

TREVI VILLA HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

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TREVI VILLA HOMEOWNERS ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Members Trevi Villa Homeowners Association

I have reviewed the accompanying balance sheet of Trevi Villa Homeowners Association as of December 31, 2015 and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

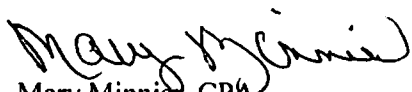
Accountant's Conclusion on the Financial Statements

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The Future Major Repairs and Replacements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I have not audited or reviewed the supplementary information and, accordingly, I do not express an opinion, a conclusion, nor provide any assurance on it.

February 9, 2017


Mary Minnier, CPA
Certified Public Accountant

Member: The American Institute of Certified Public Accountants and California Society of Certified Public Accountants

TREVI VILLA HOMEOWNERS ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2015

	<u>Operating</u> Fund	<u>Replacement</u> Fund	<u>Total</u>
ASSETS:			
Cash & Cash Equivalents	\$ 4,288	\$ 222,444	\$ 226,732
Assessments Receivable	1,675		1,675
Prepaid Insurance	985		985
TOTAL ASSETS	<u>\$ 6,948</u>	<u>\$ 222,444</u>	<u>\$ 229,392</u>
LIABILITIES:			
Accounts Payable	\$ 817	\$ -	\$ 817
Prepaid Assessments	4,366		4,366
TOTAL LIABILITIES	<u>5,183</u>		<u>5,183</u>
FUND BALANCES	<u>1,765</u>	<u>222,444</u>	<u>224,209</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,948</u>	<u>\$ 222,444</u>	<u>\$ 229,392</u>

"See accompanying notes and independent accountants' review report."

**TREVI VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

<u>REVENUES</u>	Operating Fund	Replacement Fund	Total Funds
Member Assessments	\$ 103,461	\$ 33,600	\$ 137,061
Interest		585	585
Miscellaneous Member Income	3,447		3,447
TOTAL REVENUES	106,908	34,185	141,093
<u>EXPENSES</u>			
Maintenance			
Elevator Service	1,562		1,562
Fire Maintenance	947		947
Repairs and Maintenance	52,327		52,327
Janitor Service	5,418		5,418
Pest Control	967		967
Landscape Maintenance	10,047		10,047
Total Maintenance	71,268		71,268
Utilities			
Electricity & Gas	9,628		9,628
Telephone	4,188		4,188
Trash	3,012		3,012
Water/Sewer-Common	7,558		7,558
Total Utilities	24,386		24,386
Administrative & Fixed Expenses			
Administrative Miscellaneous	2,555		2,555
Audit & Tax Preparation	2,000		2,000
Bank Charges	-	150	150
Insurance	8,943		8,943
Unrealized Market Gain/Loss		124	124
Legal	2,325		2,325
Management Contract	10,140		10,140
Permits, Licenses & Fees	90		90
Total Administrative & Fixed Expenses	26,053	274	26,327
Major Repair and Replacements		33,775	33,775
TOTAL EXPENSES	121,707	34,049	155,756
REVENUES OVER EXPENSES EXCESS (DEFICIENCY)	\$ (14,799)	\$ 136	\$ (14,663)
BEGINNING FUND BALANCES	14,119	224,753	238,872
Fund Transfers	2,445	(2,445)	
ENDING FUND BALANCES	\$ 1,765	\$ 222,444	\$ 224,209

"See accompanying notes and independent accountants' review report."

TREVI VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

	Operating Fund	Replacement Fund	Total Funds
Operating Activities:			
Excess Revenue	\$ (14,799)	\$ 136	\$ (14,663)
Decrease (Increase) In			
Assessments Receivable, Net	472		472
Decrease (Increase) In Prepaid Insurance	(985)		(985)
Decrease (Increase) In Prepaid Income Taxes	44		44
Increase (Decrease) In Accounts Payable	(3,301)		(3,301)
Increase (Decrease) In Prepaid Assessments Receivable, Net	(4,196)		(4,196)
Increase (Decrease) In Interest Reserve			
Increase (Decrease) in Collection Costs			-
Interfund Receivable/Payable			
Net cash provided by			
Operating activities:	(22,765)	136	(22,629)
Net Increase (Decrease) in Cash	(22,765)	136	(22,629)
Cash & Cash Equivalents Beginning of Year	24,608	224,753	249,361
Fund Transfers	2,445	(2,445)	
Cash & Cash Equivalents End of Year	<u>\$ 4,288</u>	<u>\$ 222,444</u>	<u>\$ 226,732</u>

" See accompanying notes and independent accountants' review report."

TREVI VILLA HOMEOWNERS ASSOCIATION
Notes to Financial Statements
December 31, 2015

Note A – Nature of Organization

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

Note B – Date of Management’s Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 9, 2017, the date that the financial statements were available to be issued.

Note C – 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’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:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Statement of Cash Flows

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 Associations’ policy is to treat all cash, cash equivalents, and short-term investments as cash funds.

TREVI VILLA HOMEOWNERS ASSOCIATION
Notes to Financial Statements
December 31, 2015

Assessments Receivable

The Association's policy is to place liens on the properties of owners whose assessments are in arrears and retain legal counsel if necessary to collect delinquent assessments. As of December 31, 2015, there is \$1,675 in assessments and charges due from homeowners and \$4,366 of assessments have been paid in advance.

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.

Income Taxes

The Association may elect to be taxed as a regular corporation or a homeowners association. For the year ended December 31, 2015, the Association filed its tax returns as a homeowners association under IRC Section 528 and State Revenue & Tax Code 23701T, whereby the Association is generally taxed on non-membership income, such as interest earning. There were no Federal or California income tax expenses for the year. The Association's income tax returns are subject to examination by the Internal Revenue Service generally for three years and the California Franchise Tax Board generally for four years after the returns were filed.

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 D – Homeowners Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of members are determined by the Board of Directors. Any excess assessments at the year-end are retained by the Association for use in the succeeding years.

TREVI VILLA HOMEOWNERS ASSOCIATION
Notes to Financial Statements
December 31, 2015

Note D – Future Major Repairs and Replacements

The Association's policy is to accumulate funds for future major repairs and replacements. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

The Association engaged an independent consultant who conducted a study in December 2014 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the compiled Supplementary Information on Future Major Repairs and Replacements is based on this study.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, however, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

TREVI VILLA HOMEOWNERS ASSOCIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2015
 (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 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		\$295,800	\$18,000	\$216,608

As of December 31, 2015, the annual budgeted allocation to replacements \$33,600 and the cash balance in replacement funds as of December 31, 2015 is \$222,444. The Association is 102% 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 accountants' review report."