



August 26, 2013

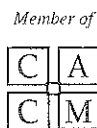
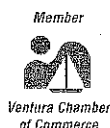
Dear Sandalwood Village Homeowners' Association:

Enclosed is a copy of the audit prepared by Allyn Moskowitz, for the fiscal year ending May 31, 2013. 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 home.

Sincerely,

Board of Directors  
Sandalwood Village Homeowners' Association



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**ALLYN M. MOSKOWITZ**

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**SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION**

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**MAY 31, 2013**

# **SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION**

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## **INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors and Members of the  
Sandalwood Village Homeowners' Association

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Sandalwood Village Homeowners' Association, which comprise the balance sheet as of May 31, 2013, 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.

### **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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

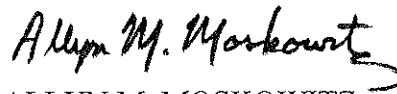
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sandalwood Village Homeowners' Association as of May 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacement 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



ALLYN M. MOSKOWITZ  
CERTIFIED PUBLIC ACCOUNTANT

July 17, 2013  
Tarzana, CA

**SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION**

**BALANCE SHEET**

**MAY 31, 2013**

<b><u>ASSETS</u></b>	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
Cash	\$ 105,042	\$ 479,308	\$ 584,350
Assessments Receivable, Net of Allowance For Doubtful Accounts of \$17,739(Note 2)	12,473	24,937	37,410
Prepaid Insurance	32,083	-	32,083
Due From Replacement Fund	15,004	-	15,004
<b>TOTAL ASSETS</b>	<b>\$ 164,602</b>	<b>\$ 504,245</b>	<b>\$ 668,847</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 8,527	\$ 1,759	10,286
Prepaid Assessments	12,674	-	12,674
Income Taxes Payable (Note 4)	13	-	13
Due To Operating Fund	-	15,004	15,004
<b>TOTAL LIABILITIES</b>	<b>21,214</b>	<b>16,763</b>	<b>37,977</b>
 Fund Balances	 143,388	 487,482	 630,870
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 164,602</b>	<b>\$ 504,245</b>	<b>\$ 668,847</b>

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

**SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**

**MAY 31, 2013**

<u>REVENUES</u>	OPERATING FUND	REPLACEMENT FUND	TOTAL
Regular Assessments	\$ 511,596	\$ 183,924	\$ 695,520
Special Assessments	-	84,000	84,000
Late Charges	6,823	-	6,823
Fines	7,044	-	7,044
Interest Income	-	614	614
Keys Fee	300	-	300
Miscellaneous	1,600	279	1,879
<b>TOTAL REVENUES</b>	<b>527,363</b>	<b>268,817</b>	<b>796,180</b>
 <u>EXPENSES</u>			
Maintenance	102,192	-	102,192
Utilities	198,282	-	198,282
General & Administrative	168,946	-	168,946
Reserve Expenditures	-	87,467	87,467
<b>TOTAL EXPENSES</b>	<b>469,420</b>	<b>87,467</b>	<b>556,887</b>
Excess (Deficiency) of Revenues Over Expenses	57,943	181,350	239,293
Beginning Fund Balances	29,418	349,356	378,774
Interfund Transfer	43,224	(43,224)	-
Prior Period Adjustment (Note 6)	12,803	-	12,803
<b>ENDING FUND BALANCES</b>	<b>\$ 143,388</b>	<b>\$ 487,482</b>	<b>\$ 630,870</b>

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

**SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**MAY 31, 2013**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Excess (Deficiency) of Revenue Over Expenses	\$ 57,943	\$ 181,350	\$ 239,293
(Increase) Decrease in Assets:			
Assessments Receivable	15,602	(24,937)	(9,335)
Prepaid Insurance	36,319	-	36,319
Prepaid Income Taxes	381	-	381
Due From Replacement Fund	(15,004)	-	(15,004)
Due From Operating Fund	-	27,848	27,848
Increase (Decrease) in Liabilities:			
Accounts Payable	(5,496)	1,759	(3,737)
Prepaid Assessments	2,360	-	2,360
Income Taxes Payable	3	-	3
Due To Operating Fund	-	15,004	15,004
Due To Replacement Fund	(27,848)	-	(27,848)
Total Adjustments	6,317	19,674	25,991
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	64,260	201,024	265,284
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>			
Interfund Transfer	43,224	(43,224)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	43,224	(43,224)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	107,484	157,800	265,284
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(2,442)	321,508	319,066
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 105,042	\$ 479,308	\$ 584,350
<b><u>SUPPLEMENTAL DISCLOSURE:</u></b>			
Income Taxes Paid	\$ 10		

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



# SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013

### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization:**

Sandalwood Village Homeowners' 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 168 residential units and is located in Simi Valley, California. The association began its operations in November 1983.

#### **Date of Management's Review:**

In preparing the financial statements, the association has evaluated subsequent events through July 17, 2013, the date the financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

#### **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.

# SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013

### **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 May 31, 2013 are \$37,410.

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 that funds be accumulated for future major repairs and replacements. Accumulated funds, which total \$479,308 at May 31, 2013, 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.

# SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013

### 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 May 31, 2013, the association's provision for federal and state income taxes is \$13.

The association's tax returns for 2009-2010, 2010-2011 and 2011-2012 are open to potential examination by various tax authorities under the standard provisions of the statute of limitations.

### 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 May 31, 2013, 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 May 31, 2013 which affected the prior calendar year. The prior period adjustment is summarized below:

		Operating		Replacement
Prior Year Accounts Receivable Adjustment	\$	12,803	\$	-
Total Prior Period Adjustment	\$	12,803	\$	-

**SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION**

**SUPPLEMENTARY SCHEDULE OF OPERATING FUND EXPENSES**

**MAY 31, 2013**

**MAINTENANCE**

Landscaping	\$	50,437	
Repair & Maintenance		29,149	
Pest Control		7,083	
Pool		15,523	
TOTAL MAINTENANCE EXPENSE .....			\$ 102,192

**UTILITIES**

Electricity		20,428	
Gas		37,388	
Water & Sewer		88,486	
Rubbish Collection		51,980	
TOTAL UTILITIES EXPENSE .....			198,282

**GENERAL & ADMINISTRATIVE**

Accounting		1,400	
Legal		1,654	
Board of Director & Committee		237	
Insurance		132,879	
Management Services		24,696	
Postage & Reproduction		7,705	
Income Taxes		107	
Miscellaneous		268	
TOTAL GENERAL & ADMINISTRATIVE .....			168,946
TOTAL OPERATING FUND EXPENSES .....			\$ 469,420

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

**SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION**

**SUPPLEMENTARY SCHEDULE OF REPLACEMENT FUND EXPENSES**

**MAY 31, 2013**

**REPLACEMENT FUND COMPONENTS**

Roofs	\$ 25,518
Rain Gutters/Downspouts	-
Paint	197
Siding	2,387
Asphalt	1,750
Utility Doors	-
Concrete Sidewalks	-
Balcony Decks	-
Water Heaters	4,924
Monument	-
Maps	-
Mailboxes	-
Fencing	-
Pool/Spa	1,944
Tennis Court	-
Pole Light Fixtures	245
Irrigation Clocks	-
Backflow Devices	-
Tree Trimming	9,540
Recirculation Pumps	847
Termite Treatment	28,665
Plumbing	7,362
Contingency	4,088
	<hr/>
TOTAL REPLACEMENT FUND EXPENSES .....	\$ 87,467
	<hr/> <hr/>

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

# SANDALWOOD VILLAGE HOMEOWNERS' ASSOCIATION

## SUPPLEMENTARY INFORMATION ON REPLACEMENT FUND BALANCES

MAY 31, 2013

An outside consultant conducted a study on April 2, 2012 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 as of 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 5/31/12	Estimated Current Replacement Cost 5/31/12	Fund Balance 5/31/13
Roofs	3-15	\$ 754,650	
Rain Gutters/Downspouts	3	100,200	
Paint	2-5	257,200	
Siding	11	52,500	
Asphalt	0-11	163,800	
Utility Doors	5	14,400	
Concrete Sidewalks	4	5,000	
Balcony Decks	2-18	153,000	
Water Heaters	1	10,500	
Monument	2	2,000	
Maps	10	4,500	
Mailboxes	4	14,700	
Fencing	5-15	73,375	
Pool/Spa	0-10	49,350	
Tennis Court	0	8,975	
Pole Light Fixtures	5	52,000	
Irrigation Clocks	1	1,000	
Backflow Devices	7	3,250	
Tree Trimming	0	11,000	
Recirculation Pumps	1	2,550	
Termite Treatment	0	10,000	
TOTALS		\$ 1,743,950	\$ 487,482

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