

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
of Nottingham Country Community Improvement Association, Inc.

I have audited the accompanying balance sheet of Nottingham Country Community Improvement Association, Inc. as of December 31, 2010, and the related statements of revenues and expenses and statements of changes in members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nottingham Country Community Improvement Association, Inc. as of December 31, 2010 and the result 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.

The supplementary information on future major repairs and replacements on page 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Joseph H. Stoller, CPA

July 27, 2011
Houston, Texas

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2010

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 499,162	\$ 124,748	\$ 623,910
Certificates of deposit	201,083		201,083
Accounts receivable	68,168		68,168
Accounts receivable - other	27,657		27,657
Due from replacement	49,748		49,748
Land	110,579		110,579
Prepaid expenses	<u>30,257</u>		<u>30,257</u>
TOTAL ASSETS	\$ <u>986,654</u>	\$ <u>124,748</u>	\$ <u>1,111,402</u>
LIABILITIES			
Accounts payable	\$ 10,723	\$	\$ 10,723
Due to operating		49,748	49,748
Prepaid assessments	<u>212,365</u>		<u>212,365</u>
TOTAL LIABILITIES	223,088	49,748	272,836
MEMBERS' EQUITY	<u>763,566</u>	<u>75,000</u>	<u>838,566</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u>986,654</u>	\$ <u>124,748</u>	\$ <u>1,111,402</u>

See accompanying notes to financial statements.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Income	\$ 462,600	\$	\$ 462,600
Interest income	13,275		13,275
Other income	63,600		63,600
	<u>539,475</u>		<u>539,475</u>
TOTAL REVENUES			
EXPENSES			
Alley repairs	26,230		26,230
Common area improvements	99,749		99,749
Bad debt expense	14,249		14,249
Common area maintenance	2,738		2,738
Community activities	3,230		3,230
Engineering fees	59,500		59,500
Insurance	14,350		14,350
Irrigation repairs	3,130		3,130
Landscaping and grounds maintenance	63,497		63,497
Legal and professional	47,549		47,549
Management	56,775		56,775
Other operating expenses	24,611		24,611
Patrol	253,945		253,945
Pest Control	8,290		8,290
Property taxes	14		14
Utilities	6,963		6,963
	<u>684,820</u>		<u>684,820</u>
TOTAL EXPENSES			
EXPENSES (EXPENSES OVER REVENUES)	(145,345)		(145,345)
PRIOR PERIOD ADJUSTMENT	40,327		40,327
BEGINNING MEMBERS' EQUITY	<u>868,584</u>	<u>75,000</u>	<u>943,584</u>
ENDING MEMBERS' EQUITY	<u>\$ 763,566</u>	<u>\$ 75,000</u>	<u>\$ 838,566</u>

See accompanying notes to financial statements.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
Excess of revenues over expenses (expenses over revenues)	\$ (145,345)	\$	\$ (145,345)
Adjustments to reconcile excess of revenues over expenses (expenses over revenues) to net cash provided by operating activities:			
(Increase) decrease in:			
Account receivable	(26,375)		(26,375)
Accounts receivable - other	2,708		2,708
Prepaid expenses	(846)		(846)
Prior period adjustment	40,327		40,327
Due from replacement	(3,684)		(3,684)
Increase (decrease) in:			
Accounts payable	5,397		5,397
Due to operating		3,684	3,684
Prepaid assessments	(4,768)		(4,768)
Total Adjustments	<u>12,759</u>	<u>3,684</u>	<u>16,443</u>
Net cash provided by operating activities	<u>(132,586)</u>	<u>3,684</u>	<u>(128,902)</u>
Net increase (decrease) in cash and cash equivalents	(132,586)	3,684	(128,902)
Cash and cash equivalents at beginning of year	<u>832,831</u>	<u>121,064</u>	<u>953,895</u>
Cash and cash equivalents at end of year	\$ <u><u>700,245</u></u>	\$ <u><u>124,748</u></u>	\$ <u><u>824,993</u></u>
SUPPLEMENTAL DISCLOSURE:			
Taxes paid	\$ _____	\$ _____	\$ _____
Interest paid	\$ _____	\$ _____	\$ _____

See accompanying notes to financial statements.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

A. ORGANIZATION

Nottingham Country Community Improvement Association, Inc. ("the Association") is a homeowners association organized as a Texas non-profit corporation on August 18, 1982 to provide for the promotion, improvement and protection of the health and safety, property, property rights, recreation, recreation facilities maintenance and preservation of the common property, and social and general welfare of the homeowners and residents of Nottingham Country single family residential areas as recorded in the Official Records of Harris County, Texas. At December 31, 2010 the Association consists of 2,295 residential lots.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the obligations are incurred.

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. Assessments receivable at the balance sheet date represent fees due from owners. The board of directors determines the annual budget and the assessments of owners. Assessments in 2010 were \$ 150 and \$ 50 community fund fee for Sections 1 and 2 and \$ 200 annual assessment in all other Sections. Prepayments of the following year maintenance fees are recorded as a liability.

Federal Income Tax

In 1988, the Association was granted tax exempt status from Federal income tax under Section 501(C) (4) of the Internal Revenue Service Code. Under this form of organization, all income other than unrelated business income is exempt, including interest income. Information return Form 990 is required to be filed each year.

The Association is exempt from franchise tax and sales tax.

Property and Equipment

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 unit owners in common and not by the Association. However, maintenance of these areas is part of the Association budget process each year. Common property consists of monument signs, pavilion and playground equipment.

The Association purchased land, in a prior year that is not depreciable.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and Cash Equivalents

Cash and cash equivalents presented on the financial statements include all certificates of deposit or liquid debt instruments with a maturity of ninety days or less from the statement date and are not subject to material withdrawal restrictions. Certificates of deposit, whose original maturity is in excess of three months, generally are classified as investments. The Association has three certificates of deposit, for \$ 279,230, maturing in less than ninety days and three, totaling \$ 201,083 that mature in more than three months.

C. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements but such determination can be made by the Board of Directors. The Association had a replacement study performed in 2004 to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Association has put the study into effect and is therefore including a supplemental schedule with the financial statements. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The Association maintains separate bank accounts for the replacement funds and at December 31, 2010 had \$ 121,748 in a separate account certificate of deposit that matures in less than ninety days and which is generally not available for operating purposes.

D. UNINSURED CASH BALANCES

The Association maintains its cash balances and certificates of deposit at various banking institutions. Deposit accounts are secured by the Federal Deposit Insurance Corporation for up to \$ 250,000 per depositor. At December 31, 2010, the Association had no uninsured cash balances.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

E. ACCOUNTS RECEIVABLE

The Association's policy is to retain legal counsel to pursue homeowners whose assessments are two years in arrears. On December 31, 2010, the Association has accounts receivable of \$ 68,168.

It is the opinion of the Board of Directors that the Association will ultimately prevail against delinquent homeowners, accordingly, no allowance for uncollectible accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

F. ACCOUNTS RECEIVABLE

The Association receives an annual franchise payment from Comcast Cable. The annual payment is due on or before March 31 of the succeeding year. The agreement expired in July 2010 and has not been renewed.

G. PREPAID EXPENSES

Prepaid expenses consist of the January 2011 security patrol fee paid in to Harris County in advance, as per the contract. The unexpired portions of insurance policies currently in effect are included in prepaid expenses.

H. PRIOR PERIOD ADJUSTMENT

A Prior period adjustment was posted to reflect prior year maintenance fees collected in the current year. This will present the financial statements on the accrual basis of accounting, which is the basis of generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)**

DECEMBER 31, 2010

The Association's board of directors authorized a study in January, 2004 to estimate the remaining useful lives and 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. Funding requirements considered an annual inflation rate of 2.5 percent and interest of 2.5 percent on amounts funded for future major repairs and replacements

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

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIFE (YEARS)</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>
Alley repairs	1	\$ <u>75,000</u>
Totals		\$ <u>75,000</u>

At December 31, 2010 the Association has designated \$ 121,748 to the replacement fund.