



Principals

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Independent Auditor's Report

To the Board of Directors of
Truro Homes Association

Report on the Financial Statements

We have audited the accompanying financial statements of Truro Homes Association, which comprise the statements of assets and equity - cash basis as of December 31, 2016 and 2015, and the related statements of revenue and expenses - cash basis, and changes in members' equity - cash basis 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 these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements 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.

Auditor's 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 audit 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 entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

Due to the lack of documentation, we were unable to verify the swim team revenue, dive team revenue, and snack bar revenue for the years ended December 31, 2016 and 2015, and swim team expenses, dive team expenses and snack bar expenses for the years ended December 31, 2016 and 2015. In addition, we were unable to confirm the existence of the PNC checking account balance of \$11,257 as of December 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Truro Homes Association as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. These financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Goldklang Group CPAs, P.C.

Reston, Virginia
December 4, 2017

TRURO HOMES ASSOCIATION
STATEMENTS OF ASSETS AND EQUITY - CASH BASIS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 342,423	\$ 389,761
Total Assets	<u>\$ 342,423</u>	<u>\$ 389,761</u>
<u>MEMBERS' EQUITY</u>		
Replacement Reserves	\$ 328,569	\$ 388,332
Unappropriated Members' Equity	<u>13,854</u>	<u>1,429</u>
Total Members' Equity	<u>\$ 342,423</u>	<u>\$ 389,761</u>

See Accompanying Notes to Financial Statements

TRURO HOMES ASSOCIATION
STATEMENTS OF REVENUE AND EXPENSES - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	THA	TCC	Total	THA	TCC	Total
REVENUE:						
Assessments	\$ 90,240	\$ 180,000	\$ 270,240	\$ 89,864	\$ 182,405	\$ 272,269
Interest	1,171		1,171	724		724
TCC Lease		6,725	6,725		11,640	11,640
Swim Team		23,166	23,166		16,202	16,202
Dive Team		7,152	7,152		7,491	7,491
Snack Bar		7,333	7,333		6,956	6,956
Other	2,660	17,714	20,374	2,313	7,266	9,579
Total Revenue	<u>\$ 94,071</u>	<u>\$ 242,090</u>	<u>\$ 336,161</u>	<u>\$ 92,901</u>	<u>\$ 231,960</u>	<u>\$ 324,861</u>
EXPENSES:						
Record Keeper	\$ 3,325	\$ 3,325	\$ 6,650	\$ 3,285	\$ 3,285	\$ 6,570
Treasurer	1,500	1,500	3,000	1,500	1,500	3,000
Legal and Audit	5,731		5,731	4,989		4,989
Insurance	16,841	7,221	24,062	15,110	6,476	21,586
Internet Site	195		195	603		603
Office Supplies	5,040		5,040	4,534		4,534
Publicity and Newsletter	810		810	794		794
Membership Fees	743		743	355		355
Gas		762	762		1,101	1,101
Telephone	305	1,767	2,072	300	1,851	2,151
Electricity		5,765	5,765		6,651	6,651
Water and Sewer		1,975	1,975		4,074	4,074
Parkland Maintenance	23,220		23,220	26,114		26,114
Landscaping		18,478	18,478		18,172	18,172
Facility Maintenance		8,058	8,058		7,900	7,900
Swim Team		24,411	24,411		23,613	23,613
Dive Team		11,009	11,009		11,826	11,826
Snack Bar/Snack Bar Payroll		8,163	8,163		8,105	8,105
Gatekeeper		600	600		720	720
Repairs and Maintenance		19,150	19,150		20,331	20,331
Social Activities	1,136		1,136	1,001		1,001
Tennis		195	195		217	217
Chemicals and Supplies		8,335	8,335		6,138	6,138
Pool Management		69,950	69,950		72,198	72,198
Pool Furniture		-	-		3,561	3,561
Security	464		464	464		464
Taxes, Permits and Licenses	1,521		1,521	716		716
Total Expenses	<u>\$ 60,831</u>	<u>\$ 190,664</u>	<u>\$ 251,495</u>	<u>\$ 59,765</u>	<u>\$ 197,719</u>	<u>\$ 257,484</u>
Excess Revenues Over Expenses before Contribution to Reserves and Interest Contribution to Reserves	\$ 33,240	\$ 51,426	\$ 84,666	\$ 33,136	\$ 34,241	\$ 67,377
Contribution to Reserves	(35,305)	(35,765)	(71,070)	(35,305)	(35,765)	(71,070)
Interest Contribution to Reserves	(1,171)		(1,171)	(724)		(724)
Excess (Deficiency) Revenues Over Expenses	<u>\$ (3,236)</u>	<u>\$ 15,661</u>	<u>\$ 12,425</u>	<u>\$ (2,893)</u>	<u>\$ (1,524)</u>	<u>\$ (4,417)</u>

See Accompanying Notes to Financial Statements

TRURO HOMES ASSOCIATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2014	\$ 340,632	\$ 5,846	\$ 346,478
Additions:			
Contribution to Reserves	71,070		71,070
Interest Contribution to Reserves	724		724
Deductions:			
Pool	(10,964)		(10,964)
Furnaces	(6,550)		(6,550)
Windows	(5,040)		(5,040)
Tennis	(1,540)		(1,540)
Excess (Deficiency) Revenues over Expenses		(4,417)	(4,417)
Balance as of December 31, 2015	\$ 388,332	\$ 1,429	\$ 389,761
Additions:			
Contribution to Reserves	71,070		71,070
Interest Contribution to Reserves	1,171		1,171
Excess Revenues over Expenses		12,425	12,425
Deductions:			
Pool	(118,149)		(118,149)
Tennis	(13,855)		(13,855)
Balance as of December 31, 2016	<u>\$ 328,569</u>	<u>\$ 13,854</u>	<u>\$ 342,423</u>

See Accompanying Notes to Financial Statements

TRURO HOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized under the laws of the Commonwealth of Virginia for the purpose of maintaining and preserving the common property of the Association. It is located in Annandale, Virginia and consists of 377 homes. The Association's Board of Directors administers the Association's operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the cash basis of accounting in which revenues are recognized when received and expenses when paid, rather than when earned or incurred. The Association's statement of revenue and expenses is divided into two columns to separately reflect the activity for the general operations of the Association and the recreational facilities. Those categories are as follows:

- THA (Truro Homes Association) - This fund is used to account for financial resources available for the general operations of the Association.
- TCC (Truro Community Center) - This fund is used to account for financial resources available for the general operation of the recreational facilities of Truro Community Center.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements.

C) Common Property - Common real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, the land and recreational facilities.

D) Cash Equivalents - The Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

TRURO HOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements; however, the Association has elected to set aside funds for replacement reserves. Accumulated funds are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. in 2013. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends a contribution to reserves of \$71,407 for 2016. For 2016, the Association budgeted to contribute \$71,070 to reserves. In addition, the Association contributed interest income of \$1,171 to reserves.

Funds are being accumulated in replacement reserves based on the replacement reserve study. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2016 and 2015, the Association had designated \$328,569 and \$388,332, respectively, for replacement reserves. These designated reserves were funded by cash and cash equivalents.

NOTE 4 - INCOME TAXES:

The Association is a non-stock, nonprofit association that holds tax-exempt status under Section 501(c)(4) of the Internal Revenue Code. No provision for income taxes is required, since the Association has no unrelated business income.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2016 and 2015, the Association did not incur any penalties and interest related to income taxes. The Association's federal tax returns for the past three years remain subject to examination by the Internal Revenue Service.

TRURO HOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

NOTE 5 - CASH AND CASH EQUIVALENTS:

As of December 31, 2016, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>
PNC Bank	Checking	\$ 82,749
BB&T	Checking	3,251
PNC Bank	Checking	11,257
PNC Bank	Checking	451
PNC Bank	Money Market	10,015
CapitalOne360	Savings	234,700
	Total	<u>\$ 342,423</u>

NOTE 6 - RELATED PARTY TRANSACTIONS:

During 2016 and 2015, the Association paid two members of the Association for their services as treasurer and record keeper. For 2016, the Association paid \$3,000 and \$6,650, for treasurer and bookkeeper, respectively. For 2015, the Association paid \$3,000 and \$6,570, for treasurer and bookkeeper, respectively. No amounts were owed for these services as of December 31, 2016 and 2015.

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 4, 2017, the date the financial statements were available to be issued.

The Association approved a special assessment of \$100 per member for paths for 2017, for a total of approximately \$38,000.

TRURO HOMES ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2016
(UNAUDITED)

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. during 2013 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	2013 Estimated Remaining Useful Life (Years)	2013 Estimated Replacement Cost
Site Improvements	0-30	\$ 587,903
Club House Exterior	1-26	148,099
Club House Extension Exterior	6-42	30,170
Club House Interior	0-27	106,221
Building Systems	9-21	18,500
Swimming Pool	0-31	642,218
Miscellaneous	10	4,500