
insurance - D&O/Crime	3,257.00	1,412.09				1,412.09	1,412.09	
Workers comp	173.30	264.98				264.98	264.98	
Umbrella	2,320.00	908.00				908.00	908.00	
<b>Committee</b>								
Social	620.27	554.46				554.46	554.46	
Communication	288.42	46.96				46.96	46.96	
Safety	471.91	1,003.89				1,003.89	1,003.89	
<b>Other</b>								
Miscellaneous	-	1,146.65				1,146.65	1,146.65	
Social	-	-				-	-	
Holiday lighting	-	-				-	-	
<b>Reserves</b>								
Transfer to reserves	0.00	20,000.00		20,000.00	1	-	-	
Total expenses	292,450.04	346,494.79	31,710.73	31,710.73		335,130.16	322,296.16	12,834.00
Net income (loss)	9,158.38	18,405.73				29,770.36	42,575.39	(12,805.03)

Silver Oaks Homeowners Association, Inc.  
Adjusting Entries  
12/31/2015

	<u>Debit</u>	<u>Credit</u>
(1)		
Interfund transfers - OP	20,000.00	
Transfer to reserves (expense)		20,000.00
<i>To adjust accounts for interfund transfers coded to expense</i>		
(2)		
Prepaid insurance	1,537.68	
Insurance property	8,635.37	
Adjustment - retained earnings		10,173.05
<i>To adjust prepaid insurance and equity accounts</i>		
	<u>30,173.05</u>	<u>30,173.05</u>