

CHATEAU PARK HOMEOWNERS ASSOCIATION

**COMPILATION REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2009

CHATEAU PARK HOMEOWNERS ASSOCIATION

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PURDY & COMPANY
CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors
Chateau Park Homeowners Association

We have compiled the accompanying statement balance sheet of Chateau Park Homeowners' Association as of December 31, 2009, and the related statements of Income, retained earnings and cash flows for the period then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. Chateau Park Homeowners Association has not presented this supplementary information.

Purdy & Co.
Certified Public Accountant

Westlake Village, CA

October 29, 2010

A handwritten signature in cursive script that reads "Purdy & Co." with a stylized flourish at the end.

CHATEAU PARK HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2009

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
ASSETS			
Cash - Operating	\$63,457		\$63,457
Cash - Reserves		\$436,557	436,557
Assessment Receivable-net of Bad Debts	6,144		6,144
Prepaid Insurance	20,015		20,015
Prepaid Federal Taxes		3,835	3,835
TOTAL ASSETS	<u>\$89,616</u>	<u>\$440,392</u>	<u>\$530,008</u>
LIABILITIES			
Accounts Payable	\$13,933		\$13,933
Prepaid Assessments	9,865		9,865
State Income Tax Liability		\$1,304	1,304
Other Current Liabilities	150		150
TOTAL LIABILITIES	<u>23,948</u>	<u>1,304</u>	<u>25,252</u>
FUND BALANCES	65,668	439,088	504,756
TOTAL LIABILITIES & FUND BALANCES	<u>\$89,616</u>	<u>\$440,392</u>	<u>\$530,008</u>

See Accountant's Compilation Report.
The accompanying notes are an integral part of this financial statement.

CHATEAU PARK HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
REVENUES			
Member Assessments	\$410,833	\$57,167	\$468,000
Interest	189	11,286	11,475
Miscellaneous	5,081		5,081
TOTAL REVENUES	416,103	68,453	484,556
EXPENSES			
Operating & Income Taxes	344,854	2,466	347,320
Administrative	51,610		51,610
Reserve Expenses		31,643	31,643
TOTAL EXPENSES	396,464	34,109	430,573
Excess (deficiency) of revenues over expenses	19,639	34,344	53,983
Beginning fund balances	9,444	441,329	450,773
Transfers into (out of) funds	36,585	(36,585)	0
ENDING FUND BALANCES	\$65,668	\$439,088	\$504,756

See Accountant's Compilation Report.
The accompanying notes are an integral part of this financial statement.

CHATEAU PARK HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess Revenues over (Expenses)	\$ 19,639	\$ 34,344	\$ 53,983
Adjustments to reconcile Excess Revenue to net cash provided by operating activities:			
Reserve Expenditures		31,643	\$ 31,643
(Increase) Decrease in Current Assets:			
Assessments Receivable	2,366		2,366
Prepaid Insurance	(20,015)		(20,015)
Prepaid Federal Taxes		1,504	1,504
Increase (Decrease) in Current Liabilities:			
Accounts Payable	(7,429)		(7,429)
Prepaid Assessments	6,780		6,780
Income Taxes Payable		(226)	(226)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,341	67,265	68,606
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfer from Reserve Fund	36,585	(36,585)	0
Prior Period Adjustment	(11,104)	11,104	0
Reserve Expenditures		(31,643)	(31,643)
NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	25,481	(57,124)	(31,643)
NET INCREASE (DECREASE) IN CASH	26,822	10,141	36,963
CASH - BEGINNING OF YEAR	36,635	426,416	463,051
CASH - END OF YEAR	\$ 63,457	\$ 436,557	\$ 500,014
SUPPLEMENTAL DISCLOSURE:			
Income Taxes Paid		\$0	\$0

See Accountant's Compilation Report
The accompanying notes are an integral part of this financial statement.

CHATEAU PARK HOMEOWNERS ASSOCIATION
SUPPLEMENTARY SCHEDULE OF OPERATING FUND EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATING EXPENSES

Electrical & Plumbing Repairs	\$16,163
Electricity	6,277
Gas	1,102
General Repair & Maintenance	12,534
Insurance	120,956
Janitorial Service	1,890
Landscaping & Gardening	83,957
Pest Control	3,900
Pool Maintenance	5,549
Security	5,500
Sub Meter Reading	17,360
Trash	38,634
Water & Sewer	31,032

TOTAL OPERATING EXPENSES	<u>344,854</u>
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ADMINISTRATIVE EXPENSES

Bad Debt Expense	21,505
Bank Charges	361
Legal/Collection Fees	2,788
Management Fees	21,600
Miscellaneous Admin	814
Printing & Postage	3,292
Reserve Study	1,250

TOTAL ADMINISTRATIVE EXPENSES	<u>51,610</u>
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TOTAL OPERATING FUND EXPENSES	<u><u>\$396,464</u></u>
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See Accountant's Compilation Report.
 The accompanying notes are an integral part of this financial statement.

CHATEAU PARK HOMEOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Chateau Park Homeowners Association is a 200 unit planned development located in Newbury Park, California. The Association 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.
- B. The Association maintains its books and records on the accrual basis of accounting. As a result, revenues are recorded when earned, and expenses are recorded when incurred.
- C. The Association is a not-for-profit organization which employs a fund method of accounting. The fund method properly accounts for restrictions on the expenditures resulting from actions of the Board of Directors or the Association voting membership.

This Financial Statement separates funds into two classes. The first is the operating fund; these are funds whose disposition is at the discretion of the Board of Directors and the property manager and are generally used for operating expenses. The second is the unrestricted Reserves; these are to be used for replacement of common area expenditures and may be used for general operating purposes.

It is the Association's policy that any excess funds at the end of the operating year will be allocated to the following year or held as additional funds for the replacement of Association assets.

- D. The Association's checking and savings accounts, as well as its primary accounting records, are maintained by Gold Coast Association Management, Inc. located in Newbury Park, California. Gold Coast Association Management, Inc. has been issued a Fidelity Bond in the amount of \$500,000. The insured party is Gold Coast Association Management, Inc.
- E. Association members are subject to a monthly assessment of \$195 each month. The assessment receivable balance as of December 31, 2009 represents the quarterly assessments, late fees, fines, and other charges due from the homeowners. The Association uses the allowance method to account for bad debts. As of December 31, 2009 the balance in the allowance account is \$40,442.

CHATEAU PARK HOMEOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- F. The Association has used estimates in the preparation of the Financial Statements to be in conformity with generally accepted accounting principles.

NOTE 2 - REPLACEMENT RESERVES

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings and certificates of deposit accounts and are generally not available for expenditures for normal operations. A formal independent reserve study determines the adequacy or deficiency of the association's actual reserves compared to the calculated reserve requirement. Actual replacement costs and major improvements are utilized to determine the optimum reserve requirement.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income 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 for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 3 - INCOME TAXES

Chateau Park Homeowners' Association files income taxes on a calendar year end. The Association has elected to be taxed as a regular corporation under the provisions of Section 277 of the Internal Revenue Code. Accordingly, the Association has taxable income of \$10,023 and a Federal income tax liability of \$1,504 for the year ended December 31, 2009.

The Association has been granted a Section 23701 (t) exemption by the State of California. Any income from sources other than membership dues, fees, and assessments (exempt-function income) is taxable if it exceeds \$100 per year. The Association has taxable income of \$10,886 and a state income tax liability of \$962 for the year ended December 31, 2009.

**CHATEAU PARK HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON REPLACEMENT FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Replacement Costs	Useful Life	Remaining Useful Life	Ideal Reserves	12/31/2009
Pool Building Roof-Replace	\$2,025	30	5	\$1,688	\$1,148
Building Stucco Surfaces-Repaint	140,000	12	5	81,667	55,540
Wood Trim-Repaint	110,000	6	0	110,000	74,810
Wrought Iron Fencing-Repaint	12,950	5	0	12,950	8,807
Block/Stucco Wall-Repaint	26,400	12	0	26,400	17,954
Stamped Concrete-Repaint	240,288	10	3	168,202	114,392
Asphalt Overlay	202,100	20	5	151,575	103,084
Asphalt Seal Coat/Crack Fill	17,200	5	0	17,200	11,698
Mailboxes - Replace	5,060	18	0	5,060	3,441
Wrought Iron Fencing-Repair/Replac	5,675	6	0	5,675	3,860
Pool Resurface	6,000	12	0	6,000	4,081
Spa Resurface	2,400	5	0	2,400	1,632
Pool Heater-Replace	3,000	12	0	3,000	2,040
Spa Heater-Replace	3,000	12	6	1,500	1,020
Pool/Spa Filters-Replace	2,200	12	0	2,200	1,496
Pool/Spa Pumps-Replace	750	3	0	750	510
Pool Furniture-Replace	1,875	6	0	1,875	1,275
Tennis Court-Resurface	8,000	8	0	8,000	5,441
Tennis Court Windscreen-Replace	2,525	6	1	2,104	1,431
Restrooms-Remodel	3,500	15	2	3,033	2,063
Exterior Light Fixtures-Replace	9,188	18	2	8,167	5,554
Tennis Court Light Fixtures-Replace	12,000	25	2	11,040	7,508
Irrigation Time Clocks-Replace	2,150	3	0	2,150	1,462
Tree Trimming-Perform	13,000	1	0	13,000	8,841
	\$831,286			\$645,635	\$439,088