

7197 Camino Las Ramblas
Camarillo, CA 93012
Tel. (818) 865-1316
Fax (818) 865-1317
TimBradleyCPA@aol.com

To the Board of Directors and Members
Toluca Town House 3 Homeowners' Association

Specializing In
Condominium and
Homeowner Associations

I have reviewed the accompanying financial statements of the Toluca Town House 3 Homeowners' Association, which comprise the balance sheet as of December 31, 2017 and the related statements of revenues and expenses, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to the management's financial data and making inquiries of the management agent's personnel. 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

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with United States generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

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 United States generally accepted accounting principles.

The budget information is presented for purposes of supplementary analyses and is not a required part of the basic financial statements. I have not reviewed the supplementary budget information and, accordingly, do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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. The required supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the required supplementary information and, accordingly, I do not express an opinion or provide any assurance on such required supplementary information.

Timothy W. Bradley, CPA

October 2, 2018

TIMOTHY W. BRADLEY, C.P.A.

Toluca Town House 3 Homeowners' Association
 Balance Sheet
 As Of December 31, 2017

ASSETS

Cash - Operating Fund	\$ 2,112
Cash - Replacement Fund	194,680

Total Cash	196,792
Member Assessments Receivable	33,726
Less: Allowance for Doubtful Accounts	(33,058)

Total Assets	\$ 197,460
	=====

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Accounts Payable	\$ 1,360
Assessments Paid in Advance	600

Total Liabilities	1,960

MEMBERS' EQUITY

	195,500

Total Liabilities and Members' Equity	\$ 197,460
	=====

Toluca Town House 3 Homeowners' Association
 Statements of Revenues and Expenses
 And Changes in Members' Equity
 For the Year Ended December 31, 2017

	<u>ACTUAL</u>	<u>BUDGET</u>
REVENUES		
Member Assessments - Operating	\$ 107,160	\$ 107,160
Member Assessments - Replacement	37,128	37,128
Interest Income	108	96
Other Income	1,600	300
	-----	-----
Total Revenues	145,996	144,684
	-----	-----
EXPENSES		
Maintenance, Repairs, and Services	\$ 42,117	\$ 40,028
Major Repairs and Replacement	48,786	n/a
Utilities	12,990	11,748
Insurance	37,688	38,917
Property Management Services	9,215	9,180
Legal and Professional	14,247	4,480
Administrative and Miscellaneous	2,260	3,053
Bad Debt Provision	33,058	-0-
Income Taxes	-0-	150
	-----	-----
Total Expenses	200,361	107,556
	-----	-----
Excess (Deficiency) of Revenues over Expenses	\$ (54,365)	\$ 37,128
Members' Equity at Beginning of Year	249,865	

Members' Equity at End of Year	\$ 195,500	
	=====	

Toluca Town House 3 Homeowners' Association
Statement of Cash Flows
For the Year Ended December 31, 2017

OPERATING ACTIVITIES:

Excess of Expenses over Revenues	\$ (54,365)
Increase in Member Assessments Receivable	(16,322)
Increase in Allowance for Doubtful Accounts	33,058
Increase in Accounts Payable	1,360
Increase in Assessments Paid in Advance	600

Net Decrease in Cash	\$ (35,669)
Cash at Beginning of Year	232,461

Cash at End of Year	\$ 196,792
	=====

Supplemental Disclosure of Cash Flow Information:

- Income Taxes Paid \$ -0-

Toluca Town House 3 Homeowners' Association
Notes to Financial Statements
As of December 31, 2017

Note 1: Organization

Toluca Town House 3 Homeowners' Association is a Non-Profit Mutual Benefit Corporation incorporated in the State of California during April, 1994. The Association's primary purpose is to maintain and preserve the common areas for the unit owners. The Association consists of 36 residential units.

Note 2: Summary of Significant Accounting Policies

- (a) The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.
- (b) The Association's policy for common property is to (a) expense common personal property in the year the expenditure is made if the expenditure is not significant to the Association's annual operating expenditures and (b) capitalize common real property to which it has title and that it can dispose of for cash while retaining the proceeds or, that is used to generate significant cash flows. No common property components of the Association currently are capitalized as assets.
- (c) The Association's policy is to place liens on the properties of delinquent homeowners and to retain legal counsel, if necessary, to collect delinquent assessments.
- (d) The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Board of Directors 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.

Note 3: Member Assessments

The Association is funded primarily through assessments from homeowners. Owners' assessments as of the month ended December 31, 2017 were \$334. Owners' monthly assessments were budgeted to increase to \$341 during the fiscal year beginning January 1, 2018.

Note 4: Member Assessments Receivable

At December 31, 2017 one owner had assessments and fees which were delinquent more than ninety days. Delinquencies for this owner totaled \$33,058. A provision for Bad Debt Expense of \$33,058 established an Allowance for Doubtful Accounts of \$33,058 as of December 31, 2017.

Note 5: Future Major Repairs and Replacements

Accumulated major repairs and replacement funds are held in separate savings accounts and generally are not available for normal operating expenditures. A study to estimate the remaining useful lives and current replacement costs of the Association's common property components was conducted during November, 2017 by Association Reserves. The study also considered amounts accumulated in the replacement fund. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

The study recommended that the Association make an annual reserve contribution of \$40,200 in order to meet its future major repairs and replacements funding needs. This study assumed after-tax interest rate earnings of 1.00% and an inflation rate of 3.00%. This study projected that the Association's replacement fund components would be \$195,357 as of December 31, 2017 and that the Association's estimated reserve requirements were 57% funded as of the date of the study. During the fiscal year ended December 31, 2017 the Association contributed \$37,128 to its future major repairs and replacement fund.

Actual expenditures and investment income 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, the Association has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

Note 6: Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through October 2, 2018, the date the financial statements were available to be issued.

Note 7: Income Taxes

The Association qualifies under provisions of Internal Revenue Code Section 528 and California Revenue and Taxation Code Section 23701t to exclude exempt function income from taxation. The Association's Federal and State tax returns are open for examination three years and four years, respectively, from the date of filing.

The Association incurred no income tax liability as of the period ended December 31, 2017.

TOLUCA TOWN HOUSE 3 HOMEOWNERS' ASSOCIATION

Supplementary Information
On
Future Major Repairs and Replacements
December 31, 2017

A study to estimate the remaining useful lives and current replacement costs of the Association's common property components was conducted during November, 2017 by Association Reserves. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

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

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Asphalt-Remove & Replace	4	\$ 20,350
Asphalt-Remove & Replace	24	14,000
Asphalt-Seal/Repair	4	3,000
Concrete Swales	4	6,200
Pole Lights	24	5,700
Wall Lights	0	4,100
Garage Lights	19	6,000
Garage Doors	18	38,700
Front Doors-Repaint	2	5,800
Metal Fence/Rail-Repaint	2	2,450
Stucco-Repaint	3	53,000
Wood/Masonite Surfaces-Repaint	3	29,500
Masonite Siding	14	13,100
Pool Deck	0	15,000
Pool-Resurface	0	9,000
Pool Filter	0	1,200
Pool Heater	4	3,500
Pool Pump	8	1,000
Comp Shingle Roof (i)	4	37,750
Comp Shingle Roof (ii)	5	43,900
Comp Shingle Roof (iii)	6	43,900
Comp Shingle Roof (iv)	7	30,300
Comp Shingle Roof (v)	8	57,850
Gutters/Downspouts	24	34,200
Termites-Treat	2	45,000