

TREVI VILLA HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

Mary Minnier, CPA
13465 CAMINO CANADA STE 106-437
EL CAJON, CA 92021
Phone : (619) 220-2154 Fax (619) 334-8204

TREVI VILLA HOMEOWNERS ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2019

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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, 2019 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.

April 1, 2020
El Cajon, CA.


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, 2019

	Operating Fund	Replacement Fund	Total
ASSETS:			
Cash & Cash Equivalents	\$ 37,790	\$ 62,382	\$ 100,172
Assessments Receivable	13,556		13,556
Prepaid Insurance	-		-
TOTAL ASSETS	\$ 51,346	\$ 62,382	\$ 113,728
 LIABILITIES:			
Accounts Payable	\$ 673	\$ -	\$ 673
Prepaid Assessments	3,807		3,807
TOTAL LIABILITIES	4,480		4,480
 FUND BALANCES	 46,866	 62,382	 109,248
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 51,346	 \$ 62,382	 \$ 113,728

See accompanying notes and independent accountant's review report.

TREVI VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

<u>REVENUES</u>	Operating Fund	Replacement Fund	Total Funds
Member Assessments	\$ 164,148	\$ -	\$ 164,148
Interest		1,230	1,230
Late Charges	916		916
Miscellaneous Member Income	865		865
TOTAL REVENUES	165,929	1,230	167,159
<u>EXPENSES</u>			
Maintenance			
Elevator Service	2,001		2,001
Fire Maintenance	4,957		4,957
Repairs and Maintenance	44,486		44,486
Janitor Service	9,576		9,576
Pest Control	651		651
Landscape Maintenance	12,395		12,395
Total Maintenance	74,066		74,066
Utilities			
Electricity & Gas	9,087		9,087
Telephone	7,130		7,130
Trash	8,617		8,617
Water/Sewer-Common	13,834		13,834
Total Utilities	38,668		38,668
Administrative & Fixed Expenses			
Administrative Miscellaneous	745		745
Audit & Tax Preparation	850		850
Bank Charges		300	300
Unrealized Market(Gains)/Loss		(151)	(151)
Insurance	11,726		11,726
Miscellaneous Expenses	635		635
Website	82		82
Income Taxes	85		85
Legal	195		195
Management Contract	12,055		12,055
Total Administrative & Fixed Expenses	26,373	149	26,522
Major Repair and Replacements		12,706	12,706
TOTAL EXPENSES	139,107	12,855	151,962
REVENUES OVER EXPENSES			
EXCESS (DEFICIENCY)	\$ 26,822	\$ (11,625)	\$ 15,197
BEGINNING FUND BALANCES	20,044	74,007	94,051
Fund Transfers	-	-	
ENDING FUND BALANCES	\$ 46,866	\$ 62,382	\$ 109,248

See accompanying notes and independent accountant's review report.

TREVI VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

	Operating Fund	Replacement Fund	Total Funds
Operating Activities:			
Excess Revenue	\$ 26,822	\$ (11,625)	\$ 15,197
Decrease (Increase) In			
Assessments Receivable, Net	(6,071)		(6,071)
Decrease (Increase) In Prepaid Insurance	243		243
Decrease (Increase) In Prepaid Income Taxes			
Increase (Decrease) In Accounts Payable	(153)		(153)
Increase (Decrease) In Prepaid Assessments Receivable, Net	1,728		1,728
Increase (Decrease) In Interest Reserve			-
Increase (Decrease) in Collection Costs			
Interfund Borrowing			
Net cash provided by			
Operating activities:	22,569	(11,625)	10,944
Net Increase (Decrease) in Cash	22,569	(11,625)	10,944
Cash & Cash Equivalents Beginning of Year	15,221	74,007	89,228
Fund Transfers			
Cash & Cash Equivalents End of Year	<u>\$ 37,790</u>	<u>\$ 62,382</u>	<u>\$ 100,172</u>

See accompanying notes and independent accountant's review report.

TREVI VILLA HOMEOWNERS ASSOCIATION

Notes to Financial Statements

December 31, 2019

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 April 1, 2020, 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, 2019

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, 2019, there is \$13,556 in assessments and charges due from homeowners and \$3,807 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, 2019, 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, 2019

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 2017 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.

SUPPLEMENTARY INFORMATION

TREVI VILLA HOMEOWNERS ASSOCIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2019
 (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 2017. 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	0-11	107,000	7,185	81,156
Common Areas	0-1	92,500	5,969	90,875
Landscaping	2	21,000	2,016	18,040
Lighting	2	5,000	272	4,600
Fencing/Rails	1-7	11,740	829	8,799
Painting	0-12	60,000	6,811	10,000
Miscellaneous	0-7	28,560	3,204	20,820
Contingency			1,314	11,715
Totals		<u>\$325,800</u>	<u>\$27,600</u>	<u>\$246,005</u>

As of December 31, 2019, the annual budgeted allocation to replacements \$0 and the cash balance in replacement funds as of December 31, 2019 is \$62,382. The Association is 25% funded.

California Civil Code 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 accountant's review report.