

**Four Hills Ranch
Property Owners Association
Williams, AZ 86046**

**2020 End of Year Financial Report
Board of Directors**

Management is responsible for the accompanying financial statements of the Four Hills Ranch Property Owners Association. The related notes to the financial statements were edited and approved by the Board of Directors. The balance sheet as of December 31, 2020, the related statements of revenues, expenses, and changes in the fund balance and cash flows for the year ended were prepared by the accounting firm employed by the Four Hills Ranch Property Owners Association.

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The accounting firm provides no assurances to verify the accuracy or completeness of the information provided. The financial statements have not been reviewed or audited by an outside accounting firm. Each month, the accounting firm engaged by management provides management with Balance Sheets (Accrual and Cash Basis), Statements of Income (Accrual and Cash Basis), Bank Statements from all accounts, and Reconciliation Reports (Detail and Summary). Management is responsible for reviewing those reports for accuracy and completeness of information.

Management is aware that accounting principles generally accepted in the United States of America require supplementary information to be presented in addition to the basic financial statements. In the Notes to the Financial Statements, Management has included Supplementary Information on Major Repairs and Replacements planned for Fiscal Year 2020.

May 1, 2021

Four Hills Ranch Property Owners Association
Balance Sheet
December 31, 2020
(Accrual Basis)

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 136,511.18
Accounts Receivable	<u>78,226.97</u>

Total Current Assets	<u>\$ 214,738.15</u>
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TOTAL ASSETS	<u><u>\$ 214,738.15</u></u>
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LIABILITIES AND EQUITY

Equity

Fund Balances	\$ 276,575.72
Net Income	<u>(61,837.57)</u>

Total Equity	\$ 214,738.15
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TOTAL LIABILITIES & EQUITY	<u><u>\$ 214,738.15</u></u>
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See accompanying notes

Four Hills Ranch Property Owners Association
Statement of Revenue, Expenses and Change in Fund Balance
For the Year Ended December 31, 2020
(Cash Basis)

Ordinary Income/Expenses

Income

Collection and Late Fees	\$ 5,137.00
Assessment Dues	114,189.60
Transfer and Disclosure Funds and Lien Fees	<u>4,758.00</u>

Total Income \$ 124,084.60

Expenses

Advertising & Signs	133.91
High Country Fire & Rescue	4,500.00
Bank Charges	446.46
Dues and Subscriptions	20.75
Filing Fees	720.00
Insurance	1,097.00
Licenses and Permits	0.00
Meetings	0.00
Postage & Delivery	1,736.48
Printing	886.14
Professional Fees (Accounting & Legal)	13,142.85
Road Maintenance	141,331.04
Supplies	27.10
Taxes	50.00
Contributions	<u>103.30</u>

Total Expenses \$ 164,195.03

Other Income/(Expenses)

Interest Income 46.11

Total Other Income 46.11

Excess of Revenues over Expenses \$ (40,064.32)

Beginning Fund Balance \$ 276,339.72

Net Income (40,064.32)

Ending Fund Balance \$ 236,275.40

**Four Hills Ranch Property Owners Association
Statement of Cash Flows
For the Year Ended December 31, 2020**

Operating Activities	
Excess Revenues over Expenses	\$ (61,837.57)
Adjustments to reconcile Excess of Revenue over expenses to net cash provided by operating activities	
Accounts Receivable	24,122.97
Net Cash provided by Operations	\$ (37,714.60)
Beginning Cash and Cash Equivalents	<u>174,225.78</u>
Ending Cash and Cash Equivalents	<u>\$ 136,511.18</u>
Supplemental Disclosure	
Income Tax Paid	<u>\$ 50.00</u>

FOUR HILLS RANCH PROPERTY OWNERS ASSOCIATION
Notes to the Financial Statements
December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Four Hills Ranch Property Owners Association is incorporated as a not-for-profit corporation in the state of Arizona. The Four Hills Ranch consists of 500+ residential lots on approximately 17,000 acres located approximately 30 miles north of Williams, Arizona off State Highway 64. The association began operations in May 2001.

Basis of Presentation

The financial statements of the Four Hills Ranch Property Owners Association have been prepared on the accrual and cash basis of accounting in accordance with generally accepted accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities although does not require fund accounting.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2020, the Association will be taxed as homeowners' association and file form 1120-H. As a homeowners' association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

Membership Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from property owners. The Association's policy is to place liens on the parcels of members whose assessments are delinquent based on the Association Collections Policy. Any excess assessments at year end are retained by the Association for use in the succeeding year. Member assessments received in advance are recorded as pre-paid assessments in the accompanying financial statements. There were \$853.03 in prepaid assessments as of the end of the year. Management has not established an allowance for doubtful accounts based on their collective history.

FOUR HILLS RANCH PROPERTY OWNERS ASSOCIATION
Notes to the Financial Statements
December 31, 2020

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the association considers all highly liquid investments purchased with an original maturity of three months or less to be cash or cash equivalents. The association maintains cash and cash equivalents at financial institutions which may exceed federal insurance limits.

Real Property

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 the individual landowners and not by the Association.

Use of Estimates in Preparation of Financial Statements

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ by these estimates.

Date of Management Review

Management has evaluated subsequent events through the date on which the financial statements were available to be issued.

NOTE B – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements. In 2019, the Association conducted a study to determine cost estimates for required major repairs and improvements, both current and future. Subsequently, the board of directors developed a plan to fund those needs.

In prior years, the Association has funded major repairs and improvement expenditures from the operating budget as expenditures were incurred. However, actual expenditures to meet future needs may exceed the amount budgeted. If additional funds are needed, the Association has the right to levy special assessments, subject to member approval, or the Board may increase regular assessments, or it may delay major repairs and replacements until funds are available.

FOUR HILLS RANCH PROPERTY OWNERS ASSOCIATION
Notes to the Financial Statements
December 31, 2020

NOTE B - Continued

The unusually heavy rains and snowmelt in 2019 caused major damage to FHR roads. The Board determined that the major repairs could not be accomplished within the 2019 annual budget. The Board considered three (3) options: 1) Increase regular assessments, 2) Levy a special assessment, or 3) Use operating reserves. After careful consideration, the Board approved up to \$55,000 from the Operating Reserves for repairs. In 2019, \$20,210 of the Operating Reserves was used for road repairs, decreasing the Operating Reserves from \$194,436 (174% of the annual budget) to \$174,226 (156% of the annual budget). The remaining \$34,790 of the Reserve allocation was used to complete the repairs in Fiscal Year 2020, decreasing the Operating Reserves from \$174,226 (156% of the annual budget) to \$136,511 (122% of the annual budget). In 2019, the Board established the goal for operating reserves to be 120% of the annual budget.

NOTE C – COMMITMENTS

The Association has an easement with Howard Mesa Ranch Property Owners Association for common roads. The roads consist of seven miles from Highway 64 through Howard Mesa Ranch. This is one of the access roads available for Four Hills Ranch.

In 2020, the Association was responsible for an annual contribution of \$10,956 for the common roads. The payment is made to a joint bank account held with the Howard Mesa Ranch Property Owners Association by April 30th of each year. The Association is responsible for 60% of all common road expenses as per the **Road Maintenance Agreement**.