

**WEST TAPPS MAINTENANCE COMPANY**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

BRANTLEY JANSON  
*Certified Public Accountants*  
A Professional Service Corporation  
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Federal Way, Washington 98003



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
West Tapps Maintenance Company

### Qualified Opinion

We have audited the financial statements of West Tapps Maintenance Company, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of West Tapps Maintenance Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Qualified Opinion

West Tapps Maintenance Company has been working over the past year to establish the correct accounts receivable balance per homeowner. Management has established a balance of \$136,631 and a related allowance for doubtful accounts of \$65,000 as of December 31, 2021 and have been working to collect the outstanding balance from each homeowner. No work has been done to establish the amount outstanding as of December 31, 2020 in total. For the purpose of issuing the statements, it has been assumed that the total balance due at December 31, 2020 was \$116,631 and the allowance for doubtful accounts was \$55,000.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West Tapps Maintenance Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Tapps Maintenance Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 West Tapps Maintenance Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Tapps Maintenance Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require the information about future major repairs and replacements on pages 11 to 12 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.

February 7, 2023

**WEST TAPPS MAINTENANCE COMPANY**

**BALANCE SHEET  
DECEMBER 31, 2021**

**ASSETS**

ASSETS		
Cash	\$	744,203
Assessments receivable, net		<u>71,631</u>
 TOTAL ASSETS	 \$	 <u><u>815,834</u></u>

**LIABILITIES AND FUND BALANCES**

LIABILITIES	\$	16,271
 FUND BALANCES		 <u>799,563</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$	 <u><u>815,834</u></u>

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

WEST TAPPS MAINTENANCE COMPANY

**STATEMENT OF REVENUES AND EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2021**

REVENUES	
General assessments	\$ 621,028
Escrow fees	12,153
Hidden View Road assessments	5,850
Other fees	4,699
Interest income	<u>161</u>
Total revenues	643,891
EXPENSES	
Payroll and related taxes	266,418
Projects and improvements	77,188
Utilities and rent	44,057
Professional fees	43,614
Landscaping and general maintenance	37,192
Insurance and other	36,494
Telephone and technology	18,925
Supplies	15,959
Bad debts	10,000
Hidden View Road expenses	8,228
Activities and special events	<u>500</u>
Total expenses	<u>558,575</u>
CHANGE IN FUND BALANCE	85,316
FUND BALANCE	
Beginning of year	<u>714,247</u>
End of year	<u><u>\$ 799,563</u></u>

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

**WEST TAPPS MAINTENANCE COMPANY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in fund balance	\$ 85,316
Bad debt expense	10,000
Change in assets and liabilities:	
Assessments receivable	(20,000)
Accounts payable	<u>13,825</u>
Net cash provided by operating activities	<u>89,141</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	89,141
CASH AND CASH EQUIVALENTS, beginning of year	<u>655,062</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 744,203</u></u>

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

**WEST TAPPS MAINTENANCE COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 - NATURE OF OPERATIONS**

West Tapps Maintenance Company (the Association) represents the owners of 1,529 single and multi-family residential lots located in Lake Tapps, Washington and is responsible for maintaining the common land areas, paying for utilities and general maintenance in accordance with the Declaration and Covenants, Conditions, Restrictions and Reservations for West Tapps Maintenance Company, a homeowners' association. According to the by-laws, the Association does not hold title to this property and, therefore, cannot dispose of any of the common property. Each homeowner holds title to an undivided percentage of the common property.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

**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:

The operating fund is used to account for financial resources available for the general operations of the Association.

The Hidden View road fund is used to account for financial resources available for the repair and maintenance of the road.

**Assessments Receivable**

Management reviews the collectability of assessments receivable on a periodic basis and determines the appropriate amount of any allowance. As of December 31, 2021, management has established an allowance for bad debts of \$65,000.



**WEST TAPPS MAINTENANCE COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

**Member 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. 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 increase regular assessments or levy special assessments.

**Interest Income**

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund's expected losses, expected residual returns, or both.

**Income Taxes**

Associations may be taxed either as homeowners associations or as regular corporations. For the current year the Association elected to file as a homeowners association using form 1120-H under Internal Revenue Code Section 528. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of Association property. Net nonexempt function income which includes interest, user fees and revenues from non-members is taxed at 30%. Certain expenses were allocated to offset a portion of the taxable income.

The Association's federal tax return is subject to audit by the Internal Revenue Service. The tax returns for the current and prior two fiscal years remain open for examination by the IRS. In evaluating the Association's tax positions and accruals, the Association believes that its estimates are appropriate based on the current facts and circumstances.

**Subsequent Events**

Management has evaluated subsequent events through February 7, 2023 which is the date the financial statements were available to be issued.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Association maintains cash in checking and savings accounts and certificates of deposits at commercial banks. Separate bank accounts are maintained for each fund. Accounts at these banks are insured by the Federal Deposit Insurance Corporation (FDIC). The Association periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

**WEST TAPPS MAINTENANCE COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 4 - RESERVE FOR HIDDEN VIEW ROAD MAINTENANCE**

The Association holds a separate reserve fund for maintenance of Hidden View Road. The homeowners living on Hidden View Road pay an additional assessment annually, and expenditures for the maintenance are paid from this fund. As of December 31, 2021, the reserve for Hidden View Road totaled \$134,131.

**NOTE 5 - UNCERTAINTY**

In mid-March 2020, COVID-19 was officially declared a global pandemic by the World Health Organization and a national emergency was declared by the United States. States and municipalities subsequently began to issue shelter-in-place orders and similar mandates requiring those not engaged in essential activities to remain home. The COVID-19 outbreak in the United States is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Association's financial condition and results of operations is uncertain.

SUPPLEMENTARY SCHEDULE

**WEST TAPPS MAINTENANCE COMPANY**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
AND REPLACEMENTS (UNAUDITED)  
DECEMBER 31, 2021**

Description	Estimated Life	Estimated Remaining Life	Current Replacement Cost
<b>Community Common Areas</b>			
Landscape - Maintain/Refurbish	10	0	\$ 20,000
Office Equipment - Replace	7	2	7,500
Utility Vehicle - Repair/Replace	7	5	55,000
<b>Community Roads</b>			
Asphalt - Repair & Seal	5	5	29,000
Asphalt (170th Ave. E) - Resurface	30	29	47,500
Asphalt (175th Ave. Ct. E) - Rsrfc	10	0	16,000
Asphalt (178th Ave. E) - Resurface	30	29	190,000
Asphalt (179th Ave. Ct E) - Rsrfc	10	0	9,500
Asphalt (181th Ave. E) - Resurface	30	28	22,500
Asphalt (183rd Ave. E) - Resurface	10	0	14,000
Asphalt (185th Ave. E) - Resurface	10	0	31,500
<b>Jenks Park</b>			
Gravel Areas - Refurbish	5	4	4,000
Gates - Repair/Replace	40	20	15,000
Gate Operators - Repair/Replace	15	14	6,000
Fence: Chain Link – Repair/Replace	30	5	54,000
Breakwater - Repair/Replace	40	39	60,000
Floating/Pier dock - Repair/Rplc	40	0	40,000
Boat Launch - Repair/Replace	40	5	70,000
Picnic Structure - Refurbish	20	15	5,300
Basketball Assembly - Replace	20	19	4,000
Tennis Court - Resurface	40	10	153,500
Tennis Court - Repair/Seal/Stripe	7	4	24,500
Tennis backboard - Rpr/Rplc	20	15	10,000
Tennis Court Fence - Rpr/Rpl	30	5	22,500
Play Equipment - Repair/Replace	15	10	95,000
Restroom & Maint. Build - Refurbish	40	0	122,500
Hot Water Heater - Repair/Replace	15	10	3,500
Gate Access Panel - Repair/Replace	12	5	5,000

**WEST TAPPS MAINTENANCE COMPANY**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
AND REPLACEMENTS (UNAUDITED)  
DECEMBER 31, 2021**

Description	Estimated Life	Estimated Remaining Life	Current Replacement Cost
<b>Banker's Spit</b>			
Fence: Chain Link – Repair/Replace	30	5	8,500
<b>Lakeridge Park &amp; Ballfield</b>			
Fence: Chain Link – Repair/Replace	30	15	41,500
Play Equipment - Repair/Replace	15	0	12,500
Play Chips - Replenish	1	0	14,000
Utility Shed - Repair/Replace	25	20	12,500
Ballfield Backstop - Rpr/Rpl	30	15	9,000
Ballfield Access Path - Refurbish	25	0	10,000
Ballfield pitch - Refurbish	25	0	45,000
Gate Access Panel - Repair/Replace	15	7	3,000
Total current replacement cost			<u>\$ 1,293,300</u>

A specialist updated a study in August 2022 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. Read the complete report from the specialist for more information.

The supplementary information on future major repairs and replacements has not been audited.