

CAMMARATA MANAGEMENT, INC.

• ASSOCIATION MANAGEMENT •

August 28, 2006

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

Re: 2005 Annual Accountant's Report

Dear Homeowner,

Pursuant to California Civil Code Section 1365.5, enclosed please find the 2005 Annual Accountants' Review report for your records.

Please keep this with your homeowner's paperwork.

Sincerely,

Emmy Carrio

Emmy Carrio
Cammarata Management, Inc.
Agent for Redondo Village, Inc.

SMC/mg

Enclosures

cc: CMI Condo File

Redondo Village, Inc.
Financial Statements
and
Accountants' Review Report
For the Year Ended
March 31, 2006

Redondo Village, Inc.

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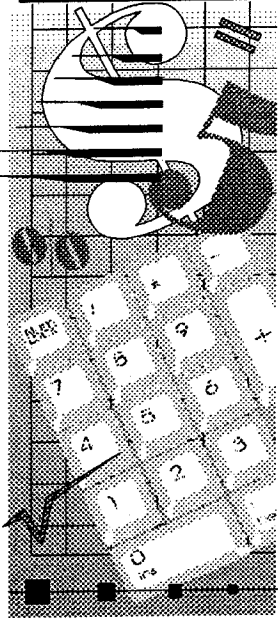
March 31, 2006

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CREIGHTON
TEULIN

CERTIFIED
PUBLIC
ACCOUNTANT



Accountants' Review Report

Board of Directors
Redondo Village, Inc.

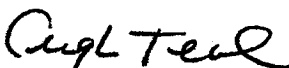
I have reviewed the accompanying balance sheet of Redondo Village, Inc. as of March 31, 2006, and the related statement of revenues, expenses and changes in fund balance, schedule of operating expenses and statement of cash flows for the year then ended, in accordance with Statements on Standards for 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.


August 2, 2006

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90254

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REDONDO VILLAGE, INC.

Balance Sheet

March 31, 2006

ASSETS	Operating Fund	Replacement Fund	Total
Cash, including interest bearing deposits	\$ 7,261	\$ 47,098	\$ 54,359
Assessments receivable	634		634
Accounts receivable - other	370		370
Prepaid insurance	2,575		2,575
TOTAL	\$ 10,840	\$ 47,098	\$ 57,938

LIABILITIES & FUND BALANCES

Liabilities

Accounts payable	\$ 4,507	\$	\$ 4,507
Assessments received in advance	681		681
Total liabilities	5,188		5,188
Fund balances	5,652	47,098	52,750
TOTAL	\$ 10,840	\$ 47,098	\$ 57,938

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, 2006

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 62,500	\$ 35,000	\$ 97,500
Interest		448	448
Other income	450		450
Total revenue	62,950	35,448	98,398
EXPENSES			
Operating expenses	64,127		64,127
Reserve expenses		16,563	16,563
Total expenses	64,127	16,563	80,690
Excess (deficiency) of revenues over expenses	(1,177)	18,885	17,708
Fund balances - beginning	6,785	28,213	34,998
Fund balances - ending	<u>\$ 5,608</u>	<u>\$ 47,098</u>	<u>\$ 52,706</u>

See accountants' review report and notes to financial statements.

REDONDO VILLAGE, INC.
Schedule of Operating Expenses
For the year ended March 31, 2006

OPERATING EXPENSES	Operating Fund	Replacement Fund	Total
Accounting	\$ 900	\$	\$ 900
Administrative expense	2,502		2,502
Insurance	2,875		2,875
Janitorial	1,100		1,100
Landscape	16,677		16,677
Lighting	102		102
Management fees	9,900		9,900
Pest control	300		300
Plumbing	65	5,797	5,862
Repairs and maintenance	1,507		1,507
Reserve study	1,480		1,480
Security	564		564
Telephone	440		440
Taxes and licenses	214		214
Utilities - electricity	1,866		1,866
Utilities - water	23,635		23,635
Entrance gate		1,725	1,725
Sump pumps		9,041	9,041
Total expenses	\$ 64,127	\$ 16,563	\$ 80,690

See accountants' review report and notes to financial statements.

REDONDO VILLAGE, INC.
Statement of Cash Flows
For the year ended March 31, 2006

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Excess (deficiency) of revenues over expenses	\$ (1,177)	\$ 18,885	\$ 17,708
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Assessments receivable	162		162
Accounts receivable - other	(370)		(370)
Prepaid insurance	(2,575)		(2,575)
Accounts payable	(543)		(543)
Assessments received in advance	(64)		(64)
Net cash provided (used) by operating activities	(4,567)	18,885	14,318
Net increase (decrease) in cash	(4,567)	18,885	14,318
Cash at beginning of year	11,784	28,213	39,997
Cash at end of year	\$ 7,217	\$ 47,098	\$ 54,315

See accountants' review report and notes to financial statements.

REDONDO VILLAGE, INC.
Notes To Financial Statements
March 31, 2006

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.

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.

Notes to Financial Statements Continued:

3. Owners' Assessments

Regular annual assessments for the year ended March 31, 2006 were payable to the Association in monthly installments of \$125.00.

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 street, landscape, etc., determines 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 January 23, 2006. The study's funding requirements considered an annual rate of inflation of 3.0% and a net after tax rate of interest of 1.0% earned on replacement funds. The study concluded that the Association was approximately 59% funded as of March 31, 2006. 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 \$33,980 in its budget for the year ending March 31, 2007, which is greater than the \$24,000 recommended by the study. However, the Association is contributing \$2,000 per month to the replacement fund for the year ending March 31, 2007, which is the amount recommended by the study but is less than what was budgeted.

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 rights 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.

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, 2006. Under that Section, the Association is not taxed on uniform assessments to members and other income received from

Notes to Financial Statements Continued:

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, 2006.

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, 2006

An independent consulting firm performed a study of the Association's common area components and replacement funding methods on January 23, 2006. 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. The Association has not allocated the replacement fund balance to each individual common area component.

<u>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>2006-2007 Funding Requirement</u>
Asphalt - resurface	16 years	\$ 47,850	\$ 3,829
Asphalt - seal/repair	None	4,125	1,981
Concrete swales	16 years	8,875	710
Pavers	17 years	54,525	4,189
Pole lights	12 years	8,575	823
Wall lights	12 years	1,200	115
Iron access gates - replace	16 years	6,750	540
Intercoms	4 years	5,200	832
Gate operators	2-7 years	12,500	2,801
Irrigation controllers	4 years	1,800	288
Perimeter block wall - repaint	2 years	3,200	615
Iron access gates - repaint	None	800	384
Property signage	10 years	1,900	203
Front yards - relandscape	7 years	23,000	2,945
Perimeter common area - relandscape	7 years	12,000	1,536
Water sump pumps - replace	11 years	13,800	2,209
		<u>\$ 206,100</u>	<u>\$ 24,000</u>

See accountants' review report.