

**VILLA ROSARIO HOMEOWNERS' ASSOCIATION**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED DECEMBER 31, 2016 AND 2015**



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## **Independent Auditors' Report**

The Board of Directors  
Villa Rosario Homeowners' Association:

We have audited the accompanying financial statements of Villa Rosario Homeowners' Association (the "Association"), which comprise the statements of assets and fund balances as of December 31, 2016 and 2015, and the related statements of revenues collected and expenses paid and changes in unrestricted fund balance for the years 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 this financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Association'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 Association's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

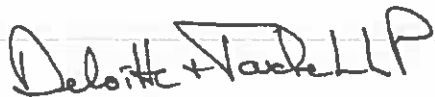
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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and fund balances of the Villa Rosario Homeowners' Association as of December 31, 2016 and 2015, and revenues collected and expenses paid for the years then ended in accordance with the cash basis of accounting described in Note 1 to the financial statements.

## Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



March 12, 2018

**VILLA ROSARIO HOMEOWNERS' ASSOCIATION**

Statements of Assets and Fund Balances  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$ 115,366	\$ 85,665
Time certificates of deposit	121,292	121,293
Land	<u>138,526</u>	<u>138,526</u>
	\$ <u>375,184</u>	\$ <u>345,484</u>
<u>FUND BALANCES</u>		
Contingency		
Fund balances:		
Unrestricted	\$ 236,658	\$ 206,958
Restricted for land	<u>138,526</u>	<u>138,526</u>
	\$ <u>375,184</u>	\$ <u>345,484</u>

See accompanying notes to financial statements.

**VILLA ROSARIO HOMEOWNERS' ASSOCIATION**

Statements of Revenue Collected and Expenses Paid and Changes in Unrestricted Fund Balance  
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted fund balance at beginning of year	\$ <u>206,957</u>	\$ <u>190,135</u>
Revenue collected:		
Common area fees	290,074	291,060
Late charges	2,995	4,440
Interest income	20	156
Other	<u>6,000</u>	<u>9,845</u>
Total revenue collected	<u>299,089</u>	<u>305,501</u>
Expenses paid:		
Insurance	55,604	76,457
Security	41,181	40,014
Management, resident and financial	33,600	33,600
General maintenance and repairs	27,965	37,649
Ground maintenance	27,716	35,309
Utilities	24,261	22,411
Sanitation	23,872	22,631
Fire related	8,111	-
Pool deck project	7,756	6,159
CCTV camera	6,016	-
Communications	2,965	-
Supplies	2,102	1,614
Professional fees	1,979	6,283
Postage and reproduction	1,483	1,335
Termite treatment	-	3,307
Taxes	-	152
Miscellaneous	<u>4,777</u>	<u>1,758</u>
Total expenses paid	<u>269,388</u>	<u>288,679</u>
Revenue collected in excess of expenses paid	<u>29,701</u>	<u>16,822</u>
Unrestricted fund balance at end of year	\$ <u>236,658</u>	\$ <u>206,957</u>

See accompanying notes to financial statements.

## VILLA ROSARIO HOMEOWNERS' ASSOCIATION

Notes to Financial Statements  
December 31, 2016 and 2015

### (1) Organization and Summary of Significant Accounting Policies

#### Organization

The Villa Rosario Homeowners' Association (the Association) was organized on November 7, 1990 to maintain the infrastructure and common area of Villa Rosario condominiums (a condominium project) in Dededo, Guam.

#### Accounting Policies

The Association's financial statements are prepared on a cash basis. Revenue is recognized when cash is received and expenses are recorded when cash is disbursed.

#### Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for specific purposes, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors within confines established by approved annual budgets. Disbursements from the designated funds generally may be made only for designated purposes and through special assessments. No specific cash has been designated during the years ended December 31, 2016 and 2015. However, land developed for a play ground facility has been classified as designated funds as the Association has no current intent to use this land for alternative purposes.

#### Guam Income Taxes

The Association intends to file its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on uniform assessments to members and other income from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income. However, past practice has been to file as a C corporation. The Association is currently of the opinion that no material impact on the accompanying financial statements will result from the prospective resolution of this matter. For Guam income tax purposes, a tax year generally remains open to assessment and collection for three years after the later of the due date for filing a tax return or the date on which the tax payer files its return.

#### Cash

The Association considers cash to represent cash in bank checking and money market savings accounts and time certificates of deposit with initial maturities of ninety days or less. Time certificates of deposit with initial maturities of in excess of ninety days are separately classified. During the years ended December 31, 2016 and 2015, cash balances were maintained with financial institutions subject to depository insurance with the Federal Deposit Insurance Corporation or its equivalent.

#### Land

The Association carries land at the lower of cost or market.

## VILLA ROSARIO HOMEOWNERS' ASSOCIATION

Notes to Financial Statements  
December 31, 2016 and 2015

### (2) Contingency

The Association carries insurance for typhoon related losses. No losses have been incurred in excess of insurable limits during the years ended December 31, 2016 and 2015.

### (3) Related Parties

The Association maintains its bank checking account and time deposits with a bank that employed the Association's president through April 30, 2016. Management is of the opinion that transactions with related parties are executed under the same general terms and conditions as are entered into with unrelated parties.

### (4) Subsequent Events

The Association has identified March 12, 2018 as the date the financial statements were available to be issued and the date through which subsequent events have been evaluated. The Association has not identified any subsequent events that required adjustment to, or disclosure in, the financial statements as of December 31, 2016.



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March 12, 2018

To the Board of Directors of  
Villa Rosario Homeowners' Association  
158 E. Nandez Ave., VRHA #142  
Dededo, Guam 96929

Dear Sir/Madam:

We have performed an audit of the financial statements of Villa Rosario Homeowners' Association (the "Association") as of and for the years ended December 31, 2016 and 2015, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 12, 2018.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Association is responsible.

This report is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

cc: The Management of Villa Rosario Homeowners' Association



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Villa Rosario Homeowners' Association  
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## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards has been described to you in our engagement letter dated February 21, 2018. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Association's financial statements for the years ended December 31, 2016 and 2015 in conformity with the cash basis of accounting, in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly in all material respects, in conformity with the cash basis of accounting. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the operating effectiveness of the Association's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

## **SIGNIFICANT ACCOUNTING POLICIES**

The Association's significant accounting policies are set forth in note 1 to the Association's 2016 financial statements. During the year ended December 31, 2016, there were no significant changes in previously adopted accounting policies or their application.

## **OTHER INFORMATION IN THE ANNUAL REPORTS TO SHAREHOLDERS**

The 2016 audited financial statements were not included in documents containing other information such as the Association's Annual Report to Shareholders.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Association's 2016 financial statements.

## **OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2016.

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## **SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of the Association's management and staff and had unrestricted access to the Association's senior management in the performance of our audit.

## **MANAGEMENT'S REPRESENTATION**

We have made specific inquiries of the Association's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Association is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

March 12, 2018

Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, Guam 96913

We are providing this letter in connection with your audits of the statements of assets and fund balances of Villa Rosario Homeowners' Association (the "Association") as of December 31, 2016 and 2015, and the related statements of revenues collected and expenses paid and changes in unrestricted fund balances for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the assets and fund balances and revenues collected and expenses paid of the Association in conformity with the cash basis of accounting.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of assets and fund balances and of revenues collected, expenses paid and changes in unrestricted fund balances in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.
- b. 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.
  - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with the cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in accordance with the cash basis of accounting.

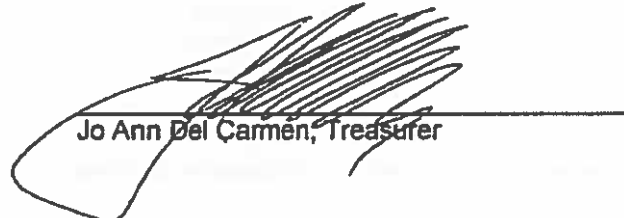
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2. The Association has provided to you all relevant information and access as agreed in the terms of the engagement letter.
  3. The Association has made available to you:
    - a. All financial records and related data
    - b. All minutes of the meetings of homeowners, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared. Specifically, the following represents meetings occurred from January 1, 2016 to the date of this letter:
      - February 12, 2016
      - March 5, 2016
      - March 17, 2016
      - March 26, 2016
  4. There have been no communications with regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
  5. Management has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Association and do not believe that the financial statements are materially misstated as result of fraud.
  6. We have no knowledge of any fraud or suspected fraud affecting the Association involving:
    - a. Management,
    - b. Employees who have significant roles in the Association's internal control over financial reporting,
    - c. Others, where the fraud could have a material effect on the financial statements.
  7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.
- Except where otherwise stated below, immaterial matters less than \$2,700 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.
8. There are no transactions that have not been properly recorded and reflected in the financial statements.
  9. The Association has no plans or intentions that may affect the carrying value or classification of assets and fund balances.
  10. Regarding related parties:

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- a. We have disclosed to you the identity of the Association's related parties and all the related-party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
11. There are no:
- a. Known instances of noncompliance or suspected noncompliance with laws or regulations whose effects should be considered when preparing the financial statements.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements, and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
12. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
13. The Association has complied with all aspects of contractual agreements that may affect the financial statements.
14. The Association, using its best estimates based on reasonable and supportable assumptions and projections, reviews long-lived assets for impairment in accordance with FASB ASC 360, *Property, Plant, and Equipment*. The financial statements referred to above reflect all adjustments required by FASB ASC 360 as of December 31, 2016 and 2015.
15. No events have occurred after December 31, 2016, but before March 12, 2018, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements.

  
\_\_\_\_\_  
Laura Dacanay, President

  
\_\_\_\_\_  
Jo Ann Del Carmen, Treasurer