



April 28, 2017

Dear San Simeon Community Homeowner:

Enclosed is a copy of the review prepared by Allyn Moskowitz, for the fiscal year ending December 31, 2016. It is a requirement of your CC&R's and the California Civil Code that this report be sent to each homeowner annually.

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

Sincerely,

Board of Directors
San Simeon Community Association



CERTIFIED PUBLIC ACCOUNTANTS
19510 Ventura Blvd., Suite 209
Tarzana, CA 91356
(818) 708-9050 Fax (818) 708-9095

SAN SIMEON COMMUNITY ASSOCIATION

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

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SAN SIMEON COMMUNITY ASSOCIATION

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MOSKOWITZ
— AND COMPANY, INC —

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors and Members of the
San Simeon Community Association

We have reviewed the accompanying financial statements of the San Simeon Community Association, which comprise the balance sheet as of December 31, 2016, 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

Association 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 on the Financial Statements

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.

Supplementary Information

The accompanying 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 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

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 properties on page 10 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 not audited, reviewed, or compiled the required supplementary information, and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Moskowitz and Company, Inc.

Certified Public Accountants

Tarzana, CA

February 27, 2017

SAN SIMEON COMMUNITY ASSOCIATION

BALANCE SHEET

DECEMBER 31, 2016

<u>ASSETS</u>	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash	\$ 402,314	\$ 355,434	\$ 757,748
Assessments Receivable, Net of Allowance For Doubtful Accounts of \$25,506 (Note 2)	3,924	-	3,924
Prepaid Insurance	1,904	-	1,904
TOTAL ASSETS	\$ 408,142	\$ 355,434	\$ 763,576
<u>LIABILITIES</u>			
Accounts Payable	\$ 3,526	\$ -	3,526
Prepaid Assessments	11,586	-	11,586
Income Taxes Payable (Note 4)	351	-	351
TOTAL LIABILITIES	15,463	-	15,463
 Fund Balances	 392,679	 355,434	 748,113
TOTAL LIABILITIES AND FUND BALANCES	\$ 408,142	\$ 355,434	\$ 763,576

The accompanying notes are an integral part of the financial statements.
See Independent Accountant's Review Report

SAN SIMEON COMMUNITY ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

DECEMBER 31, 2016

<u>REVENUES</u>	OPERATING FUND	REPLACEMENT FUND	TOTAL
Regular Assessments	\$ 230,923	\$ 25,589	\$ 256,512
Late Charges	2,243	-	2,243
Fines	50	-	50
Interest Income	1,740	1,706	3,446
Collection Fee Income	344	-	344
TOTAL REVENUES	235,300	27,295	262,595
<u>EXPENSES</u>			
Maintenance	103,378	-	103,378
Utilities	40,726	-	40,726
General & Administrative	50,591	-	50,591
TOTAL EXPENSES	194,695	-	194,695
Excess (Deficiency) of Revenues Over Expenses	40,605	27,295	67,900
Beginning Fund Balances	352,132	328,139	680,271
Prior Period Adjustment (Note 6)	(58)	-	(58)
ENDING FUND BALANCES	\$ 392,679	\$ 355,434	\$ 748,113

The accompanying notes are an integral part of the financial statements.
See Independent Accountant's Review Report

SAN SIMEON COMMUNITY ASSOCIATION

STATEMENT OF CASH FLOWS

DECEMBER 31, 2016

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Excess (Deficiency) of Revenue Over Expenses	\$ 40,605	\$ 27,295	\$ 67,900
(Increase) Decrease in Assets:			
Assessments Receivable	(1,676)	-	(1,676)
Prepaid Insurance	120	-	120
Increase (Decrease) in Liabilities:			
Accounts Payable	(18,381)	-	(18,381)
Prepaid Assessments	(2,922)	-	(2,922)
Income Taxes Payable	288	-	288
Total Adjustments	(22,571)	-	(22,571)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	18,034	27,295	45,329
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,034	27,295	45,329
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	384,280	328,139	712,419
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 402,314	\$ 355,434	\$ 757,748
<u>SUPPLEMENTAL DISCLOSURE:</u>			
Income Taxes Paid	\$ 195		

The accompanying notes are an integral part of the financial statements.
See Independent Accountant's Review Report

SAN SIMEON COMMUNITY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization:

San Simeon Community Association, a California mutual benefit 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 334 residential units and is located in Camarillo, California. The association began its operations in September 2000.

Date of Management's Review:

In preparing the financial statements, the association has evaluated events and transactions for potential recognition or disclosure through February 27, 2017, the date that the financial statements were available to be issued.

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'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.

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 those estimates.

SAN SIMEON COMMUNITY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 and replacements and improvements are not capitalized on the association financial statements because they are owned by the individual owners in common and not by the association.

NOTE 2 – OWNERS' ASSESSMENTS AND 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. Net assessments receivable at December 31, 2016 are \$3,924.

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.

The association uses the allowance method to record bad debts. The association takes into consideration its past experience in similar circumstances and makes an evaluation of the likelihood of collection from the delinquent owner accounts. The association then records an annual reserve for those delinquent accounts that may subsequently be deemed uncollectible.

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$355,434 at December 31, 2016, are held in separate accounts and are generally not available for operating purposes. It is the policy of this association to allocate all interest earned on these funds to the appropriate fund.

The association engaged an independent consultant who conducted a study in November 2016 to estimate the remaining useful lives and the replacement costs of the common property components. The association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, 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 future needs. If additional funds are needed, however, the association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

SAN SIMEON COMMUNITY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 4 - INCOME TAXES

The association is a tax-exempt organization under Section 528 of the Internal Revenue Code. Under that section, exempt function income is exempt from taxation, and the association is taxed only on its non-exempt function income at 30% by the federal government and at 8.84% by the State of California. Alternatively, if certain specific filing requirements are satisfied, the association can elect to be taxed as a regular corporation for federal tax purposes. When filing as a regular corporation, membership income is exempt from taxation and the association is taxed only on its non-membership income at regular federal tax rates.

As of December 31, 2016, the association's provision for federal and state income taxes is \$351.

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, 2016, 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 ADJUSTMENT

An accounting adjustment was made during the year ended December 31, 2016 which affected the prior fiscal year. The prior period adjustment is summarized below:

	<u>Operating</u>	<u>Replacement</u>
Beginning Cash Balance Adjustment	\$ (58)	\$ -
Total Prior Period Adjustment	\$ (58)	\$ -

NOTE 7 - UNINSURED CASH BALANCES

The association maintains its cash balances at one or more financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in these accounts may exceed the FDIC insured amount of \$250,000. Funds maintained in brokerage accounts are not federally insured, but are privately insured by the Securities Investor Protection Corporation (SIPC).

SAN SIMEON COMMUNITY ASSOCIATION

SUPPLEMENTARY SCHEDULE OF OPERATING FUND EXPENSES

DECEMBER 31, 2016

MAINTENANCE

Landscaping	\$	101,007	
Pest Control		2,371	
TOTAL MAINTENANCE EXPENSE			\$ 103,378

UTILITIES

Electricity		1,209	
Water / Sewer		39,517	
TOTAL UTILITIES EXPENSE			40,726

GENERAL & ADMINISTRATIVE

Accounting		1,300	
Legal		1,188	
BOD & Committee		460	
Clerical / Minutes		600	
Insurance		6,201	
Management Services		32,064	
Postage & Reproduction		6,871	
Reserve Study		825	
Income Taxes		483	
Website		210	
Miscellaneous		389	
TOTAL GENERAL & ADMINISTRATIVE			50,591
TOTAL OPERATING FUND EXPENSES			\$ 194,695

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

See Independent Accountant's Review Report

SAN SIMEON COMMUNITY ASSOCIATION

SUPPLEMENTARY SCHEDULE OF REPLACEMENT FUND EXPENSES

DECEMBER 31, 2016

REPLACEMENT FUND COMPONENTS

Asphalt - Resurface	\$	-
Asphalt - Slurry Seal		-
Concrete		-
Concrete Sidewalks		-
Backflow / Irrigation		-
Irrigation Timeclock		-
Landscaping		-
Trash Recept/Benches		-
Wrought Iron - Paint		-
Wrought Iron - Replace		-
Contingency		-
		<hr/>
TOTAL REPLACEMENT FUND EXPENSES	\$	-
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The accompanying notes are an integral part of the financial statements.
See Independent Accountant's Review Report

SAN SIMEON COMMUNITY ASSOCIATION

SUPPLEMENTARY INFORMATION ON REPLACEMENT FUND BALANCES

DECEMBER 31, 2016

An independent consultant conducted a study on November 5, 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 or 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.

COMPONENTS	Estimated Remaining Useful Life 12/31/16	Estimated Current Replacement Cost 12/31/16	Fund Balance 12/31/16
Wrought Iron Fencing - Repaint	0	\$ 41,250	
Asphalt - Overlay	6	24,063	
Asphalt - Slurry Seal	2	2,538	
Concrete Sidewalks	5	2,138	
Wrought Iron Fencing - Replace	5	206,250	
Park Furniture - Replace	3	8,000	
Irrigation Clocks	0	3,000	
Backflow Devices	1	2,000	
Landscaping	1	30,000	
TOTALS		\$ 319,239	\$ 355,434

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