**2026 Financial Audit for fiscal year ending December 31, 2025**

The Cougar Ridge Board of Directors engaged Pacific Northwest CPA of Seattle to conduct a financial audit in April. State statutes require us to conduct an independent financial audit annually. The results were sent to us in June.

In summary, the audit found that we are in keeping with generally accepted accounting practices and that there is no evidence of any wrongdoing. They did have a few recommendations which are addressed below:

Findings and Recommendations:

1. Interest Income – Auditor found that the Association budgets interest earned from CDs as Operating Income.
    - In our budget we have a total line for Operating Income, and we have a line for Other Income. This is where we have the projected interest for the Reserve CDs.
    - The interest is not available for operations, it is automatically reinvested into the CD,
2. Material Deficiencies - Income and Expense accounts were not closed at year-end.
    - Concur – we have since closed all accounting periods.
3. Unable to verify approximately $5,296 in fixed assets due to lack of supporting documentation. Additionally, IAW GAAP, fixed assets must be depreciated over the expected useful lives beginning when the asset was placed into service.
    - Concur. We did not start depreciation on the Water System when it was first purchased. We also did not have a 100% listing of the items we used to determine the amount for the depreciation.
4. Public Utilities Tax. The Association deducts its reserve fund contributions on the quarterly PUT.
    - Non-concur. We do not currently collect funds from members that are ear-marked for reserve funds. We have paid for water system upgrades from operating income – not funds earmarked for reserves – and IAW with RCS64.60.525 we believe we are authorized to deduct the cost from the taxable water income.

Significant Deficiencies

5. Pass-through expenses not recorded properly.
    - Concur with the basis and we will have to review expense categories to ensure proper documentation.
6. Required reserve-funding disclosures did not comply with RCW 64.60.525. There was a discrepancy between the Reserve Study per-unit deficiency and the disclosure reporting a per-unit surplus.
    - This will take some detailed review as we believe we are currently fully funded.

Here is a link if you would like to read the entire audit report: Final Audit Report