Ginsburg & Dwaileebe CPAs LLP

Certified Public Accountants and Consultants

LAS TORRES HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

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

We have compiled the accompanying balance sheet - cash basis - of Las Torres Homeowners Association, as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balances - cash basis - for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with an other comprehensive basis of accounting - cash basis.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with an other comprehensive basis of accounting - cash basis, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

As described in Note 2, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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. We have compiled the required supplementary information without audit or review, and, accordingly, we do not express an opinion or provide any assurance on it.

Ginsburg & Dwaileebe CPAs, LLP

Ginsburg & Dwaileebe CPAs, LLP
Gilbert, Arizona
March 24, 2017

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LAS TORRES HOMEOWNERS ASSOCIATION
BALANCE SHEET - CASH BASIS
DECEMBER 31, 2016

ASSETS

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	$ 1,520	$ 138,761	$ 140,281
TOTAL ASSETS	1,520	138,761	140,281

FUND BALANCES

FUND BALANCES	1,520	138,761	140,281
TOTAL FUND BALANCES	$ 1,520	$ 138,761	$ 140,281

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
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessment income	$ 61,293	$ 26,880	$ 88,174
Late fees	367	-	367
Reserve contribution	3,344	-	3,344
Interest income	16	48	64
TOTAL REVENUES	65,020	26,929	91,949
EXPENSES			
Utilities	19,924	-	19,924
Landscaping	34,150	-	34,150
Administration	15,826	-	15,826
Major repairs and replacements	-	25,911	25,911
TOTAL EXPENSES	69,900	25,911	95,811
Excess of Revenues over (under) Expenses	(4,880)	1,018	(3,862)
Fund Balances, Beginning of Year	6,400	137,743	144,143
Fund Balances, End of Year	$ 1,520	$ 138,761	$ 140,281

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

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 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.

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.

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, 2016, 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 5.5% 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 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed. The Association's state income tax returns for 2013, 2014, 2015 and 2016 are subject to examination generally for four years after they were filed.

NOTE 3: SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 24, 2017, 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.

LAS TORRES HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2016

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.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Replacement Fund Balance at December 31, 2016
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		-	138,761
		$ 504,773	$ 138,761

See independent accountants' compilation report.