

Ginsburg & Dwaileebe CPAs LLP

Certified Public Accountants and Consultants

LAS TORRES HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

LAS TORRES HOMEOWNERS ASSOCIATION

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors and Members
Las Torres Homeowners Association
Carefree, Arizona

Management is responsible for the accompanying financial statements of Las Torres Homeowners Association, which comprise the balance sheet - modified cash basis - as of December 31, 2017, and the related statement of revenues, expenses, and changes in fund balances - modified cash basis - for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting as described in Note 2, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.



Ginsburg & Dwaileebe CPAs, LLP
Gilbert, Arizona
August 26, 2018

LAS TORRES HOMEOWNERS ASSOCIATION
BALANCE SHEET - MODIFIED CASH BASIS
DECEMBER 31, 2017

ASSETS

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$ 785	\$ 149,746	\$ 150,531
Utility deposit	1,980	-	1,980
TOTAL ASSETS	2,765	149,746	152,511

LIABILITIES AND FUND BALANCES

LIABILITIES			
Prepaid assessments	4,878	-	4,878
TOTAL LIABILITIES	4,878	-	4,878
FUND BALANCES	(2,113)	149,746	147,633
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,765	\$ 149,746	\$ 152,511

See independent accountants' compilation report. The accompanying notes
are an integral part of these financial statements.

LAS TORRES HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessment income	\$ 87,015	\$ -	\$ 87,015
Interest income	-	91	91
Miscellaneous income	894	-	894
TOTAL REVENUES	87,910	91	88,001
EXPENSES			
Utilities	19,819	-	19,819
Maintenance	36,999	-	36,999
Parts and supplies	1,402	-	1,402
Administration	21,041	-	21,041
Major repairs and replacements	14,443	-	14,443
TOTAL EXPENSES	93,703	-	93,703
Excess of Revenues over (under) Expenses	(5,794)	91	(5,703)
Fund Balances, Beginning of Year	14,575	138,761	153,336
Transfers between funds	(10,894)	10,894	-
Fund Balances, End of Year	\$ (2,113)	\$ 149,746	\$ 147,633

See independent accountants' compilation report. The accompanying notes
are an integral part of these financial statements.

LAS TORRES HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: NATURE AND ORGANIZATION

Las Torres Homeowners Association, (the “Association”), a non-stock homeowners association, was incorporated on January 21, 1980 under the general non-profit laws of the State of Arizona and was organized for the purposes of maintaining common areas, holding title to property and maintaining architectural control. The Association consists of 25 units located in Carefree, Arizona. There is a board of directors that is elected by the member homeowners.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The Association’s financial statements are prepared on the modified cash basis of accounting; accordingly, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, accounts receivable due from homeowners, deferred revenues and accrued expenses are not included in the financial statements. However, utility deposits and prepaid assessments are presented in these financial statements.

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.

Cash

Cash listed as operating is available for current operations and is not bound by any restriction or designation. Cash listed as reserves is designated for future major repairs and replacements and is generally not available for current operations. The Association considers all highly liquid investments with an original maturity of three months or less to be cash.

See independent accountants’ compilation report.

LAS TORRES HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Maintenance Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses and future major repairs and replacements. The Association's policy is to assess late fees and, if necessary, retain legal counsel and place liens on the properties of the homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year. Maintenance assessments were \$3,588 per unit for the year ended December 31, 2017, payable in equal monthly installments.

Income Taxes

The Association files its income tax return as a homeowner's association in accordance with Internal Revenue Code Section 528 using Form 1120-H. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income.

Arizona income tax is based on the federal taxable income at 4.9% after adding the Form 1120-H \$100 specific deduction and deducting any net disbursements carryover from prior years.

The Association's federal income tax returns for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed. The Association's state income tax returns for 2014, 2015, 2016 and 2017 are subject to examination generally for four years after they were filed.

NOTE 3: SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 26, 2018, the date which the financial statements were available to be issued.

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is setting aside funds for future major repairs and replacements, as required by the governing documents, based on funding requirements determined by the Board of Directors and a professional reserve study. The funds set aside each year are generated from member assessments and other net revenues, and are periodically transferred from the operating checking account into segregated reserve cash accounts.

Actual expenditures may vary from the estimated funding amounts determined by the Board of Directors and the reserve study, and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association may increase regular assessments, levy special assessments or delay major repairs and replacements until funds are available.

See independent accountants' compilation report.

LAS TORRES HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (UNAUDITED)
 DECEMBER 31, 2017

The Association's board of directors engaged an independent consultant to conduct a study dated August 1, 2015, for the year beginning January 1, 2016, to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair and replace the common property components at the date 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.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Fund Balance at December 31, 2017</u>
Courts	7 - 22	\$ 36,213	\$ -
Irrigation	1 - 6	6,900	-
Walls/Fencing	3 - 29	142,955	-
Monument Signs	17	3,000	-
Asphalt	2 - 25	84,839	-
Pool/Spa	1 - 15	39,208	-
Roofing	1 - 14	191,658	-
Unallocated Funds		-	149,746
		<u>\$ 504,773</u>	<u>\$ 149,746</u>

See independent accountants' compilation report.