

**ANTARES COMMUNITY ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of ANTARES COMMUNITY ASSOCIATION

We have reviewed the accompanying financial statements of ANTARES COMMUNITY ASSOCIATION, which comprise the balance sheet as of September 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. 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 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.

Accountant's Responsibility

Our 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 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 our conclusion.

Summarized Comparative Information

The prior year summarized comparative information has been derived from the September 30, 2015 financial statements, which were reviewed by us. Our report dated November 11, 2015 stated that we were unaware of any material modifications that should be made to those financial statements in order for them to be in conformity with generally accepted accounting principles.

Accountant's Conclusion on the Financial Statements

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.

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 the last page 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Beck and Company, CPA's, Inc.

Carlsbad, California
November 3, 2016

**ANTARES COMMUNITY ASSOCIATION
BALANCE SHEET
SEPTEMBER 30, 2016
(With Comparative Totals for 9/30/2015)**

	2016			2015
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>ASSETS:</u>				
Cash including interest bearing deposits	\$ 31,422	\$ 147,989	\$ 179,411	\$ 179,760
Assessments Receivable	724		724	1,874
Prepaid Insurance	1,257		1,257	1,661
TOTAL ASSETS	\$ 33,403	\$ 147,989	\$ 181,392	\$ 183,295
 <u>LIABILITIES:</u>				
Accounts Payable	\$ 7,903	\$ 2,829	\$ 10,732	\$ 6,332
Prepaid Assessments	5,330		5,330	5,148
TOTAL LIABILITIES	13,233	2,829	16,062	11,480
 FUND BALANCES	20,170	145,160	165,330	171,815
 TOTAL LIABILITIES AND FUND BALANCES	\$ 33,403	\$ 147,989	\$ 181,392	\$ 183,295

ANTARES COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2016
(With Comparative Totals for 9/30/2015)

	2016			2015
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Member Assessments	\$ 165,660	\$ 20,340	\$ 186,000	\$ 189,600
Refuse Assessments	27,600		27,600	23,997
Interest Income		60	60	56
Other Income	924		924	1,150
TOTAL REVENUES	194,184	20,400	214,584	214,803
EXPENSES				
Maintenance				
Landscaping	31,216		31,216	30,519
Tree Trimming	9,008		9,008	10,395
Common Area R & M	13,200		13,200	4,983
Pool Maintenance	3,863		3,863	3,843
Pest Control	2,951		2,951	2,497
Recreation Facility	27,588		27,588	29,885
Janitorial	840		840	840
Monitoring	17,461		17,461	23,038
Utilities				
Electricity & Gas	5,063		5,063	4,052
Water & Sewer	4,184		4,184	5,396
Rubbish Removal	29,072		29,072	29,713
Administrative				
Review/Tax Prep/Rsv Study	1,449		1,449	1,799
Insurance	3,477		3,477	3,212
Legal & Consulting	8,679		8,679	720
Management Fee	26,400		26,400	26,400
Office & Administrative	11,071		11,071	13,923
Taxes, Licenses & Permits	315		315	325
Major Repairs and Replacements		25,231	25,231	8,342
TOTAL EXPENSES	195,838	25,231	221,069	199,881
Excess of Revenues over Expenses or (Expenses over Revenue)	(1,654)	(4,831)	(6,485)	14,922
Beginning Fund Balances	22,308	149,507	171,815	156,893
Net Interfund Transfers	(484)	484	(0)	-
ENDING FUND BALANCES	\$ 20,170	\$ 145,160	\$ 165,330	\$ 171,815

**ANTARES COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016
(With Comparative Totals for 9/30/2015)**

	2016			2015
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ (1,654)	\$ (4,831)	\$ (6,485)	\$ 14,922
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments Receivable	1,150		1,150	138
Prepaid Insurance	404		404	1,306
Increase (decrease) in:				
Accounts Payable	1,571	2,829	4,400	2,579
Prepaid Assessments	182		182	(66)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,653	(2,002)	(349)	18,879
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund transfers	(484)	484	(0)	-
Sub Total	1,169	(1,518)	(349)	18,879
NET INCREASE (DECREASE) IN CASH	1,169	(1,518)	(349)	18,878
CASH AT BEGINNING OF YEAR	30,253	149,507	179,760	160,882
CASH AT END OF YEAR	<u>\$ 31,422</u>	<u>\$ 147,989</u>	<u>\$ 179,411</u>	<u>\$ 179,760</u>
SUPPLEMENTAL DISCLOSURE				
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ANTARES COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION

ANTARES COMMUNITY ASSOCIATION was incorporated on October 30, 1997 as a nonprofit mutual benefit corporation in the State of California. Its primary purpose is to act as “management body” for the preservation, maintenance and architectural control of the common areas within the project. There are 100 residential units.

NOTE 2 – DATE OF MANAGEMENT’S REVIEW

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Fund Accounting

The Association’s accounting records are maintained on a modified accrual basis, however, the accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles whereby all revenues are recognized when earned and expenses are recognized when incurred.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of owners are determined by the Board of Directors who are elected by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Association’s policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. The Association uses a guideline of 100% provision for Allowance for Doubtful Accounts for all accounts delinquent over one year, foreclosed on, in bankruptcy, or abandoned, as well as on a case by case basis of other facts and circumstances.

Property and Equipment

Real property and common areas acquired from the developer and related improvements are not recognized as assets on the Association’s financial statements. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for the purpose of financial reporting.

ANTARES COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY
(Continued)

Cash/Cash Equivalents/Investments

Per the provisions of U.S. generally accepted accounting principles in regard to the "Statement of Cash Flows," cash equivalents consist primarily of certificates of deposits and other securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments. The Association considers all its CD/investment accounts to be short-term investments.

The Association's investments are classified as "held-to-maturity," therefore the investments are carried on the financial statements at amortized cost, and any gain or loss will be recorded at time of sale.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the report date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.

NOTE 4 – INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and State Revenue & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. The applicable tax rate is 30% for the federal government and 8.84% for the Franchise Tax Board. Generally, the Association treats income tax expenses as an operating expense regardless of the fund through which the related taxable income was recognized.

The Association's income tax returns are subject to examination by the Internal Revenue Service generally for three years after they are filed, and by the Franchise Tax Board for four years after they are filed. In evaluating the Association's tax positions and accruals, the Association believes that the estimates are appropriate based on the current facts and circumstances.

ANTARES COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are to be held in separate interest bearing accounts and are generally not available for operating purposes.

The Association engaged an independent consultant who conducted a study in May of 2016 to estimate the remaining useful lives and the replacement costs of the common property components. The Association should fund such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacements costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary materially from the estimates. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds turn out to be necessary, the Association has the right, subject to member approval, to increase regular assessments, levy special assessments or delay major repairs and replacements until funds become available. The Association spent \$25,231 for major repairs and replacements as follows:

Landscape	\$ 8,445
Pool & Spa	10,826
Fences/Walls	2,829
General Repairs	3,131
	\$ 25,231

ANTARES COMMUNITY ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS
SEPTEMBER 30, 2016
(COMPILED)

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the common area replacement components during May of 2016. The estimates were based on inspection by the independent consultant, and the information provided by the Board of Directors, property manager and others familiar with the development. Replacement costs were based on the estimated costs to repair or replace the common area replacement components at the time 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.

	Estimated Remaining Useful Lives(Years)	Estimated Current Replacement Costs	Annual Funding Requirement	Fully Funded Reserve Requirement
Fencing & Rails	10-13	\$ 23,725	\$ 1,438	\$ 8,975
Landscaping	2-15	30,745	5,670	586
Miscellaneous	8-12	20,500	1,080	9,400
Painting	3	2,500	377	1,428
Paved Surfaces	1-20	105,920	9,561	54,833
Pool Area	5-15	24,225	2,213	10,947
Totals		\$ 207,615	\$ 20,339	\$ 86,169

As of September 30, 2016, the annual budgeted allocation to replacements is \$20,340 and the cash/cash equivalent/investments in replacement funds as of September 30, 2016 total \$147,989.

California Civil Code Section requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary. The report must be available to all owners. Although the code does not require adequate funding, disclosure must be made.