

Seagate Village Community Association

c/o CHAMPS, a Division of AAM, LLC

3520 Seagate Way, Ste 100

Oceanside, CA 92056

(760)603-0501 · FAX (760)603-0505

DATE: May 26, 2020
TO: All Homeowners
FROM: The Board of Directors

In accordance with California Civil Code, enclosed please find a copy of the Association's financial review for the twelve months ending June 30, 2019.

Please call CHAMPS (760)603-0501 should you have any questions.

SEAGATE VILLAGE COMMUNITY ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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TIMOTHY M. FERRARA

Certified Public Accountant

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INDEPENDENT ACCOUNTANT'S REPORT

Seagate Village Community Association

Reviewed Financial Statements
June 30, 2019

To the Board of Directors and Members:

I have reviewed the accompanying financial statements of Seagate Village Community Association, which comprise the balance sheet as of June 30, 2019, and the related statements of revenues and expenses, changes in fund balances 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 the Association's management and board of directors. 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, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management and the board of directors are 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion on the Financial Statements

Based on my review, I am 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.

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 property on page 9 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 not audited or reviewed the required supplemental information, and accordingly, I do not express an opinion or provide any assurance on it.



Timothy M. Ferrara, C.P.A.

August 10, 2019

Seagate Village Community Association
Balance Sheet
June 30, 2019

<u>Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash	\$ 73,089	\$ 452,544	\$ 525,633
Assessments Receivable	6,302		6,302
Prepaid Expenses	978		978
Total Assets	\$ 80,369	\$ 452,544	\$ 532,913
<u>Liabilities</u>			
Accounts Payable	\$ 25,669	\$ 21,600	\$ 47,269
Prepaid Assessments	10,883		10,883
Income Taxes Payable	300		300
Total Liabilities	36,852	21,600	58,452
<u>Fund Balance</u>	<u>43,517</u>	<u>430,944</u>	<u>474,461</u>
Total Liabilities & Fund Balance	\$ 80,369	\$ 452,544	\$ 532,913

See Accompanying Notes and Independent Accountant's Report

Seagate Village Community Association
Statement of Revenues and Expenses
For the Year Ended June 30, 2019

	Operating Fund	Replacement Fund	Total
Revenues:			
Regular Assessments	\$ 328,104	\$ 187,380	\$ 515,484
Interest		1,392	1,392
Other	2,740		2,740
Total Revenues	330,844	188,772	519,616
Expenses:			
Administrative-			
Income Taxes	236		236
Insurance	17,490		17,490
Legal & Collection	7,016		7,016
Management Contract	29,652		29,652
Other Administrative	5,374	175	5,549
Printing & Postage	10,462		10,462
Reserve Study	3,740		3,740
Review & Tax Preparation	2,260		2,260
Total Administrative	76,230	175	76,405
Maintenance-			
Janitorial	2,440		2,440
Landscape - Contract	96,420		96,420
Landscape - Other	10,630		10,630
Pest Control	30,150		30,150
Plumbing Repairs	1,154		1,154
Pool	8,555	4,160	12,715
Repairs & Maintenance			
- Condominiums	5,310	62,078	67,388
- Common/Recreation	7,639	24,884	32,523
- Patio Homes	1,125		1,125
Tree Trimming	10,180		10,180
Total Maintenance	173,603	91,122	264,725
Utilities-			
Gas & Electricity	20,668		20,668
Telephone	3,388		3,388
Trash Removal	15,966		15,966
Water & Sewer	51,818		51,818
Total Utilities	91,840	-	91,840
Total Expenses	341,673	91,297	432,970
Excess Revenues / (Expenses)	\$ (10,829)	\$ 97,475	\$ 86,646

See Accompanying Notes and Independent Accountant's Report

Seagate Village Community Association
Statement of Changes in Fund Balances
For the Year Ended June 30, 2019

	Operating Fund	Replacement Fund	Total
Fund Balance - Beginning of Year	\$ 54,346	\$ 333,469	\$ 387,815
Excess Revenues / (Expenses)	(10,829)	97,475	86,646
Fund Balance - End of Year	\$ 43,517	\$ 430,944	\$ 474,461

See Accompanying Notes and Independent Accountant's Report

Seagate Village Community Association
Statement of Cash Flows
For the Year Ended June 30, 2019

	Operating Fund	Replacement Fund	Total
Cash Flows - Operating Activities:			
Assessments	\$ 324,795	\$ 187,380	\$ 512,175
Interest Received		2,806	2,806
Other Income Received	2,740		2,740
Income Taxes Refunded	429		429
Income Taxes Paid	(928)		(928)
Administrative Disbursements	(76,281)	(175)	(76,456)
Maintenance Disbursements	(164,843)	(70,572)	(235,415)
Utility Disbursements	(94,046)		(94,046)
* Net Inc/(Dec) in Cash From Operating Activities	(8,134)	119,439	111,305
Cash Flows - Investing Activities:			
Maturity of CDs		100,000	100,000
Net Increase in Cash From Investing Activities	-	100,000	100,000
Total Cash - Beginning of Year	81,223	233,105	314,328
Total Cash - End of Year	<u>\$ 73,089</u>	<u>\$ 452,544</u>	<u>\$ 525,633</u>
Reconciliation of Excess Revenues/(Expenses) to Net Inc/(Dec) in Cash from Operating Activities:			
Excess Revenues / (Expenses)	\$ (10,829)	\$ 97,475	\$ 86,646
Adjustments to Reconcile Excess Revenues/(Expenses) to Net Inc/(Dec) in Cash from Operating Activities-			
Increase in Assessments Receivable	(1,400)		(1,400)
Decrease in Accrued Interest Receivable		1,414	1,414
Decrease in Prepaid Insurance	229		229
Increase in Accounts Payable	6,038	20,550	26,588
Decrease in Prepaid Assessments	(1,909)		(1,909)
Decrease in Income Taxes Payable	(263)		(263)
* Net Inc/(Dec) in Cash From Operating Activities	<u>\$ (8,134)</u>	<u>\$ 119,439</u>	<u>\$ 111,305</u>

See Accompanying Notes and Independent Accountant's Report

Seagate Village Community Association
(A Nonprofit Corporation)

Notes to Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies

Seagate Village Community Association is a statutory condominium type common interest realty association and was organized in California on September 10, 1982, as a nonprofit mutual benefit corporation. The purpose of the Association is primarily to maintain, preserve and control the common areas of the Association. The Association has 127 patio homes and 78 condominiums located in San Diego County, California.

The Association's financial statements are presented on the accrual basis of accounting. The accrual basis records assessments as revenues when due rather than when received and expenses when incurred rather than when paid.

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. Disbursements from the operating fund are generally for on-going repairs and maintenance. Disbursements from the replacement fund generally may be made only for designated purposes.

Real property and replacements & improvements to common area real property are not capitalized nor depreciated because the common areas are considered owned by the unit owners and not the Association.

Per the provisions of Financial Accounting Standards Board of the American Institute of Certified Public Accountants, regarding "Statement of Cash Flows", cash equivalents consist primarily of certificates of deposits (CDs) and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over ninety days are considered investments. The Association's method of accounting is to consider all cash, cash equivalents and money market funds together as cash funds.

Certificates of deposits and other investments with original maturities over ninety days are considered "held to maturity" investments. Held to maturity investments are carried at cost.

The Board's policy is to allocate to the replacement fund interest earned on replacement fund cash and investment accounts. Taxes on all interest and other nonexempt income are paid from the operating fund.

Subsequent events have been evaluated through the date the financial statements were issued on August 10, 2019.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and the disclosures. Accordingly, actual results could differ from those estimates.

Seagate Village Community Association
(A Nonprofit Corporation)

Notes to Financial Statements
June 30, 2019

Note 2. Cash

The Association's cash balances at June 30, 2019 are as follows:

<u>Depository</u>	<u>Acct. Type</u>	<u>Balance</u>
A. Operating Fund Cash- Mutual of Omaha	Checking	\$ 73,089 =====
B. Replacement Fund Cash- UBS Financial Services, Inc.	Brokerage/Savings	\$ 452,544 =====

Note 3. Income Tax Status

The Association is taxed as a homeowners association under Internal Revenue Service Code Section 528. Under this section, the Association is generally taxed only on nonexempt income, such as interest earnings. Tax expenses for the year ended June 30, 2019 are \$178 Federal and \$58 State. At the year-end, \$242 Federal taxes are due (FYE 6/30/17 = \$64 & FYE 6/30/18 = \$178) and \$58 California taxes are due. In evaluating the Association's tax position and accruals, the Association's Governance believes that estimates are appropriate based on the current facts and circumstances. The Association's federal income tax returns are generally subject to examination by the Internal Revenue Service for three years after they were filed; and for California tax returns by the Franchise Tax Board generally for four years after they were filed.

Note 4. Assessments

The annual budget and owners' assessments are determined by the Board of Directors and under certain conditions, may be approved by the owners. The Association retains excess funds, if any, for expenses in future years. Regular assessments to patio homes owners were \$111.00 per unit per month and assessments to condominium owners were \$370.00 per unit per month for the year ended June 30, 2019. From these amounts, \$15,615 per month was designated to the replacement fund.

Seagate Village Community Association
(A Nonprofit Corporation)

Notes to Financial Statements
June 30, 2019

Note 5. Assessments Receivable

The Association's policy is to place liens on the properties of owners whose assessments are in arrears, and retain legal counsel, if necessary, to collect delinquent assessments. As of June 30, 2019, there are \$6,302 of assessments and charges receivable, and \$10,883 of assessments paid in advance.

Note 6. Replacement Fund

The Association has established a policy of assessing members monthly and accumulating funds for major repairs and replacements based on current estimated replacement costs. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The Board of Directors retained a company, which specializes in conducting reserve studies, to determine the adequacy of the Association's major repair & replacement funding program as of June 30, 2019. The estimates were obtained from specialists who inspected the property for the reserve study. The table included in the supplementary information on page 9 regarding major repairs and replacements is based on the reserve study.

Funds are being accumulated in the replacement fund based on budgets and estimates of future needs for repairs and replacements of 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 or 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.

Note 7. Commitments

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' notice.

S U P P L E M E N T A L
(Not Audited, Not Reviewed)

Seagate Village Community Association

Supplementary Information on Future
Repairs and Replacements

June 30, 2019

(Not Audited, Not Reviewed)

The Board of Directors retained a company, which specializes in conducting reserve studies, to determine the adequacy of the Association's major repair & replacement funding program as of June 30, 2019. The estimates were obtained from specialists who inspected the property for the reserve study.

The following table is based on the reserve study and presents significant information about the components of common area property.

<u>Components</u>	<u>Estimated Remaining Lives/Years</u>	<u>Estimated Current Replacement Cost</u>	<u>Current Annual Reserve Requirement</u>	<u>Actual Replacement Fund Balance at 6/30/2019</u>
Patio Homes -				\$ -
Asphalt & Concrete	0 - 15	267,860	14,852	-
Fencing, Gates & Rails	1 - 26	73,525	3,675	-
Painting/Staining	1 - 1	4,575	915	-
Unallocated	-	-	-	149,297
Subtotal		<u>345,960</u>	<u>19,442</u>	<u>149,297</u>
Recreation Facilities -				
Fencing, Gates & Rails	0 - 14	78,160	3,227	-
Landscaping	1 - 15	63,740	4,643	-
Lighting	16 - 16	20,664	1,033	-
Miscellaneous	0 - 16	43,295	2,680	-
Painting	0 - 0	10,718	1,865	-
Pool & Spa	0 - 12	59,268	6,194	-
Roofing	25 - 25	7,000	200	-
Security & Fire Systems	9 - 9	18,350	1,147	-
Tennis Courts/ Rec Facility	0 - 0	7,500	1,500	-
Unallocated	-	-	-	94,786
Subtotal		<u>308,695</u>	<u>22,489</u>	<u>94,786</u>
Condominiums -				
Asphalt & Concrete	1 - 12	162,602	8,906	-
Fencing, Gates & Rails	13 - 22	236,498	9,372	-
Lighting	18 - 18	40,000	2,000	-
Miscellaneous	0 - 27	126,075	9,642	-
Painting & Repairs	0 - 28	418,350	28,284	-
Roofing	0 - 0	394,250	22,110	-
Unallocated	-	-	-	186,861
Subtotal		<u>1,377,775</u>	<u>80,314</u>	<u>186,861</u>
		<u>\$ 2,032,430</u>	<u>\$ 122,245</u>	<u>\$ 430,944</u>

The reserve study was prepared with the "straight line in years" method of funding assumption. It assumed an inflation rate of 3.0% for future replacement costs of component items.

According to the reserve study, the fully funded balance as of June 30, 2019 is \$1,184,257 and the actual replacement fund balance is \$430,944. The Association's budgeted allocations to the replacement fund for the fiscal year end June 30, 2020 are \$202,141.

See Independent Accountant's Review Report