



March 27, 2018

Dear Sandpiper Village II Homeowners:

Enclosed is a copy of the review prepared by Owens, Moskowitz and Associates, Inc., for the fiscal year ending December 31, 2017. It is a requirement of your CC&R's 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 unit.

Sincerely,

*Board of Directors for
Sandpiper Village II Homeowners Association*

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION

Reviewed Financial Statements

For The Year Ended December 31, 2017

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OWENS, MOSKOWITZ AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Sandpiper Village II Homeowners Association

We have reviewed the accompanying financial statements of Sandpiper Village II Homeowners Association, which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. 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, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of- Matter Regarding Supplemental Information

Per California Civil Code requirements, the Association has conducted a study to estimate the remaining lives and replacement costs of the common property within the past three years. The schedule that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements has used the most current study dated November 23, 2016. The projections of this study have not been updated and may no longer be valid.

Owens, Moskowitz and Associates, Inc.

Owens, Moskowitz and Associates, Inc.

February 23, 2018

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash	\$ 250,181	\$ 452,353	\$ 702,534
Short-Term Investments	-	232,392	232,392
Assessments Receivable	65,806	-	65,806
Less: Allowance For Doubtful Accounts	(61,260)	-	(61,260)
Interest Receivable	-	140	140
Prepaid Insurance	215	-	215
Total Assets	<u>\$ 254,942</u>	<u>\$ 684,885</u>	<u>\$ 939,827</u>
LIABILITIES AND ASSOCIATION FUNDS			
Liabilities			
Accounts Payable	\$ 58,685	\$ -	\$ 58,685
Prepaid Assessments	20,938	-	20,938
Income Taxes Payable	70	-	70
Total Liabilities	79,693	-	79,693
Commitments	-	-	-
Association Funds	<u>175,249</u>	<u>684,885</u>	<u>860,134</u>
Total Liabilities And Association Funds	<u>\$ 254,942</u>	<u>\$ 684,885</u>	<u>\$ 939,827</u>

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND ACCOMPANYING NOTES

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE EXPENSES AND ASSOCIATION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUE			
Assessments	\$ 526,848	\$ 228,912	\$ 755,760
Interest Income	-	1,803	1,803
Bad Debt Recovery	9,542	-	9,542
Other Income	668	-	668
Total Revenue	537,058	230,715	767,773
EXPENSES			
Landscape Maintenance	36,263	-	36,263
Management Fees	17,688	-	17,688
Administrative	13,996	-	13,996
Legal and Review	3,197	-	3,197
Insurance	40,566	-	40,566
Rubbish Collection	83,393	-	83,393
Pest Control	17,744	-	17,744
Painting	-	162,052	162,052
General Maintenance	4,511	1,153	5,664
Gas	42,497	-	42,497
Electricity	13,970	-	13,970
Water	211,200	-	211,200
Security	5,640	-	5,640
Wood Repairs	-	164,070	164,070
Other Maintenance Expense	-	10,524	10,524
Water heater	-	11,925	11,925
Fence	-	31,851	31,851
Lighting and Electrical	1,557	480	2,037
Plumbing	9,696	15,802	25,498
Roof and Decks	-	15,764	15,764
Income Tax	192	-	192
Total Expenses	502,110	413,621	915,731
Excess (Deficiency) of Revenue Over Expenses	34,948	(182,906)	(147,958)
Association Funds Balance Beginning of Year	140,301	867,791	1,008,092
Association Funds Balance End of Year	\$ 175,249	\$ 684,885	\$ 860,134

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND ACCOMPANYING NOTES

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash Flows From Operating Activities:			
Cash Received From Members	\$ 541,056	\$ 228,912	\$ 769,968
Cash Paid To Suppliers of Goods And Services	(476,391)	(455,705)	(932,096)
Interest Received	-	1,663	1,663
Income Taxes Paid	(101)	-	(101)
Net Cash Provided By (Used In) Operating Activities	64,564	(225,130)	(160,566)
Cash Flows From Investing Activities:			
Maturity of Short-Term Investments	-	167,862	167,862
Net Increase (Decrease) In Cash And Cash Equivalents	64,564	(57,268)	7,296
Cash And Cash Equivalents At Beginning of Year	185,617	509,621	695,238
Cash And Cash Equivalents At End of Year	\$ 250,181	\$ 452,353	\$ 702,534

RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Excess (Deficiency) of Revenue Over Expenses	\$ 34,948	\$ (182,906)	\$ (147,958)
Adjustments To Reconcile Excess (Deficiency) of Revenue Over Expenses To Net Cash Provided By Operating Activities:			
Change In Assessments Receivable	3,061	-	3,061
Change In Interest Receivable	-	(140)	(140)
Change In Prepaid Expenses	2,737	-	2,737
Change In Prepaid Taxes	31	-	31
Change In Accounts Payable	22,790	(42,084)	(19,294)
Change In Prepaid Assessments	937	-	937
Change In Income Tax Payable	60	-	60
Net Cash Provided By (Used In) Operating Activities	\$ 64,564	\$ (225,130)	\$ (160,566)

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND ACCOMPANYING NOTES

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 NATURE OF ORGANIZATION

Sandpiper Village II Homeowners Association was incorporated on August 17, 1976, in the state of California. It is responsible for the operation and maintenance of the common property within the development, which is located in the city of Port Hueneme, California. The development consists of 134 residential units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The books of Sandpiper Village II Homeowners Association are maintained on the accrual basis of accounting with entries made for review and tax purposes.

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. |

Property and Equipment

Real property and common areas acquired by the original homeowners from the developer are owned by the individual owners in common and are not capitalized on the Association's financial statements.

Replacements and improvements to the real property and common areas also belong to the owners and are not capitalized on the Association's financial statements.

Cash Equivalents and Short-term Investments

Cash equivalents consist primarily of certificates of deposit and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments. Cash equivalents and short-term investments are stated at cost, which approximates market value.

Use of Estimates

The Association uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 3 REPLACEMENT FUND

The Association is funding contributions to capital for the future replacement of selected Association common areas. The funds are held in separate savings accounts to be used for the replacement of common areas only and not in the course of normal operations.

California Civil Code Section 5550 requires that associations identify the estimated remaining life of assets the association is obligated to maintain and the methods of funding used to defray future repair and replacement costs.

Industry practice is to engage outside consultants with experience in construction and maintenance to study and report on the estimated remaining life of assets that the Association is obligated to maintain and the costs of their repair and replacement. These reports address the adequacy of reserves and their funding.

A study of the Association's funding program for the replacement of Association common areas, conducted as of December 31, 2016, indicated the Association's ideal cash replacement fund balance was \$ 1,098,914 at that date. The study indicated the replacement fund was approximately 79% ideally funded.

An independent study to determine the adequacy of the funding program for the replacement of Association common areas has not been conducted for the current year. The preparation of such a study involves significant estimates by the persons preparing the study, and these estimates are subject to annual revision for changing prices, circumstances and assumptions. Accordingly, the current program and cash savings may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the monthly assessments, pass special assessments, or delay replacement until funds are available.

NOTE 4 INCOME TAXES

The Association is a corporation that is potentially taxable on all of its net income, including unspent member assessments. However, under state and federal filing elections, the Association may choose to be taxed only on its net non-membership income, which includes interest income.

The State of California allows qualifying homeowner associations to file an election to be taxed under special rules. Under this election, income from members (such as assessments) is exempt from taxation.

Federal law offers a similar election, which must be made annually. However, net non-membership income under this election is taxed at a flat rate of 30%. If the Association chooses to file as a regular corporation, it may still exclude from taxation its net membership income by making certain elections. Tax at the regular corporate tax rate is generally lower. Some of these elections, however, have come under IRS attack and certain issues are yet to be clarified.

In 2017, the Association filed as a regular corporation for federal taxes, since it had an excess of maintenance expenses over membership source income. That excess may be carried over to future periods to offset future membership source income when the Association files as a regular corporation. This election is not related to the issues involved in the recent IRS audits.

Regardless of how the Association files its taxes, non-membership income (interest) may not be offset with membership expenses (such as common area maintenance costs). That is why the Association's taxable income can be greater than its net income as recorded in the financial statements.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 4. INCOME TAXES (Continued)

Federal and California income taxes have been accrued based on the taxable portion of the income reported in the accompanying financial statements.

The years open for tax authority examination are 2014 through 2017 for federal purposes and 2013 through 2017 for state purposes. Income taxes for the current year were:

2017 INCOME TAXES	FEDERAL	STATE TAX	STATE FEE	TOTAL
Income Taxes	\$ 67	\$ 115	\$ 10	\$ 192
Less: Credit from prior year return	(12)	(19)	-	(31)
Less: Estimated payments	-	(91)	-	(91)
Income tax payable	\$ 55	\$ 5	\$ 10	\$ 70

NOTE 5 CASH AND SHORT-TERM INVESTMENTS

The Association's cash and short-term investment balances as of December 31, 2017, were as follows:

INSTITUTION	INTEREST RATE	AMOUNT	MATURITY DATE
Union Bank	-	\$ 250,181	-
Union Bank	0.02%	422,132	-
Wells Fargo Bank	0.03%	30,221	-
Union Bank	0.05%	25,230	January 29, 2018
Union Bank	0.15%	25,446	September 12, 2017
Union Bank	0.15%	31,716	February 12, 2018
CIT Bank	1.10%	150,000	August 6, 2018
Total		\$ 934,926	

As of December 31, 2017, the Association's accounts at Union Bank totaled \$ 754,705 exceeding the FDIC insurance limit of \$250,000 per depositor per institution.

NOTE 6 ASSESSMENTS RECEIVABLE

Association members are subject to annual assessments (paid in monthly installments) to fund the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments receivable at the balance sheet date represent assessments and other fees due from unit owners. Most owners live within Southern California and their ability to pay would be influenced by the local economy. The Association's CC & R's provide for various collection remedies for delinquent assessments including filing of liens on the owner's unit, foreclosing on the unit owner, and obtaining judgement on other assets of the unit owner.

NOTE 7 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Association uses the allowance method of recording bad debts. This method requires an annual provision for bad debts based on past or industry experience.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 8 ASSESSMENTS

During 2017, assessments were billed at a rate of \$ 470.00 per unit per month. The rate is budgeted to remain at \$ 470.00 per unit per month for 2018.

NOTE 9 SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 23, 2018, which is the date on which the financial statements were issued.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

SUPPLEMENTAL INFORMATION

OWENS, MOSKOWITZ AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Sandpiper Village II Homeowners Association

Our report on our review of the basic financial statements of Sandpiper Village II Homeowners Association for December 31, 2017 appears on page 3. The objective of that review was to perform procedures to obtain limited assurance as a basis for reporting whether we were 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. The supplementary information in the schedule of future repairs and replacements is the representation of management. It is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the supplementary information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and, accordingly, do not express an opinion on it.

Owens, Moskowitz and Associates, Inc.

Owens, Moskowitz and Associates, Inc.

February 23, 2018

SANDPIPER VILLAGE II HOMEOWNERS ASSOCIATION
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS
DECEMBER 31, 2017
(COMPILED)

Please Note: A current year study has not been conducted.

The board of directors contracted an independent consultant who conducted a November 23, 2016 study, projected to December 31, 2016, to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements include an inflation factor of 3% and an interest rate of 1%.

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

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	2017 Funding Requirement	Recommended Fund Balances
Decks/Walk	0 to 23 years	\$ 149,700	\$ 7,810	\$ 36,730
Asphalt	0 years	219,600	10,432	219,600
Lighting	0 to 19 years	47,550	2,656	31,701
Mailboxes	12 years	10,150	756	2,030
Wall/Railing/Fence	0 to 9 years	165,550	10,435	152,358
Utility Doors	2 years	7,500	2,095	3,750
Water Heaters	0 years	13,600	15,195	13,600
Irrigation	0 to 5 years	5,400	402	4,467
Painting	4 to 14 years	327,750	48,287	43,217
Wood Siding/Trim	4 years	18,000	4,022	3,600
Roof/Gutters/Downspouts	0 to 18 years	1,155,050	57,547	488,363
Tree Trimming	0 years	12,000	6,704	12,000
Plumbing	0 years	52,500	58,659	52,500
Landscaping	0 years	35,000	3,911	35,000
		<u>\$ 2,219,350</u>	<u>\$ 228,912</u>	<u>\$ 1,098,914</u>

As shown above, the study recommends a replacement fund balance of \$1,098,914 as of December 31, 2016 and contributions to reserves of \$228,912 during 2017. The Association's replacement fund balance at December 31, 2016 was \$867,791 or 78.97% of the recommended fund balance.