



April 11, 2017

Dear Orchard Lane Terrace Homeowner,

Enclosed is a copy of the review prepared by Jimenez & Company, for the fiscal year ending December 31, 2016. 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
Orchard Lane Terrace Homeowners Association

Orchard Lane Terrace Homeowners Association

Review Report Financial Statements & Supplementary Information December 31, 2016

Prepared by:

Jimenez & Company

CERTIFIED PUBLIC ACCOUNTANT

www.jimenezandcompany.net

*Members - Community Associations Institute – Channel Islands
American Institute of Certified Public Accountants
California Society of Certified Public Accountants*

JIMENEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANT
Joyce E. Jimenez, CPA



Independent Accountant's Review Report

To the Board of Directors and Homeowners
Orchard Lane Terrace Homeowners Association
Oxnard, California

We have reviewed the accompanying balance sheet of Orchard Lane Terrace Homeowners 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. 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 the 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 in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (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 my conclusion.

Required Supplementary Information

Generally accepted accounting principles require that the supplementary information about future major repairs and replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the AICPA, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic or historical context. We did not compile, review or audit the required supplementary information and, accordingly, do not express an opinion or provide any assurance on the information.

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 conformity with accounting principles generally accepted in the United States of America.

Jimenez & Company
Certified Public Accountant
Camarillo, CA
Report Date: April 5, 2017

ORCHARD LANE TERRACE HOMEOWNERS ASSOCIATION

Balance Sheet
December 31, 2016

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash, including interest bearing deposits	\$ 140,871	\$ 158,299	\$ 299,170
Investments		622,943	622,943
Assessments Receivable	58,100		58,100
Less: Allowance for Bad Debts	(52,621)		(52,621)
Prepaid Insurance	21,916		21,916
Prepaid Income Taxes	2		2
Interest Receivable		331	331
TOTAL ASSETS	\$ 168,268	\$ 781,573	\$ 949,841
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 11,168	\$	\$ 11,168
Assessments Received in Advance	10,510		10,510
Pool Key Deposits	5,900		5,900
Income Taxes Payable	61		61
TOTAL LIABILITIES	27,639		27,639
FUND BALANCES (NOTE 1)			
Operating	140,629		140,629
Replacement (Note 2)		781,573	781,573
TOTAL FUND BALANCES	140,629	781,573	922,202
TOTAL LIABILITIES AND FUND BALANCES	\$ 168,268	\$ 781,573	\$ 949,841

ORCHARD LANE TERRACE HOMEOWNERS ASSOCIATION

Statement of Changes in Fund Balances
For the Year Ended December 31, 2016

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Balance at the Beginning of the Year	\$ 142,788	\$ 639,194	\$ 781,982
Excess <Deficiency> of Revenues over Expenses	(2,159)	142,379	140,220
Balance at the End of the Year	<u>\$ 140,629</u>	<u>\$ 781,573</u>	<u>\$ 922,202</u>

See accountants' review report and the accompanying notes to the financial statements.

ORCHARD LANE TERRACE HOMEOWNERS ASSOCIATION

Statement of Revenues and Expenses For the Year Ended December 31, 2016

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Assessments	\$ 389,685	\$ 157,515	\$ 547,200
Interest		2,701	2,701
Miscellaneous	2,229		2,229
TOTAL REVENUES	391,914	160,216	552,130
 EXPENSES			
Review & Tax Preparation	1,200		1,200
Cable	27,619		27,619
Electricity	11,523		11,523
Federal Taxes	198		198
Gas	4,084		4,084
Insurance	81,502		81,502
Janitorial	1,665		1,665
Landscape	52,491		52,491
Legal	1,335		1,335
Management	16,758		16,758
Miscellaneous	2,137		2,137
Pest Control	11,027		11,027
Pool	10,391		10,391
Postage & Copies	4,783		4,783
Repairs & Maintenance	29,766		29,766
Reserve Study	1,325		1,325
Security	109		109
State Taxes	221		221
Trash	37,431		37,431
Water & Sewer	98,508		98,508
Reserve Expenses			
Landscaping		995	995
Lights		738	738
Roofs		3,680	3,680
Wood Replacement		12,424	12,424
TOTAL EXPENSES	394,073	17,837	411,910
 EXCESS <DEFICIENCY> OF REVENUES OVER EXPENSES	 \$ (2,159)	 \$ 142,379	 \$ 140,220

See accountants' review report and the accompanying notes to the financial statements.

ORCHARD LANE TERRACE HOMEOWNERS ASSOCIATION

Statement of Cash Flows For the Year Ended December 31, 2016

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<i>Cash Flows from Operating Activities:</i>			
Cash from Assessments	\$ 392,669	\$ 157,515	\$ 550,184
Interest Received		2,370	2,370
Miscellaneous Income	2,229		2,229
Income Taxes Paid	(303)		(303)
Cash Paid for Services and Products	(400,190)	(17,837)	(418,027)
Net Increase <Decrease> in Cash from Operating Activities	(5,595)	142,048	136,453
<i>Cash Flows from Investing Activities:</i>			
Purchase of Investments		(115,374)	(115,374)
Net Increase <Decrease> in Cash	(5,595)	26,674	21,079
Cash, including interest bearing deposits, at the Beginning of Year	146,466	131,625	278,091
Cash, including interest bearing deposits, at the End of Year	<u>\$ 140,871</u>	<u>\$ 158,299</u>	<u>\$ 299,170</u>

Reconciliation of Excess <Deficiency> of Revenues over Expenses to Net Cash Received by Operations:

Excess <Deficiency> of			
Revenues over Expenses	\$ (2,159)	\$ 142,379	\$ 140,220
Decreased Assessments Receivable	6,264		6,264
Increased Bad Debt Allowance	1,341		1,341
Increased Prepaid Insurance	(7,412)		(7,412)
Decreased Prepaid Taxes	92		92
Increased Interest Receivable		(331)	(331)
Decreased Accounts Payable	(400)		(400)
Decreased Prepaid Assessments	(3,280)		(3,280)
Decreased Taxes Payable	(42)		(42)
Rounding	1		1
Net Increase <Decrease> in Operating Cash	<u>\$ (5,595)</u>	<u>\$ 142,048</u>	<u>\$ 136,453</u>

ORCHARD LANE TERRACE HOMEOWNERS ASSOCIATION

Notes to the Financial Statements
December 31, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Orchard Lane Terrace Homeowners Association was incorporated October 24, 1975 in the state of California as a mutual benefit corporation. The Association is responsible for the operation and maintenance of the common property. This is a 114 unit planned residential development located in Oxnard, California.

Accounting Method

The Association prepares its statements on the accrual basis of accounting whereby income and expenses are recognized when earned and incurred. Fund accounting is employed to properly account for the monies. The Operating Fund is used to pay for all utility, insurance, general maintenance, landscaping, and administrative obligations of the Association. The Replacement Fund has been established to meet the replacement and major repair obligations of the Association with regard to the common area components.

The Association's primary accounting records are maintained by an outside management company appointed by the Board of Directors.

Capitalization Policy

Replacements and improvements to the real property are not capitalized on the books of the Association as assets are owned in common by the individual members of the Association. Property and equipment acquired by the Association are recorded at cost. The property is depreciated over its estimated useful lives using the straight line method of depreciation. There is no capitalized property at the end of the year.

Assessments Receivable

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on the assets of the unit owner. The Association uses the allowance method to account for uncollectible assessments receivable.

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.

Cash, Including Interest Bearing Deposits

For purposes of the statement of cash flows, Cash, including Interest Bearing Deposits, includes cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less.

Investments

Investments include certificates of deposit with original maturities over ninety days. These are level one type investments, classified as such when that investment is quoted in an active market and is measured at the unadjusted quoted market price.

Date of Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the review report, which is the date that the financial statements were available to be issued.

ORCHARD LANE TERRACE HOMEOWNERS ASSOCIATION

Notes to the Financial Statements
December 31, 2016

NOTE 2 - REPLACEMENT FUNDING PROGRAM

The Association is currently funding replacement reserve accounts for the future major repair and replacement of Association common areas as disclosed in Note 1. Accumulated funds are held in separate accounts and are generally not available for operating purposes. The funding is based upon a professional reserve study approved by the board of directors.

An independent study was conducted in April 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs are derived from actual contractor prices or by using standard construction industry estimating techniques. Funding requirements consider an annual inflation rate of 3.50% and interest earned of 0.25% on amounts funded for future repairs and replacements. The table included in the Supplementary Information on Future Major Repairs and Replacements on page 9 is based on this study.

The Board of Directors is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Funding in the amount of \$547,200 has been included in the 2017 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and variations may be material. Therefore, the 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, subject to certain legal limitations, to increase monthly assessments, pass special assessments, or delay replacement if these funds are found to be inadequate for all future costs.

NOTE 3 - INCOME TAXES

Associations may be taxed either as homeowners associations or as regular corporations. For the current year the Association chose to file as a regular corporation subject to Internal Revenue Code Section 277. In general, the Association is required to separate its income and deductions into membership, nonmembership and capital transactions. Generally, the Association is not taxed on income received from its members solely as a function of their membership in the Association. Nonmembership income, which includes interest earnings, is taxed at 15% for the first \$50,000.00 of taxable income, with graduated tax rates up to 39% above \$50,000.00. Certain expenses were allocated to offset a portion of the taxable income.

The Association's tax returns are subject to audit. The federal tax returns for the current and prior two fiscal years remain open for examination by the IRS. The state tax returns for the current and prior three fiscal years remain open for examination by the Franchise Tax Board. In evaluating the Association's tax positions and accruals, the Association believes that its estimates are appropriate based on the current facts and circumstances.

NOTE 4 - OWNERS' ASSESSMENTS

Monthly assessments to owners were \$400. Of this amount, a portion was designated to the replacement fund.

The annual budget and owners' assessments are determined by the Board of Directors, within certain restrictions. The Association retains excess operating funds at the end of the year, if any, for use in future operating periods.

ORCHARD LANE TERRACE HOMEOWNERS ASSOCIATION

Notes to the Financial Statements
December 31, 2016

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Association contracts with various service providers for maintenance and management of its facilities and equipment. These contracts are generally one year or less in duration.

NOTE 6 - UNINSURED CASH BALANCES

The Association's cash deposits are with various financial institutions. Beginning January 1, 2013, noninterest bearing accounts are no longer insured separately by FDIC. Instead, all accounts in one financial institution are combined and the maximum FDIC insurance amount per bank is \$250,000. At the end of the year, bank balances exceeded the new FDIC limitation by over \$154,000.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated events and transactions for potential recognition or disclosure through April 5, 2017, the date the financial statements were available to be issued.

ORCHARD LANE TERRACE HOMEOWNERS ASSOCIATION

December 31, 2016
 Supplementary Information on Future Major Repairs
 and Replacements
 (Unaudited)

A study was prepared on April 14, 2016 by Complex Soutions, Ltd. for the period beginning January 1, 2017 to December 31, 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.50% and interest of 0.25% net of taxes, on amounts funded for future major repairs and replacements. The following table is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life	Estimated Replacement Costs	Fund Balance at Year End
Paint	1-6 yrs.	\$ 165,750	
Asphalt	1-15 yrs.	132,338	
Concrete	1 yr.	10,000	
Fencing	7-13 yrs.	136,963	
Lights	0 yrs.	15,025	
Landscape	0 yrs.	30,000	
Roofs	4-19 yrs.	1,122,240	
Pool/Spa	0-5 yrs.	25,900	
Pool Furniture	0 yrs.	3,750	
Exterior Shower	0 yrs.	1,500	
Restrooms	0 yrs.	7,000	
Wood Surfaces	11 yrs.	110,000	
Camera System	4 yrs.	2,000	
TOTAL			\$ <u>781,573</u>

Percent Funded as of January 1, 2017 - 95%