



**Principals**

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Independent Auditor's Report

To the Board of Directors of  
Kings Park West Community Association

**Report on the Financial Statements**

We have audited the accompanying financial statements of Kings Park West Community Association, which comprise the balance sheets as of May 31, 2016 and 2015, 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 Kings Park West Community Association as of May 31, 2016 and 2015, 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.

## **Emphasis of Matter Regarding Assessments Receivable**

Kings Park West Community Association raises funds for its operations and major repairs and replacements through assessment of its members. As explained in Note 6, as of May 31, 2016, the Association had an assessments receivable balance of \$2,690 (before deducting the allowance for doubtful assessments of \$1,067). It is uncertain whether the receivables are actually collectible. The inability to collect owner assessments impacts adversely on the Association's viability. In order for the Association to maintain financial stability and to operate effectively, it must raise and be able to collect sufficient funds from its members to meet its operational and replacement reserve needs. Our opinion on the financial statements is not modified with respect to this matter.

## **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  
January 23, 2017

KINGS PARK WEST COMMUNITY ASSOCIATION  
BALANCE SHEETS  
MAY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 17,611	\$ 17,089
Interest-Bearing Deposits	29,298	28,254
Assessments Receivable - Net	1,623	1,331
Prepaid Expenses	<u>301</u>	<u>301</u>
 Total Assets	 <u>\$ 48,833</u>	 <u>\$ 46,975</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 1,140	\$ 3,255
Prepaid Assessments	<u>1,656</u>	<u>1,518</u>
Total Liabilities	<u>\$ 2,796</u>	<u>\$ 4,773</u>
 Replacement Reserves	 \$ 17,139	 \$ 16,075
Unappropriated Members' Equity	<u>28,898</u>	<u>26,127</u>
Total Members' Equity	<u>\$ 46,037</u>	<u>\$ 42,202</u>
 Total Liabilities and Members' Equity	 <u>\$ 48,833</u>	 <u>\$ 46,975</u>

See Accompanying Notes to Financial Statements

KINGS PARK WEST COMMUNITY ASSOCIATION  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED MAY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>INCOME:</u>		
Assessments	\$ 23,160	\$ 23,120
Interest	64	99
Late and Legal	-	8
Other	244	-
Total Income	<u>\$ 23,468</u>	<u>\$ 23,227</u>
 <u>EXPENSES:</u>		
Management	\$ 5,771	\$ 5,842
Legal, Audit and Tax Preparation	3,393	4,945
Insurance	4,620	4,473
Office, Printing and Postage	1,776	1,833
Administrative	161	143
Tree Service	2,845	4,800
Bad Debt	1,067	-
Total Expenses	<u>\$ 19,633</u>	<u>\$ 22,036</u>
Net Income before Contribution to Reserves	\$ 3,835	\$ 1,191
Contribution to Reserves	<u>(1,064)</u>	<u>(1,099)</u>
Net Income	<u>\$ 2,771</u>	<u>\$ 92</u>

See Accompanying Notes to Financial Statements

KINGS PARK WEST COMMUNITY ASSOCIATION  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED MAY 31, 2016 AND 2015

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of May 31, 2014	\$ 14,976	\$ 26,035	\$ 41,011
Additions:			
Contribution to Reserves	1,099		1,099
Net Income		92	92
	<hr/>	<hr/>	<hr/>
Balance as of May 31, 2015	\$ 16,075	\$ 26,127	\$ 42,202
Additions:			
Contribution to Reserves	1,064		1,064
Net Income		2,771	2,771
	<hr/>	<hr/>	<hr/>
Balance as of May 31, 2016	<u>\$ 17,139</u>	<u>\$ 28,898</u>	<u>\$ 46,037</u>

See Accompanying Notes to Financial Statements

KINGS PARK WEST COMMUNITY ASSOCIATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2016 AND 2015

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 2,771	\$ 92
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense	1,067	-
Decrease (Increase) in:		
Assessments Receivable	(1,359)	(262)
Accrued Interest	-	40
Increase (Decrease) in:		
Accounts Payable	(2,115)	3,055
Prepaid Assessments	138	120
Net Cash Flows from Operating Activities	\$ 502	\$ 3,045
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 1,000	\$ 1,000
Received from Interest (Reserves)	64	99
Disbursed for Interest-Bearing Deposits	(1,044)	(2,117)
Net Cash Flows from Investing Activities	\$ 20	\$ (1,018)
Net Change in Cash and Cash Equivalents	\$ 522	\$ 2,027
Cash and Cash Equivalents at Beginning of Year	17,089	15,062
Cash and Cash Equivalents at End of Year	\$ 17,611	\$ 17,089

See Accompanying Notes to Financial Statements

KINGS PARK WEST COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2016 AND 2015

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized under the laws of the Commonwealth of Virginia for the purposes of maintaining and preserving the common property of the community. The Association is located in Fairfax, Virginia and consists of 580 homes. The Board of Directors administers the operations of the community.

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 unit owners. 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 of accounting for bad debt.

C) Common Property - Common 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.

KINGS PARK WEST COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2016 AND 2015  
(CONTINUED)

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.

The Board of Directors conducted a replacement reserve study in 2010. The Board of Directors conducted an updated replacement reserve study in 2015. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the 2015 study.

The 2010 study recommends a contribution to reserves of \$1,200 plus an interest contribution of \$114 for fiscal year 2016. For fiscal year 2016, the Association budgeted to contribute \$1,000 plus interest income of \$64 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 Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of May 31, 2016 and 2015, the Association had designated \$17,139 and \$16,075, 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 association or as an association taxable as a corporation. As an exempt 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 fiscal years 2016 and 2015, 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 fiscal years ended May 31, 2016 and 2015, 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.



KINGS PARK WEST COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2016 AND 2015  
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of May 31, 2016, 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	\$ 17,611	\$ -	\$ 17,611
BB&T	Certificates of Deposit (3)	<u>          </u>	<u>29,298</u>	<u>29,298</u>
	Totals	<u>\$ 17,611</u>	<u>\$ 29,298</u>	<u>\$ 46,909</u>

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

	<u>2016</u>	<u>2015</u>
Assessments Receivable	\$ 2,690	\$ 1,331
Less: Allowance for Doubtful Assessments	<u>(1,067)</u>	<u>( - )</u>
Assessments Receivable - Net	<u>\$ 1,623</u>	<u>\$ 1,331</u>

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 23, 2017, the date the financial statements were available to be issued.

KINGS PARK WEST COMMUNITY ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
MAY 31, 2016  
(UNAUDITED)

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

<u>Component</u>	<u>2015 Estimated Remaining Useful Life (Years)</u>	<u>2015 Estimated Replacement Cost</u>
Asphalt/Concrete Walks	0-25	\$ 29,048
Entrance Sign-Brick Masonry	15	No Dollar Amount
Entrance Walls/Sign	5	No Dollar Amount