



August 22, 2016

Dear Quailridge II Homeowner:

Enclosed is a copy of the audit prepared by Allyn M. Moskowitz, for the fiscal year ending April 30, 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 with the other permanent records for your home.

Very truly yours,

Board of Directors
Quailridge II Homeowners' Association



ALLYN M. MOSKOWITZ

CERTIFIED PUBLIC ACCOUNTANT

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**MOUNTAIN MEADOWS QUAILRIDGE II
HOMEOWNERS' ASSOCIATION**

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

APRIL 30, 2016

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MOUNTAIN MEADOWS QUAILRIDGE II HOMEOWNERS' ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors and Members of the
Mountain Meadows Quailridge II Homeowners' Association

I have audited the accompanying financial statements of the Mountain Meadows Quailridge II Homeowners' Association, which comprise the balance sheet as of April 30, 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.

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

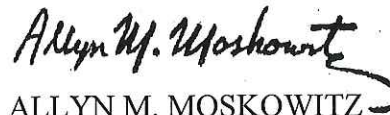
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain Meadows Quailridge II Homeowners' Association as of April 30, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting 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 8 and 9 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 11, 2016
Tarzana, CA

MOUNTAIN MEADOWS QUAILRIDGE II HOMEOWNERS' ASSOCIATION

BALANCE SHEET

APRIL 30, 2016

<u>ASSETS</u>	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash	\$ 78,972	\$ 85,739	\$ 164,711
Assessments Receivable, Net of Allowance For Doubtful Accounts of \$4,136 (Note 2)	1,247	-	1,247
Prepaid Insurance	6,349	-	6,349
Prepaid Income Taxes	193	-	193
TOTAL ASSETS	\$ 86,761	\$ 85,739	\$ 172,500
 <u>LIABILITIES</u>			
Accounts Payable	\$ 6,414	\$ -	\$ 6,414
Prepaid Assessments	4,910	-	4,910
Income Taxes Payable (Note 4)	10	-	10
TOTAL LIABILITIES	11,334	-	11,334
Fund Balances	75,427	85,739	161,166
TOTAL LIABILITIES AND FUND BALANCES	\$ 86,761	\$ 85,739	\$ 172,500

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

MOUNTAIN MEADOWS QUAILRIDGE II HOMEOWNERS' ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

APRIL 30, 2016

<u>REVENUES</u>	OPERATING FUND	REPLACEMENT FUND	TOTAL
Regular Assessments	\$ 162,208	\$ 21,272	\$ 183,480
Late Fees	602	-	602
Interest Income	-	18	18
Key Fees	250	-	250
TOTAL REVENUES	163,060	21,290	184,350
<u>EXPENSES</u>			
Maintenance	80,746	-	80,746
Utilities	38,147	-	38,147
General & Administrative	35,959	-	35,959
Reserve Expenditures	-	21,214	21,214
TOTAL EXPENSES	154,852	21,214	176,066
Excess (Deficiency) of Revenues Over Expenses	8,208	76	8,284
Beginning Fund Balances	67,219	85,663	152,882
ENDING FUND BALANCES	\$ 75,427	\$ 85,739	\$ 161,166

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

MOUNTAIN MEADOWS QUAILRIDGE II HOMEOWNERS' ASSOCIATION

STATEMENT OF CASH FLOWS

APRIL 30, 2016

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Excess (Deficiency) of Revenue Over Expenses	\$ 8,208	\$ 76	\$ 8,284
(Increase) Decrease in Assets:			
Assessments Receivable	1,301	-	1,301
Prepaid Insurance	(5,832)	-	(5,832)
Increase (Decrease) in Liabilities:			
Accounts Payable	2,636	-	2,636
Prepaid Assessments	1,816	-	1,816
Total Adjustments	(79)	-	(79)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	8,129	76	8,205
<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	8,129	76	8,205
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	70,843	85,663	156,506
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 78,972	\$ 85,739	\$ 164,711
<u>SUPPLEMENTAL DISCLOSURE:</u>			
Income Taxes Paid	\$ 10		

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

MOUNTAIN MEADOWS QUAILRIDGE II HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization:

Mountain Meadows Quailridge II 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 139 residential units and is located in Moorpark, California. The association began its operations in May 1987.

Date of Management's Review:

In preparing the financial statements, the association has evaluated events and transactions for potential recognition or disclosure through July 11, 2016, 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.

MOUNTAIN MEADOWS QUAILRIDGE II HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 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 April 30, 2016 are \$1,247.

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 \$85,739 at April 30, 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 February 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 all 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.

MOUNTAIN MEADOWS QUAILRIDGE II HOMEOWNERS' ASSOCIATION

SUPPLEMENTARY SCHEDULE OF REPLACEMENT FUND EXPENSES

APRIL 30, 2016

REPLACEMENT FUND COMPONENTS

Clubhouse A/C	-
Folding / Stackable Furniture	-
Kitchen	-
Landscaping	-
Painting	875
Pitched Roof	\$ -
Pole Light Fixtures	-
Pool / Spa	3,450
Pool Furniture	-
Restrooms	-
Security Camera System	-
Smart Clocks	-
Tile Flooring	-
Tree Trimming	13,369
Wader	-
Water Heater	-
Wood Fencing	-
Wrought Iron Fencing	-
Contingency	3,520
Bank Charges	-
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TOTAL REPLACEMENT FUND EXPENSES	\$ 21,214
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The accompanying notes are an integral part of the financial statements.

MOUNTAIN MEADOWS QUAILRIDGE II HOMEOWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON REPLACEMENT FUND BALANCES

APRIL 30, 2016

An independent consultant conducted a study on February 26, 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 4/30/16	Estimated Current Replacement Cost 4/30/16	Fund Balance 4/30/16
Clubhouse A/C	0	1,250	
Folding / Stackable Furniture	3	1,750	
Kitchen	5	8,000	
Landscaping	2	12,000	
Painting	0-5	6,693	
Pitched Roof	1	6,775	
Pole Light Fixtures	5	6,125	
Pool / Spa	0-9	28,250	
Pool Furniture	0-3	13,250	
Restrooms	5	14,000	
Security Camera System	3	4,000	
Smart Clocks	1	14,000	
Tile Flooring	6	4,113	
Tree Trimming	1	13,350	
Wader	0-3	3,850	
Water Heater	2	850	
Wood Fencing	1	2,500	
Wrought Iron Fencing	5	16,250	
TOTALS		\$ 157,006	\$ 85,739

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