

TREVI VILLA HOMEOWNERS ASSOCIATION

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members Trevi Villa Homeowners Association

I have audited the accompanying financial statements of Trevi Villa Homeowners Association, which comprise the balance sheet as of December 31, 2014, 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.

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; 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.

My responsibility is to express an opinion on these financial statements based on my audit. I have 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 from material misstatement.

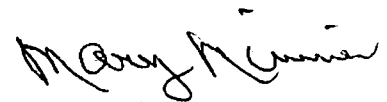
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Trevi Villa Homeowners Association as of December 31, 2014 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.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property on page 7 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

July 22, 2015


Mary Minnier, CPA

**TREVI VILLA HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2014**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS:			
Cash & Cash Equivalents	\$ 24,608	\$ 89,753	\$ 114,361
Investments		135,000	135,000
Assessments Receivable	2,147		2,147
Prepaid Taxes	44		44
TOTAL ASSETS	<u>\$ 26,799</u>	<u>\$ 224,753</u>	<u>\$ 251,552</u>
LIABILITIES:			
Accounts Payable	\$ 4,118	\$ -	\$ 4,118
Prepaid Assessments	8,562		8,562
TOTAL LIABILITIES	<u>12,680</u>		<u>12,680</u>
FUND BALANCES	<u>14,119</u>	<u>224,753</u>	<u>238,872</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,799</u>	<u>\$ 224,753</u>	<u>\$ 251,552</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**TREVI VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014**

<u>REVENUES</u>	Operating Fund	Replacement Fund	Total Funds
Member Assessments	\$ 104,124	\$ 33,600	\$ 137,724
Interest		1,339	1,339
TOTAL REVENUES	104,124	34,939	139,063
<u>EXPENSES</u>			
Maintenance			
Pest Control	764		764
Janitorial Services	4,470		4,470
Area Repairs	265		265
Gate Repairs and Maintenance	2,408		2,408
Landscaping	4,867		4,867
Fire Extinguisher/Inspection	547		547
Water Damage	5,053		5,053
Common Area Repair & Maintenance	7,621		7,621
Elevator	1,570		1,570
Electrical	75		75
Security Monitor	1,288		1,288
Plumbing	10,495		10,495
Total Maintenance	39,423		39,423
Utilities			
Gas & Electric, Utilities	7,898		7,898
Water & Sewer, Utilities	11,008		11,008
Trash	3,143		3,143
Total Utilities	22,049		22,049
General and Administrative			
Telephone	3,311		3,311
Administrative Expenses	853		853
Insurance	7,956		7,956
Property Management	10,056		10,056
Bank Charges	180		180
Miscellaneous Expense	7,342		7,342
Audit and Tax Preparation	1,075		1,075
Bad Debt Expense	11,757		11,757
Legal Fees	7,401		7,401
Licenses, Permits & Fees	35		35
Total Administrative	49,966		49,966
Major Repair and Replacements		818	818
TOTAL EXPENSES	111,438	818	112,256
REVENUES OVER EXPENSES EXCESS (DEFICIENCY)	\$ (7,314)	\$ 34,121	\$ 26,807
BEGINNING FUND BALANCES	16,071	195,994	212,065
Prior Period Adjustment			
Fund Transfers	5,362	(5,362)	
ENDING FUND BALANCES	\$ 14,119	\$ 224,753	\$ 238,872

The Accompanying Notes are an Integral Part of the Financial Statements

TREVI VILLA HOMEOWNRS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014

	Operating Fund	Replacement Fund	Total Funds
Operating Activities:			
Excess Revenue	\$ (7,314)	\$ 34,121	\$ 26,807
Decrease (Increase) In Assessments Receivable	11,583		11,583
Decrease (Increase) In Prepaid Insurance	-		-
Increase (Decrease) In Accounts Payable	(1,183)		(1,183)
Increase (Decrease) In Prepaid Assessments	4,947		4,947
Increase (Decrease) in Prepaid Contracts			
Increase (Decrease) In Income Taxes			
Net cash provided by			
Operating activities:	<u>8,033</u>	<u>34,121</u>	<u>42,154</u>
Net Increase (Decrease) in Cash	8,033	34,121	42,154
Cash & Cash Equivalents Beginning of Year	11,213	195,994	207,207
Interfund Transfers (Net)	5,362	(5,362)	
Cash & Cash Equivalents End of Year	<u>\$ 24,608</u>	<u>\$ 224,753</u>	<u>\$ 249,361</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TREVI VILLA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note A – Nature of Organization

Trevi Villa Homeowners Association is incorporated as a not-for-profit corporation in the State of California for the purposes of operating and maintaining the common property of the Association which consists of 34 residential units. The Association incorporated on May 1, 2003.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The Association's records are maintained on the modified cash basis of accounting whereby revenues are recognized when earned and expenses are recognized when paid. The accompanying financial statements and the Association's corporate income tax returns have been prepared on the accrual method of accounting in accordance with generally accepted accounting principles whereby revenues are recognized when earned and expenses are recognized when incurred.

Fund Accounting

The Association operates on a fund accounting basis in which current expenses are paid from operating funds and major repairs and replacements are paid from accumulated reserve funds.

Cash and Cash Equivalents

The Statement of Cash flows, certificates of deposits and securities with original maturities of three months or less are classified as cash equivalents. Certificates of deposit and securities with original maturities over three months are considered short-term investments. The Association's policy is to treat all cash, cash equivalents, and short-term investments as cash funds.

Investment funds should be held in insured or government backed accounts. Depositor accounts in excess of \$250,000 per bank are generally not insured. The Board has fiduciary responsibility for Association funds. If the Board holds savings accounts, copies should be provided to the management company regularly to properly record accounting entries. Unnecessary accounts and excessive transfers should be avoided.

Accounts Receivable – Members

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the association for use in future years, or transferred to the reserve funds account. The Association provided \$0 for Allowance for Doubtful Accounts.

TREVI VILLA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Income taxes

Homeowner associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2014, the Association elected to be taxed as a homeowners' association under IRC Section 528. As a homeowners' association, the Association is taxed only on its net nonexempt function income, such as interest earnings. The Association was taxed at the rate of 38.84% (30%-Federal and 8.84% - State) in 2014.

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.

Note C – Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$224,753 at December 31, 2014, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy that interest earned on such funds is not available for operating purposes.

The Association's board of directors conducted a study in December 2014 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously designated for future repairs and replacements. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed however, the Association has the right, subject to member approval to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note D- Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 22, 2015, the date that the financial statements were available to be issued.

TREVI VILLA HOMEOWNERS ASSOCIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2014
 (Unaudited)

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the common area replacement components during December of 2014. The estimates were based on inspection by the independent consultant, and the information provided by the Board of Directors, property manager and others familiar with the development. Replacement costs were based on the estimated costs to repair or replace the common area replacement components at the time 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.

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

Components	Estimated Remaining Useful Life/Yrs	Estimated Current Replacements Costs	Annual Funding Requirement	Fully Funded Reserve Requirement
Roofing/Decking	0-35	\$ 105,000	\$ 5,120	\$ 68,558
Common Areas	2-30	89,000	4,272	75,900
Landscaping	5-25	21,000	1,555	13,600
Lighting	5-25	5,000	210	4,000
Fencing/Rails	4-25	11,240	613	6,623
Painting	2-8	40,000	3,502	18,333
Miscellaneous	1-25	24,560	1,871	19,279
Contingency		-	857	10,315
Totals		<u>\$ 295,800</u>	<u>\$ 18,000</u>	<u>\$ 216,608</u>

As of December 31, 2014, the annual budgeted allocation to replacements is \$33,600 and the cash balance in replacement funds as of December 31, 2014 is \$224,573. As of December 31, 2014 the reserves are 104% funded.

California Civil Code Section 1365.5 requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary. The report must be available to all owners. Although the code does not require adequate funding, disclosure must be made.

SEE INDEPENDENT AUDITOR'S REPORT