



April 16, 2010

Dear Arbor Hills Homeowner:

Enclosed is a copy of the audit prepared by Allyn M Moskowitz, CPA, for the fiscal year ending December 31, 2009. It is a requirement of your CC&Rs and the California Civil Code that the audit be sent to each homeowner annually.

Please retain this document with the other permanent records for your home.

Sincerely,

Board of Directors
Tract 4494
Arbor Hills Homeowners Association



ALLYN M. MOSKOWITZ

CERTIFIED PUBLIC ACCOUNTANT

19510 Ventura Blvd., Suite 209

Tarzana, CA 91356

(818) 708-9050 Fax (818) 708-9095

**TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION**

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2009

**TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION**

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2009

**TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors and Members of the
Tract 4494 Homeowners' Association
Also known as Arbor Hills Homeowners' Association

I have audited the accompanying balance sheet of Tract 4494 Homeowners' Association, also known as Arbor Hills Homeowners' Association, as of December 31, 2009 and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the association's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tract 4494 Homeowners' Association, also known as Arbor Hills Homeowners' Association, as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 8 and 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALLYN M. MOSKOWITZ
CERTIFIED PUBLIC ACCOUNTANT

February 22, 2010
Tarzana, CA

**TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION**

BALANCE SHEET

DECEMBER 31, 2009

<u>ASSETS</u>	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash	\$ 24,847	\$ 202,702	\$ 227,549
Assessments Receivable (Note 2)	2,429	-	2,429
Prepaid Insurance	623	-	623
Prepaid Income Taxes	344	-	344
TOTAL ASSETS	\$ 28,243	\$ 202,702	\$ 230,945
<u>LIABILITIES</u>			
Accounts Payable	\$ 5,926	\$ 5,161	\$ 11,087
Prepaid Assessments	2,838	-	2,838
Income Taxes Payable (Note 4)	10	-	10
TOTAL LIABILITIES	8,774	5,161	13,935
 Fund Balances	 19,469	 197,541	 217,010
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,243	\$ 202,702	\$ 230,945

The accompanying notes are an integral part of the financial statements.

TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

DECEMBER 31, 2009

<u>REVENUES</u>	OPERATING FUND	REPLACEMENT FUND	TOTAL
Regular Assessments	\$ 99,168	\$ 36,000	\$ 135,168
Interest Income	-	1,888	1,888
Late Fees	545	-	545
Gate/Key Fees	60	-	60
Miscellaneous Income	98	-	98
TOTAL REVENUES	\$ 99,871	\$ 37,888	\$ 137,759
<u>EXPENSES</u>			
Maintenance	60,123	-	60,123
Utilities	17,793	-	17,793
General & Administrative	22,724	-	22,724
Reserve Expenditures	-	22,296	22,296
TOTAL EXPENSES	\$ 100,640	\$ 22,296	\$ 122,936
Excess (Deficiency) of Revenues Over Expenses	(769)	15,592	14,823
Beginning Fund Balances	27,583	174,599	202,182
Prior Period Adjustment (Note 6)	5	-	5
Interfund Transfers	(7,350)	7,350	-
ENDING FUND BALANCES	\$ 19,469	\$ 197,541	\$ 217,010

The accompanying notes are an integral part of the financial statements.

TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION

STATEMENT OF CASH FLOWS

DECEMBER 31, 2009

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Excess (Deficiency) of Revenue Over Expenses	\$ (769)	\$ 15,592	\$ 14,823
Prior Period Adjustment (Note 6)	5	-	5
(Increase) Decrease in Assets:			
Assessments Receivable	(2,222)	-	(2,222)
Prepaid Insurance	(80)	-	(80)
Prepaid Income Taxes	104	-	104
Increase (Decrease) in Liabilities:			
Accounts Payable	4,183	5,161	9,344
Prepaid Assessments	(2,499)	-	(2,499)
Total Adjustments	(509)	5,161	4,652
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,278)	20,753	19,475
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Interfund Transfers	(7,350)	7,350	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(7,350)	7,350	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,628)	28,103	19,475
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33,475	174,599	208,074
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 24,847</u>	<u>\$ 202,702</u>	<u>\$ 227,549</u>
<u>SUPPLEMENTAL DISCLOSURE:</u>			
Income Taxes Paid	<u>\$ 382</u>		

The accompanying notes are an integral part of the financial statements.

TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization:

Tract 4494 Homeowners' Association, also known as Arbor Hills Homeowners' Association, a non-profit corporation, is organized and operated to provide for the management, maintenance and care of association property and common areas. In addition to such duties, the association maintains architectural control, enforces its protective restrictions, and promotes the general welfare of the community comprising the association. The association consists of 64 residential units. The association began its operations on August 3, 1998.

Accounting Method:

The association maintains its books on the accrual basis of accounting. Revenues are recorded when billed, and expenses are recorded when incurred.

Fund Accounting:

The association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. These funds should be accumulated in separate bank accounts.

Use of 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 these estimates.

Capitalization Policy and Depreciation:

Equipment purchased with association funds is capitalized at cost and depreciated over its useful life using the straight-line method of depreciation. Real and personal property acquired by the original homeowners from the developer are not capitalized on the association statements since they are owned by the individual owners and not the association.

TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - ASSESSMENTS RECEIVABLE

The annual budget and owners' assessments are determined and approved by the Board of Directors. The association retains excess operating funds at the end of the fiscal year, if any, for use in the following fiscal year. Gross assessments receivable at December 31, 2009 are \$2,429.

The association has several means of enforcing collection of delinquent assessments receivable including the filing of liens, foreclosure proceedings and attachment of homeowner assets or earnings.

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which total \$202,702 at December 31, 2009, are held in separate bank accounts and are generally not available for expenditures for normal operations. It is the policy of this association to allocate all interest earned on these funds to the appropriate fund.

Funds are being accumulated in the replacement fund based upon estimates of future needs for repairs and replacements on common property components. Actual expenditures may vary from the estimated future expenditures 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.

TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 4 - INCOME TAXES

The association elected to file its federal income tax return as a regular corporation (Sec. 277). Under that section, membership income is exempt from taxation if certain elections are made, and the association is taxed only on its non-membership income at regular corporate rates.

The association has been granted exempt status by the State of California (Sec. 23701t). Under that section, the association is not taxed on its exempt-function income such as regular assessments. All other amounts received by the association that do not qualify as exempt-function income are taxed at the rate of 8.84%.

As of December 31, 2009, the association's provision for federal and state income taxes is \$10.

NOTE 5 - CASH FLOWS

The Statement of Cash Flows was prepared using the indirect method of calculation. For purposes of this statement for the year ended December 31, 2009, cash and cash equivalents include cash on hand and on deposit with banks. There were no non-cash investing or financing activities.

NOTE 6 - PRIOR PERIOD ADJUSTMENTS

Several accounting adjustments were made during the year ended December 31, 2009 which affected the prior calendar year. The prior period adjustments are summarized below:

	<u>Operating</u>	<u>Replacement</u>
To Record Void Checks	\$ 505	\$ -
Prior Year Accounts Payable Adjustments	(500)	-
	<hr/>	<hr/>
Total Prior Period Adjustments	\$ 5	\$ -
	<hr/> <hr/>	<hr/> <hr/>

TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION
SUPPLEMENTARY SCHEDULE OF OPERATING FUND EXPENSES

DECEMBER 31, 2009

MAINTENANCE

Landscaping	\$	45,445	
Pest Control		4,660	
Repairs & Maintenance		10,018	
TOTAL MAINTENANCE EXPENSE			\$ 60,123

UTILITIES

Electricity	\$	4,152	
Water		13,641	
TOTAL UTILITIES EXPENSE			\$ 17,793

GENERAL & ADMINISTRATIVE

Accounting	\$	1,100	
Insurance		3,741	
Meeting		4,377	
Clerical/Minutes		640	
Management Services		9,168	
Postage & Reproduction		2,509	
Telephone		457	
Income Taxes		252	
Miscellaneous		480	
TOTAL GENERAL & ADMINISTRATIVE			\$ 22,724
TOTAL OPERATING FUND EXPENSES			\$ 100,640

The accompanying notes are an integral part of the financial statements.

TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION
SUPPLEMENTARY SCHEDULE OF REPLACEMENT FUND EXPENSES

DECEMBER 31, 2009

REPLACEMENT FUND COMPONENTS

Asphalt - Resurface	\$	-
Asphalt - Seal		-
Jogging Path - Chip Seal		-
Decorative Concrete		-
Pole Lights		-
Mailboxes		-
Metal Fence/Rail		7,185
Pedestrian Gates		-
Vehicle Gates		-
Intercom		-
Gate Operators		9,950
Backflow Devices		-
Irrigation Controllers		5,161
Irrigation Enclosures		-
Landscape		-
Slope - Emergency Allowance		-
Wood Surfaces		-
Property Signage		-
Street Signs		-
Contingency		-
 TOTAL REPLACEMENT FUND EXPENSES	 \$	 22,296

The accompanying notes are an integral part of the financial statements.



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CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To The Board of Directors and Members of the
Tract 4494 Homeowners' Association
Also known as Arbor Hills Homeowners' Association

The supplementary information on future major repairs and replacements on page 11 is not a required part of the basic financial statements of Tract 4494 Homeowners' Association, also known as Arbor Hills Homeowners' Association, but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

ALLYN M. MOSKOWITZ
CERTIFIED PUBLIC ACCOUNTANT

February 22, 2010
Tarzana, CA

**TRACT 4494 HOMEOWNERS' ASSOCIATION
ALSO KNOWN AS ARBOR HILLS HOMEOWNERS' ASSOCIATION**

SUPPLEMENTARY INFORMATION ON REPLACEMENT FUND BALANCES

DECEMBER 31, 2009

An outside consultant conducted a study on June 13, 2008 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the future estimated costs to repair or replace the common property components. Funding requirements consider an annual inflation rate of 3.00 percent and interest income at 3.60 percent, net of taxes, on amounts funded for future major repairs and replacements.

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

COMPONENTS	Estimated Remaining Useful Life 12/31/08	Estimated Future Replacement Cost 12/31/08	Fund Balance 12/31/09
Asphalt - Resurface	13	\$ 226,668	
Asphalt - Seal	1	20,137	
Jogging Path - Chip Seal	0	3,800	
Decorative Concrete	19	50,676	
Pole Lights	9	4,567	
Mailboxes	12	21,386	
Metal Fence/Rail	3-8	94,361	
Pedestrian Gates	12	16,254	
Vehicle Gates	12	44,270	
Intercom	1	3,090	
Gate Operators	1	18,540	
Backflow Devices	4	2,195	
Irrigation Controllers	1	6,592	
Irrigation Enclosures	22	6,706	
Landscape	9	26,095	
Slope - Emergency Allowance	19	175,351	
Wood Surfaces	0	3,536	
Property Signage	7	2,460	
Street Signs	7	3,382	
		<u>\$ 730,066</u>	<u>\$ 197,541</u>

The accompanying notes are an integral part of the financial statements.