

**THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE**

**YEAR ENDED DECEMBER 31, 2015**

**AND**

**UNAUDITED SUPPLEMENTARY INFORMATION**

## INDEPENDENT AUDITOR'S REPORT--Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

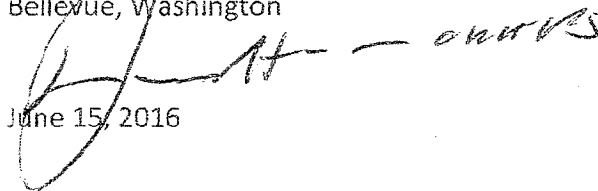
### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Villages of Garrison Creek Master Property Management Association as of December 31, 2015, and the results of its operations and its cash flows for 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 the information on future major repairs and replacements on common property 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 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.

Joseph H. Vandal, CPA PS  
Bellevue, Washington



June 15, 2016

**THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION**  
**BALANCE SHEET**  
**December 31, 2015**

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
<u>ASSETS</u>			
Cash-Checking	\$ 18,398	\$ -	\$ 18,398
Cash-Replacement Reserve	-	16,942	16,942
Certificates of Deposit	-	100,390	100,390
Assessments Receivable	1,560	-	1,560
Other Receivables	61	-	61
Prepaid Insurance	2,121	-	2,121
	<u>22,140</u>	<u>-</u>	<u>22,140</u>
Total Assets	<u>\$ 22,140</u>	<u>\$ 117,332</u> ✓	<u>\$ 139,472</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Accounts Payable	\$ 9,009	\$ -	\$ 9,009
Accrued Expenses	8,992	-	8,992
	<u>18,001</u>	<u>-</u>	<u>18,001</u>
Total Liabilities	18,001	-	18,001
Fund Balance	4,139	117,332	121,471
	<u>4,139</u>	<u>117,332</u>	<u>121,471</u>
Total Liabilities & Fund Balance	<u>\$ 22,140</u>	<u>\$ 117,332</u>	<u>\$ 139,472</u>

**THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE**  
For the Year Ended December 31, 2015

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
REVENUES			
Assessments			
Regular	\$ 130,668	\$ 7,308	\$ 137,976
Interest	-	81	81
TOTAL REVENUE	130,668	7,389	138,057
EXPENSES			
Administration	5,671	-	5,671
Professional	8,508	-	8,508
Insurance	4,158	-	4,158
Repairs and Maintenance	2,264	-	2,264
Grounds and Landscape	90,321	-	90,321
Electricity	19,528	-	19,528
Major Repairs and Replacements	-	9,797	9,797
TOTAL EXPENSES	130,450	9,797	140,247
REVENUES OVER/(UNDER) EXPENSES	218	(2,408)	(2,190)
BEGINNING FUND BALANCE	4,257	119,404	123,661
Transfer to (from)	(336)	336	-
ENDING BALANCE	\$ 4,139	\$ 117,332	\$ 121,471



**THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2015**

	<u>OPERATING FUND</u>	<u>REPLACEMENT RESERVE FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
REVENUE OVER/(UNDER) EXPENSES	\$ 218	\$ (2,408)	\$ (2,190)
Adjustments to reconcile excess of expenses over revenues to net cash provided by activities:			
(Increase) Decrease in:			
Assessments Receivable	(1,560)	-	(1,560)
Other Receivables	(61)	-	(61)
Prepaid Insurance	(84)	-	(84)
Increase (Decrease) in:			
Accounts Payable	6,039	(337)	5,702
Accrued Expenses	8,992	-	8,992
	<u>13,544</u>	<u>(2,745)</u>	<u>10,799</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>			
	<u>13,544</u>	<u>(2,745)</u>	<u>10,799</u>
<u>CASH FLOWS FROM</u>			
<u>FINANCING ACTIVITIES</u>			
Interfund transfers	(336)	336	-
<u>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</u>	<u>(336)</u>	<u>336</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	13,208	(2,409)	10,799
CASH & EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>5,190</u>	<u>119,741</u>	<u>124,931</u>
CASH & EQUIVALENTS AT END OF THE PERIOD	<u>\$ 18,398</u>	<u>\$ 117,332</u>	<u>\$ 135,730</u>

**THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE A – NATURE OF ORGANIZATION**

The Villages of Garrison Creek Master Property Management Association (the "Association") is a statutory homeowners' association in the State of Washington organized and incorporated in 2003. The Association is responsible for the operation and maintenance of the common property of The Villages of Garrison Creek, a planned unit development located in College Place Washington. The Villages of Garrison Creek currently contains 203 residential lots, the owners of which are members of the Association.

The Villages of Garrison Creek is currently comprised of seven villages delineated by subdivision or division thereof. Each village has the right to govern and control issues, in harmony with the Association's governing documents, that are distinct to that particular village or are delegated to it by the Association. None of the financial transactions of the individual villages are included in the Association's financial statements.

**NOTE B – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 15, 2016, the date that the financial statements were available to be issued.

**NOTE C-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 the financial resources available for the general operations of the Association.

Replacement Fund-This fund is used to accumulate financial resources designated for future major repairs and replacements, insurance proceeds (if any), insurance repairs (if any), and litigation costs (if any) relating to the afore mentioned proceeds.

**THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE C-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Cash and Cash Equivalents

The Association considers cash on deposit, cash on hand, money market funds (if any) and certificates of deposit (if any) and any other highly-liquid securities to be cash and or cash equivalents. Any penalties for early withdrawal would not have a material effect on the financial statements.

Member Assessments

Association members are subject to monthly 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 policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. If assessments are inadequate, the Board of Directors, subject to the limitations of their authority described in the Association's governing documents, may have to increase regular assessments or pass special assessments.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

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.

**THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE D-COMMITMENTS**

The Association has various contracts for services including but not limited to management, maintenance, and landscaping.

**NOTE E-INCOME TAXES**

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. In 2015, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as net interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

As of December 31, 2015, the tax years that remain subject to examination by taxing authorities begin with 2012.

**NOTE F-FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds (assets less liabilities as reported on the balance sheet), which in aggregate are approximately \$117,332 at December 31, 2015, are held in separate accounts and are generally not available for operating purposes. Cash balances shown on the balance sheet that are part of these funds are held in separate bank accounts.

The Association engaged a specialist who conducted a study update in 2015 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is partially funding for such major repairs and replacements over the estimated lives of the components based on the study's 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 Association has the right, subject to the limitations of the authority described in the Association's governing documents, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION  
UNAUDITED SUPPLEMENTARY INFORMATION ON  
FUTURE MAJOR REPAIRS AND REPLACEMENTS  
December 31, 2015**

A specialist conducted a study update in 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. 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 on page 10 is based on the study and present significant information about the components of common property.

THE SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS THAT HAS  
NOT BEEN AUDITED APPEARS ON PAGE 10

## UNAUDITED SUPPLEMENTARY INFORMATION

THE VILLAGES OF GARRISON CREEK MASTER PROPERTY MANAGEMENT ASSOCIATION  
 Future Major Repairs and Replacements Reserve Fund  
 December 31, 2015

Reserve Components	Years of Life	Current Replacement Cost	Years in Service	Remaining Years of Life	Ideal Reserve Amount
Asphalt Sealcoat & Repairs	1	10,242	1	0	\$ 10,242
Benches	10	1,845	2	8	369
Bridge - 1	30	4,500	2	28	300
Bridge - 2	18	4,500	1	17	250
Bridge - 3	22	4,500	19	3	3,886
Clock Tower - Paint	6	1,385	1	5	231
Gazebo - Major Renovation	24	22,810	15	9	14,256
Gazebo - Paint	6	1,642	3	3	821
Gravel	8	750	5	3	469
Irrigation Controllers - Battery	5	2,367	1	4	473
Irrigation Controllers - Electric	10	19,000	8	2	15,200
Irrigation System in Creek	15	11,315	15	0	11,315
Pole Lights & Entry Light	40	16,176	19	21	7,684
Pond - Fountain	12	1,000	3	9	250
Pond - Liner	6	5,605	1	5	934
Pond - Maintenance	10	5,716	1	9	572
Pond - Pump	12	5,000	7	5	2,917
Pump 1 - High Water / Ground Water	12	11,265	11	1	10,326
Pump 2 - High Water / Ground Water	12	3,477	11	1	3,187
Pump House - Major Renovation	24	7,668	12	12	3,834
Pump House - Paint	6	1,200	2	4	400
Roof - Gazebo	24	2,464	8	16	821
Signage	1	512	1	0	512
Tree Work	6	4,500	6	0	4,500
Walking Path	8	5,000	2	6	1,250
Well System in Clocktower	15	16,691	15	0	16,691
<b>TOTALS</b>		<u>\$ 171,130</u>			<u>\$ 111,690</u>
Replacement Reserve Fund Balance					<u>117,332</u>
Variance					<u>\$ 5,642</u>
Funding %					105.1%

*The ideal year-end reserve amount for each component is calculated by dividing its current replacement cost by its years of useful life, and multiplying the result by its years in service.*

*Source: The Management Trust/Northwest - 08/28/2013 Reserve Study*