

Oak Bluff Estates Phase II Homeowners Association, Inc.

(A Non-profit Corporation)

Audited Financial Statements

For the Year Ended November 30, 2010

Oak Bluff Estates Phase II Homeowners Association, Inc.
Audited Financial Statements
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MILLAN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Oak Bluff Estates Phase II Homeowners Association, Inc
Austin, Texas

We have audited the accompanying statement of assets, liabilities and net assets - cash basis of Oak Bluff Estates Phase II Homeowners Association, Inc. as of November 30, 2010 and the related statement of support, revenue and expenses - cash basis for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Oak Bluff Estates Phase II Homeowners Association, Inc. as of November 30, 2010 and its revenue and expenses for the year then ended, on the basis of accounting described in Note 1.

Austin, Texas
May 15, 2011

millan & Co., P.C.

Oak Bluff Estates Phase II Homeowners Association, Inc.
Statement of Assets, Liabilities and Net Assets - Cash Basis
November 30, 2010

Assets

Current Assets

Cash - Operating Savings	\$ 3,869
Cash - Contingency	46,278

Total Current Assets	<u>50,147</u>
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Total Assets	<u><u>\$ 50,147</u></u>
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Liabilities and Fund Balances

Liabilities	\$ -
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Total Liabilities	-
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Fund Balances

Operating Fund	\$ 3,869
Contingency Fund	46,278

Total Fund Balance	<u>50,147</u>
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Total Liabilities & Fund Balances	<u><u>\$ 50,147</u></u>
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The accompanying notes are an integral part of these financial statements.

Oak Bluff Estates Phase II Homeowners Association, Inc.
Statement of Revenue and Expenses - Cash Basis
For the Year Ended November 30, 2010

	Operating Fund	Contingency Fund	Total
Revenues			
Administrative Income			
Demand Letter	\$ 420	\$ -	\$ 420
Late Fee Income	750	-	750
Total Administrative Income	1,170	-	1,170
Reimbursements			
Banking Fees	30	-	30
Legal Fee Collections	335	-	335
Holiday Party	1,375	-	1,375
Total Reimbursements	1,740	-	1,740
Regular Assessment	61,778	3,451	65,229
Variance Requests	25	-	25
Transfer Fee	2,800	-	2,800
Grazing Lease	1,800	-	1,800
Advertising	822	-	822
Interest Income	61	139	200
Total Revenue	\$ 70,196	\$ 3,590	\$ 73,786
Expenses			
Administrative Expenses			
Insurance	\$ 2,484	\$ -	\$ 2,484
Legal Fees	462	-	462
Accounting	200	-	200
Meetings/Miscellaneous	734	-	734
Property Management Charges			
Administrative Reimbursements	3,749	-	3,749
Contract	8,300	-	8,300
Total Property Management Charges	12,049	-	12,049
Total Administrative Expenses	\$ 15,929	\$ -	\$ 15,929

The accompanying notes are an integral part of these financial statements.

Oak Bluff Estates Phase II Homeowners Association, Inc.
Statement of Revenue and Expenses - Cash Basis
For the Year Ended November 30, 2010

	Operating Fund	Contingency Fund	Total
Expenses (continued)			
Community Support Committees			
Social Events	\$ 8,004	\$ -	\$ 8,004
Total - Community Support Committees	8,004	-	8,004
Taxes			
Property Taxes	156	-	156
Federal Income Tax	664	-	664
Total Taxes	820	-	820
Amenities			
Communications	3,160	-	3,160
Repairs and Maintenance	1,650	1,798	3,448
Signage	-	2,153	2,153
Utilities	8,998	-	8,998
Total Amenities	13,808	3,951	17,759
Landscape			
Arborist	2,143	-	2,143
Contract Landscape Maintenance	31,280	-	31,280
Trail Mowing	292	-	292
Irrigation	1,714	-	1,714
Landscape Improvements	1,993	-	1,993
Trimming and Storm Damage	92	-	92
Total Landscape	37,514	-	37,514
Total Expense	\$ 76,075	\$ 3,951	\$ 80,026
Deficit of Revenues Over Expenses	(5,879)	(361)	(6,240)
Fund Balance at Beginning of Year	9,748	46,639	56,387
Fund Balance at End of Year	\$ 3,869	\$ 46,278	\$ 50,147

The accompanying notes are an integral part of these financial statements.

Oak Bluff Estates Phase II Homeowners Association, Inc.

Notes to the Financial Statements

For the Year Ended November 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was incorporated on September 10, 1992 under the Texas Non-profit Corporation Act for the purpose of operating, managing, maintaining and administering the affairs of Oak Bluff Estates, Phase II Homeowners Association, Inc. The development consists of 297 residential units and is located in Round Rock, Texas. For fiscal year 2010 the Association issued annual assessments of \$240 for each lot.

The Association records assets, liabilities, revenues and expenditures on the cash basis of accounting which is basis of accounting other than generally accepted accounting principles.

Cash and cash equivalents are defined as all cash in bank such as money market, certificate of deposit or checking accounts for cash flow purposes.

The Association does not recognize common property in its financial statements.

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 financial resources available for general operations of the Association.

Contingency Fund – This fund is used to accumulate financial resources designated for future extraordinary, unbudgeted expenses.

NOTE 2. FEDERAL INCOME TAXES

The Association has elected to be taxed under Internal Revenue Code § 528 which allows the Association to exclude exempt function income from gross income. Exempt function income consists of owner assessments or other fees the owner's association receives from members as owners of the Association's services. Taxable income arises from amounts received from nonmembers of the Association including interest earned on reserve funds. The Association's federal tax liability for 2010 was \$664.

Oak Bluff Estates Phase II Homeowners Association, Inc.

Notes to the Financial Statements

For the Year Ended November 30, 2010

NOTE 3. CONTINGENCY FUND

The Association's managing documents require that a contingency fund be established to cover unbudgeted or extraordinary expenses for the primary purpose of the Association to manage, maintain and care for the common areas and to ensure compliance with deed restrictions and architectural controls promulgated in the Declaration. The Association is to budget 10% of assessments for allocation to the contingency fund. Unspent contingency funds at the end of the fiscal year are to be transferred to a reserve account until the account has sufficient funds to replace the facilities and personal property of the association. Due to economic conditions allocated but unexpended funds totaling \$3,072 were not deposited in the reserve account. Funds which aggregate approximately \$46,278 at November 30, 2010 are held in a separate account.

SUPPLEMENTARY INFORMATION

Oak Bluff Estates Phase II Homeowners Association, Inc.
 Budgeted vs. Actual
 For the Year Ended November 30, 2010

	<u>Actual</u>	<u>Budgeted</u>	<u>-\$- Variance</u>
Revenues			
Administrative Income			
Demand Letter	\$ 420	\$ -	\$ 420
Late Fee Income	750	1,000	(250)
Total Administrative Income	<u>1,170</u>	<u>1,000</u>	<u>170</u>
Reimbursements			
Banking Fees	30	-	30
Legal Fee Collections	335	2,400	(2,065)
Holiday Party	1,375	-	1,375
Total Reimbursements	<u>1,740</u>	<u>2,400</u>	<u>(660)</u>
Regular Assessment	65,229	71,040	(5,811)
Variance Requests	25	100	(75)
Transfer Fee	2,800	-	2,800
Grazing Lease	1,800	1,800	-
Advertising	822	900	(78)
Interest Income	200	392	(192)
Total Receipts	<u>\$ 73,786</u>	<u>\$ 77,632</u>	<u>\$ (3,846)</u>
Expenses			
Administrative Expenses			
Insurance	\$ 2,484	\$ 2,958	\$ (474)
Legal Fees	462	1,500	(1,038)
Accounting	200	210	(10)
Meetings/Miscellaneous	734	7,104	(6,370)
Property Management Charges			
Administrative Reimbursements	3,749	2,202	1,547
Contract	8,300	9,055	(755)
Total Property Management Charges	<u>12,049</u>	<u>11,257</u>	<u>792</u>
Total Administrative Expenses	\$ 15,929	\$ 23,029	\$ (7,100)

Oak Bluff Estates Phase II Homeowners Association, Inc.

Budgeted vs. Actual

For the Year Ended November 30, 2010

Expenses (continued)

Community Support Committees			
Social Events	\$ 8,004	\$ 4,700	\$ 3,304
Total - Community Support Committees	<u>8,004</u>	<u>4,700</u>	<u>3,304</u>
Taxes			
Property Taxes	156	145	11
Federal Income Tax	664	645	19
Total Taxes	<u>820</u>	<u>790</u>	<u>30</u>
Amenities			
Communications	3,160	3,178	(18)
Repairs and Maintenance	3,448	5,200	(1,752)
Signage	2,153	-	2,153
Utilities	8,998	11,300	(2,302)
Total Amenities	<u>17,759</u>	<u>19,678</u>	<u>(1,919)</u>
Landscape			
Arborist	2,143	5,000	(2,857)
Contract Landscape Maintenance	31,280	31,280	-
Trail Mowing	292	-	292
Irrigation	1,714	-	1,714
Landscape Improvements	1,993	5,000	(3,007)
Trimming and Storm Damage	92	-	92
Total Landscape	<u>37,514</u>	<u>41,280</u>	<u>(3,766)</u>
Total Expense	\$ 80,026	\$ 89,477	\$ (9,451)
Deficit of Revenues Over Expenses	<u>\$ (6,240)</u>	<u>\$ (11,845)</u>	<u>\$ 5,605</u>