

CAMMARATA MANAGEMENT, INC.

• ASSOCIATION MANAGEMENT •

October 26, 2005

To All Homeowners:
Redondo Village, Inc
2425 Redondo Beach Blvd
Gardena, CA 90247


Re: 2004-2005 Annual Auditor's Report

Dear Homeowner,

Pursuant to California Civil Code 1365.5, enclosed please find the fiscal year 2004-2005 Annual Accountant's Review Report for your review.

Please keep this report with your homeowners paperwork.

Sincerely,



Steven M. Cammarata, AMS, CCAM[®], CMCA
President
Cammarata Management, Inc.
Agent for Redondo Beach Village, Inc

Redondo Village, Inc.
Financial Statements
and
Accountants' Review Report
For the Year Ended
March 31, 2005

Redondo Village, Inc.

Table of Contents

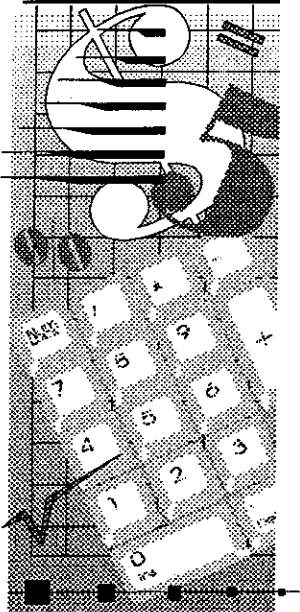
March 31, 2005

Accountants' Review Report	1
Financial Statements:	
Balance Sheet	2
Statement of Revenue, Expenses and Changes in Fund Balance	3
Schedule of Operating Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8
Supplementary Information on Future Major Repairs and Replacements	9



CREIGHTON
TEULIN

CERTIFIED
PUBLIC
ACCOUNTANT



Accountants' Review Report

Board of Directors
Redondo Village, Inc.

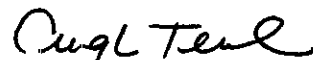
I have reviewed the accompanying balance sheet of Redondo Village, Inc. as of March 31, 2005, and the related statement of revenues, expenses and changes in fund balance, schedule of operating expenses and statement of cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Redondo Village, Inc.

A review consists principally of inquiries of association personnel and analytical review procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express an opinion.

Based on my review, I am not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As discussed in Note 4 to the financial statements, the accompanying statements include estimated amounts for the future replacement and major repairs of the common areas. The Association's plans to fund for these expenses are also discussed in Note 4. The final resolution of actual amounts, however, which may be more or less than the amounts provided, as well as the timing and funding of payments, are dependent upon future events, the outcome of which are not fully determinable at the present time. I have not applied procedures to determine whether these funds are adequate to meet future costs, as that is not a requirement of a review engagement.

The supplementary information about future major repairs and replacements on Page 9 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have compiled the supplementary information from information that is the representation of the Association, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.


September 8, 2005

1200 ARTESIA BLVD.
SUITE 205
HERMOSA BEACH, CA
90254

PHONE:
310 / 798-3005

FAX:
310 / 798-3007

VOICE MAIL:
310 / 784-7033

REDONDO VILLAGE, INC.

Balance Sheet

March 31, 2005

ASSETS	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash, including interest bearing deposits	\$ 11,784	\$ 28,213	\$ 39,997
Assessments receivable	<u>796</u>	<u></u>	<u>796</u>
TOTAL	<u>\$ 12,580</u>	<u>\$ 28,213</u>	<u>\$ 40,793</u>
 LIABILITIES & FUND BALANCES			
Liabilities			
Accounts payable	\$ 5,050	\$	\$ 5,050
Assessments received in advance	<u>745</u>	<u></u>	<u>745</u>
Total liabilities	5,795		5,795
Fund balances	<u>6,785</u>	<u>28,213</u>	<u>34,998</u>
TOTAL	<u>\$ 12,580</u>	<u>\$ 28,213</u>	<u>\$ 40,793</u>

See accountants' review report and notes to financial statements.

REDONDO VILLAGE, INC.
Statement of Revenues, Expenses
and Changes in Fund Balance
For the year ended March 31, 2005

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 69,600	\$ 12,300	\$ 81,900
Interest		261	261
Other income	894		894
Total revenue	70,494	12,561	83,055
EXPENSES			
Operating expenses	58,975		58,975
Reserve expenses		8,728	8,728
Total expenses	58,975	8,728	67,703
Excess of revenues over expenses	11,519	3,833	15,352
Fund balances - beginning	(4,734)	24,380	19,646
Fund balances - ending	<u>\$ 6,785</u>	<u>\$ 28,213</u>	<u>\$ 34,998</u>

See accountants' review report and notes to financial statements.

REDONDO VILLAGE, INC.
Schedule of Operating Expenses
For the year ended March 31, 2005

OPERATING EXPENSES	Operating Fund	Replacement Fund	Total
Accounting	\$ 500	\$	\$ 500
Administrative expense	1,631		1,631
Insurance	1,015		1,015
Janitorial	1,200		1,200
Landscape	16,521		16,521
Legal	330		330
Lighting	263		263
Management fees	9,900		9,900
Pest control	225		225
Plumbing	1,283	8,728	10,011
Repairs and maintenance	600		600
Security	60		60
Supplies	289		289
Telephone	410		410
Taxes and licenses	171		171
Utilities - electricity	2,824		2,824
Utilities - water	21,753		21,753
Total expenses	\$ 58,975	\$ 8,728	\$ 67,703

See accountants' review report and notes to financial statements.

REDONDO VILLAGE, INC.
Statement of Cash Flows
For the year ended March 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Excess of revenues over expenses	\$ 11,519	\$ 3,833	\$ 15,352
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Changes in assets and liabilities:			
Assessments receivable	700		700
Accounts payable	(477)		(477)
Assessments received in advance	164		164
Net cash provided by operating activities	<u>11,906</u>	<u>3,833</u>	<u>15,739</u>
Cash flows from financing activities:			
Borrowings between funds	<u>(5,000)</u>	<u>5,000</u>	
Net cash provided (used) by financing activities	<u>(5,000)</u>	<u>5,000</u>	
Net increase in cash	6,906	8,833	15,739
Cash at beginning of year	<u>4,878</u>	<u>19,380</u>	<u>24,258</u>
Cash at end of year	<u>\$ 11,784</u>	<u>\$ 28,213</u>	<u>\$ 39,997</u>

See accountants' review report and notes to financial statements.

REDONDO VILLAGE, INC.
Notes To Financial Statements
March 31, 2005

1. Organization

Redondo Village, Inc. (the "Association") is a statutory condominium association organized as a not-for-profit corporation for purposes of maintaining and preserving the common property of the Redondo Village condominiums. The Redondo Village condominiums consist of 65 residential units located in Gardena, California. The Association was incorporated in the state of California on February 16, 2000.

All policy decisions are formulated by the Board of Directors. Major decisions are referred to the general association membership before action is taken.

2. Summary of Significant Accounting Policies

Fund Accounting

The Association's accompanying financial statements have been prepared using fund accounting. Under this method of accounting, funds are separated into categories, i.e., operating funds and replacement funds. Operating funds are those whose disposition is at the discretion of the Board of Directors and are generally used for regular operating expenses. Replacement funds are restricted to the repair and replacement of major common area components.

Interest Earned

The board's policy is to allocate to the replacement fund interest earned on all cash accounts.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Recognition of Assets and Depreciation Policy

In accordance with industry standards, the Association has not capitalized in the financial statements the common area real property acquired at its inception, as all beneficial rights of ownership belong to the unit owners and not to the Association.

Replacements and improvements to the real property are not capitalized for the same reasons described in the preceding paragraph. They are instead charged directly to either operating or replacement funds in the period they are incurred.

Notes to Financial Statements Continued:

Furniture and equipment purchased by the Association which can be sold by the Association are capitalized and depreciated over their estimated useful lives using the straight-line method of depreciation.

3. Owners' Assessments

Regular annual assessments for the year ended March 31, 2005 were payable to the Association in monthly installments of \$105.00.

The annual budget and owners' assessments are determined by the Board of Directors. Annual budgets are approved and assessments are divided between the operating fund to meet normal operating costs and contributions to the replacement funding program.

4. Future Major Repairs and Replacements

Replacement funds are amounts to be spent on future major repairs and replacement of selected Association common areas. A long-term formal funding program is one that is based on a study that identifies specific common area components such as roofs, streets, walls, etc., the expected replacement costs and expected remaining service lives of each, and provides a plan for accumulating over time the funds that will be needed to repair or replace each major item when they wear out. The preparation of such a study involves significant estimates by the persons preparing the study, and these estimates are subject to annual revision for changing prices, circumstances and assumptions.

An independent consulting firm conducted a study of the common area components and replacement funding methods on July 3, 2003. The study's funding requirements considered an annual rate of inflation of 2.5% and a net after tax rate of interest earned on investments of 1.0%. The table included in the supplementary information on future major repairs and replacements is based on the study.

The board is funding for major repairs and replacements over the remaining useful lives of the components of common property based upon the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. The Association has included reserve funding of \$35,000 (\$2,916.67 per month) in its budget for the year ending March 31, 2006, which is greater than the \$13,176 (\$1,098 per month) recommended by the most recent study.

The replacement funding program is designed to accumulate funds necessary to repair or replace each major common area component without the need for special assessments. However, there will be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. If additional funds are needed, the Association has the right to increase the regular assessments up to 20% and pass special assessments up to 5% of the budgeted gross expenses of the association for the fiscal year without membership approval, or delay major repairs and replacements until funding becomes available.

Notes to Financial Statements Continued:

5. Federal and State Taxes

The Association filed its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528 for the year ended March 31, 2005. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at a rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembers.

The Association had no Federal and California state tax liability for the year ended March 31, 2005.

6. Assessments Receivable

Association members are subject to annual assessments (paid in monthly installments) to fund the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent regular assessments and other fees due from unit owners. The Association has the right to retain legal counsel and place liens on properties of homeowners whose assessments are in arrears.

REDONDO VILLAGE, INC.
 Supplementary Information on Future Major Repairs and Replacements
 March 31, 2005

An independent consulting firm performed a study of the Association's common area components and replacement funding methods on July 3, 2003. The study estimated the remaining useful lives and replacement costs of the components of common property.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>2005-2006 Funding Requirement</u>
Asphalt - resurface	16 years	\$ 45,375	\$ 2,298
Asphalt - seal/repair	None	3,650	1,110
Concrete swales	18 years	8,625	437
Pavers	19 years	51,200	2,491
Pole lights	14 years	8,225	500
Wall lights	14 years	1,200	72
Mailbox kiosks	16 years	8,250	456
Iron access gates - replace	16 years	4,500	228
Intercoms	6 years	4,800	486
Gate operators	4-9 years	12,500	1,773
Irrigation timeclocks	6 years	1,700	173
Perimeter block wall - repaint	4 years	2,525	307
Iron access gates - repaint	None	800	243
Property signage	12 years	1,900	128
Front yards - relandscape	9 years	20,000	1,622
Perimeter common area - relandscape	9 years	10,500	852
		<u>\$ 185,750</u>	<u>\$ 13,176</u>

See accountants' review report.