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# WHISLER RIDGE OWNERS ASSOCIATION

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APRIL 2020

TO: WHISLER RIDGE OWNERS ASSOCIATION HOMEOWNERS

FROM: RYAN LANCASTER, COMMUNITY MANAGER

Dear Homeowner:

In accordance with California Civil Code §5305, enclosed you will find a copy of the Annual Audit for the fiscal year end December 31, 2019. This audit was prepared by an independent CPA firm, Demarchi & Company, CPA, and has been accepted by the Board of Directors.

In addition to the audit, you will also find enclosed a Request for Annual Notice of Address, Representative and Rental Status. Civil Code §4041 now requires this information be collected on an annual basis. Please complete the form and return it to the management office within 30 days (no later than May 31, 2020). You do not have to return the form if you respond online at <https://resident.actionlife.com>.

Should you have any questions concerning the enclosed information, please contact Management in writing or attend a Board meeting.

Enclosure:    Audit  
                  Request for Address form

Whisler Ridge  
Owners Association  
Financial Statements and  
Supplementary Information  
Year Ended December 31, 2019

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# DEMARCHI & COMPANY

Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Whisler Ridge Owners Association

We have audited the accompanying financial statements of Whisler Ridge Owners Association, which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year 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 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 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 Whisler Ridge Owners Association as of December 31, 2019, and the results of its operations and its cash flows for the 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 page 9 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.

*Demarchi & Company*

Demarchi & Company  
Mission Viejo, California

April 25, 2020

WHISLER RIDGE OWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2019

|  | ASSETS            |                     |                   |
|--|-------------------|---------------------|-------------------|
|  | Operating<br>Fund | Replacement<br>Fund | Total             |
| ASSETS                                     |                   |                     |                   |
| Cash                                       | \$ 40,397         | \$ 89,430           | \$ 129,827        |
| Certificates of Deposits (carried at cost) | 51,997            | 77,995              | 129,992           |
| Assessments Receivable                     | 1,405             | -                   | 1,405             |
| Other Receivable                           | 1,353             | -                   | 1,353             |
| Prepaid Insurance                          | 2,188             | -                   | 2,188             |
| Accrued Interest                           | 91                | 52                  | 143               |
|  | <u>          </u> | <u>          </u>   | <u>          </u> |
| TOTAL ASSETS                               | <u>\$ 97,431</u>  | <u>\$ 167,477</u>   | <u>\$ 264,908</u> |
| LIABILITIES AND FUND BALANCES              |                   |                     |                   |
| LIABILITIES                                |                   |                     |                   |
| Accounts Payable                           | \$ 3,270          | \$ 1,380            | \$ 4,650          |
| Prepaid Assessments                        | 7,008             | -                   | 7,008             |
| Income Taxes Payable                       | 289               | -                   | 289               |
|  | <u>          </u> | <u>          </u>   | <u>          </u> |
| TOTAL LIABILITIES                          | 10,567            | 1,380               | 11,947            |
| FUND BALANCES                              | <u>86,864</u>     | <u>166,097</u>      | <u>252,961</u>    |
| TOTAL LIABILITIES AND FUND BALANCES        | <u>\$ 97,431</u>  | <u>\$ 167,477</u>   | <u>\$ 264,908</u> |

See Accompanying Notes To Financial Statements

WHISLER RIDGE OWNERS ASSOCIATION  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

|  | Operating<br>Fund | Replacement<br>Fund | Total            |
|--|-------------------|---------------------|------------------|
| <b>REVENUES</b>                                      |                   |                     |                  |
| Members Assessments                                  | \$ 77,580         | \$ 38,292           | \$ 115,872       |
| Interest   | 1,391             | 2,132               | 3,523            |
| Other  | 608               | -                   | 608              |
| <b>TOTAL REVENUES</b>                                | <b>79,579</b>     | <b>40,424</b>       | <b>120,003</b>   |
| <b>EXPENSES</b>                                      |                   |                     |                  |
| Landscape and Irrigation                             | 41,708            | 6,575               | 48,283           |
| Management Fees                                      | 16,800            | -                   | 16,800           |
| Utilities  | 10,053            | -                   | 10,053           |
| Pest Control   | 5,928             | -                   | 5,928            |
| General and Administrative                           | 2,598             | -                   | 2,598            |
| Office and Postage                                   | 2,066             | -                   | 2,066            |
| Street Sweeping                                      | 1,848             | -                   | 1,848            |
| Insurance  | 1,820             | -                   | 1,820            |
| Repairs and Maintenance                              | 1,798             | -                   | 1,798            |
| Social   | 1,445             | -                   | 1,445            |
| Professional Fees                                    | 1,180             | -                   | 1,180            |
| Income Taxes   | 1,039             | -                   | 1,039            |
| <b>TOTAL EXPENSES</b>                                | <b>88,283</b>     | <b>6,575</b>        | <b>94,858</b>    |
| <b>EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES</b> | <b>\$ (8,704)</b> | <b>\$ 33,849</b>    | <b>\$ 25,145</b> |

See Accompanying Notes To Financial Statements

WHISLER RIDGE OWNERS ASSOCIATION  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2019

|   | Operating<br>Fund | Replacement<br>Fund | Total      |
|---|-------------------|---------------------|------------|
| Beginning Fund Balances                       | \$ 95,568         | \$ 132,248          | \$ 227,816 |
| Excess/(Deficiency) of Revenues over Expenses | (8,704)           | 33,849              | 25,145     |
| Ending Fund Balances                          | \$ 86,864         | \$ 166,097          | \$ 252,961 |

See Accompanying Notes To Financial Statements

WHISLER RIDGE OWNERS ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

|  | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total</u>      |
|--|---------------------------|-----------------------------|-------------------|
| Cash Flows from Operating Activities:  |                           |                             |                   |
| Excess/(Deficiency) of Revenues over Expenses                                    | \$ (8,704)                | \$ 33,849                   | \$ 25,145         |
| Adjustments to Reconcile to Net Cash Provided/(Used)<br>by Operating Activities: |                           |                             |                   |
| (Increase)/Decrease in:  |                           |                             |                   |
| Assessments Receivable, Net of Allowance   | (682)                     | -                           | (682)             |
| Other Receivable   | (1,353)                   | -                           | (1,353)           |
| Prepaid Insurance  | (1,494)                   | -                           | (1,494)           |
| Accrued Interest   | (91)                      | (52)                        | (143)             |
| Increase/(Decrease) in:  |                           |                             |                   |
| Accounts Payable   | (1,906)                   | 880                         | (1,026)           |
| Prepaid Assessments  | 855                       | -                           | 855               |
| Income Taxes Payable   | (120)                     | -                           | (120)             |
| Net Cash Provided/(Used) by Operating Activities                                 | <u>(13,495)</u>           | <u>34,677</u>               | <u>21,182</u>     |
| Cash Flows from Investing Activities:  |                           |                             |                   |
| Interest Reinvested in Certificates of Deposits                                  | <u>(1,301)</u>            | <u>(1,951)</u>              | <u>(3,252)</u>    |
| Net Cash Provided/(Used) by Investing Activities                                 | <u>(1,301)</u>            | <u>(1,951)</u>              | <u>(3,252)</u>    |
| Net Increase/(Decrease) in Cash  | (14,796)                  | 32,726                      | 17,930            |
| Cash at Beginning of Year  | <u>55,193</u>             | <u>56,704</u>               | <u>111,897</u>    |
| Cash at End of Year  | <u>\$ 40,397</u>          | <u>\$ 89,430</u>            | <u>\$ 129,827</u> |
| Supplemental Disclosure:   |                           |                             |                   |
| Income Taxes Paid  |                           |                             | \$ 1,159          |

See Accompanying Notes To Financial Statements

WHISLER RIDGE OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - NATURE OF ORGANIZATION

Whisler Ridge Owners Association was incorporated on September 29, 2011, in the state of California. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 68 residential units located in Lake Forest, California.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

These statements are prepared using the accrual basis of accounting whereby revenues and expenses are recognized when earned and incurred. Fund accounting is employed to properly account for the monies.

Assessments Receivable

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 Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner.

Income Taxes

For the year ended December 31, 2019, the Association was taxed as a homeowners association. As a homeowners association, exempt function income is not taxable if certain elections are made, and the Association is taxed only on its non exempt function income, such as interest earnings.

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.

NOTE 3 - SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition or disclosure through April 25, 2020, the date that the financial statements were available to be issued.

WHISLER RIDGE OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 - REPLACEMENT FUNDING PROGRAM

The Association is funding replacement reserve accounts for the future major repair and replacement of Association common areas. These funds are held in separate accounts to be used exclusively for the future major repair or replacement of these common area facilities. Funds are being accumulated based on estimated future costs; however, actual expenditures may vary from these estimates and the variations may be material.

A study of the replacement fund components and their replacement cost, remaining lives, and method of funding was prepared on August 16, 2019. The study projects the year end replacement funds to be 87.46% of the fully funded balance and recommends a member contribution annual reserve provision of \$38,850. The adopted budget for the year ending December 31, 2020 reports a budgeted member contribution annual reserve provision of \$40,272.

If additional funds are needed, the Association has the right, subject to certain limitations, to increase assessments, pass special assessments, or delay replacement if these funds are found to be inadequate for all future costs.

NOTE 5 - INCREASE IN ASSESSMENTS

The adopted budget for the year ending December 31, 2020 calls for an increase in the monthly assessments from \$142 to \$152 per unit.

WHISLER RIDGE OWNERS ASSOCIATION  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
 AND REPLACEMENTS (UNAUDITED)  
 DECEMBER 31, 2019

A reserve study was prepared by Advanced Reserve Solutions, Inc. on August 16, 2019, to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. The reserve study preparer uses a variety of methods to estimate costs and remaining useful lives such as using information provided by management of the Association and/or its vendors/contractors, using a variety of construction pricing and scheduling manuals and estimators, and taking into consideration historical costs. The experience and industry knowledge of the reserve study preparer is also utilized when estimating costs and remaining useful lives.

The following information is based on the study and presents significant information about the components of common property.

| <u>Component</u> | <u>Estimated<br/>Remaining Useful<br/>Life (Years)</u> | <u>Estimated<br/>Current<br/>Replacement</u> |
|------------------|--|--|
| Streets          | 1-17   | \$ 146,763                                   |
| Painting         | 0  | 27,140                                       |
| Fencing & Walls  | 3-18   | 182,975                                      |
| Lighting         | 3-13   | 18,000                                       |
| Grounds          | 3-23   | 57,600                                       |
| Landscape        | 1-18   | <u>62,405</u>                                |
| <br>TOTALS       |  | <br><u>\$ 494,883</u>                        |

Replacement Fund balance is \$166,097 at December 31, 2019.

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# WHISLER RIDGE OWNERS ASSOCIATION

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Date: April 2020  
TO: Whisler Ridge Owners Association  
FROM: Ryan Lancaster, Community Manager  
RE: **Request for Annual Notice of Address, Representative and Rental Status**  
(Civil Code §4041)

**NOTE: You do not need to return this form if you respond online at [resident.actionlife.com](http://resident.actionlife.com)**

Civil Code §4041 requires the Association to request each homeowner provide us with the following information on an annual basis. This request for information is required to be sent by associations to their members at least 30 days prior to making the Association's own Annual Budget Report disclosures under Civil Code §5300.

Name \_\_\_\_\_

Please complete this form regarding property address \_\_\_\_\_ and return it to the Association within 30 days: *Please enter address*

1. The address or addresses to which notices from the Association are to be delivered:  
Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_
2. An alternate or secondary address to which notices from the Association are to be delivered:  
Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_
3. The name and address of your legal representative, if any, including any person with power of attorney, or other person who can be contacted in the event of your extended absence:  
Name: \_\_\_\_\_ Address: \_\_\_\_\_  
City, State Zip: \_\_\_\_\_
4. Is the separate interest that you own (check one):  
 Owner-occupied?  Rented out?

If you mail this back, please send it to Whisler Ridge Owners Association c/o Action Property Management, 2603 Main Street, Suite 500, Irvine, CA 92614.

**The best way to submit this information is to respond online at [resident.actionlife.com](http://resident.actionlife.com).**

*Professionally Managed By Action Property Management, Inc.  
2603 Main Street, Suite 500, Irvine, CA 92614  
(800) 400-2284 (949) 450-4317 fax  
<http://whislerridgehoa.com>*