

Goldklang Group[®]

CPAs, P.C.

Principals

Howard A. Goldklang, CPA, MBA
Donald E. Harris, CPA
Anne M. Sheehan, CPA
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200
Reston, VA 20191

Associate Principals

Jeremy W. Powell, CPA
Renee L. Watson, CPA

Managers

Allison A. Day, CPA
Matthew T. Stiefvater, CPA
Sheila M. Lewis, CPA

January 28, 2016

Board of Directors
Parkfairfax Condominium Unit Owners Association

Dear Board Members:

Enclosed, please find the draft audit for Parkfairfax Condominium Unit Owners Association for the five months ended October 31, 2015.

- Please date and sign the enclosed representation letter. The letter needs to be signed by either the President or Treasurer of the Association and the management agent representative. **This letter needs to be returned to our office before the audit can be finalized.**
- Please send the Association's most recent financial statements (which should include the balance sheet and income statement) to our office with the signed representation letter. We are requesting this information to comply with auditing standards.
- **Please return the signed letter and most recent financial statements to our office within 60 days from the date of this letter.** This information can be mailed, faxed or emailed to our office. Our email address is cpas@GGroupCPAs.com.

If we do not receive the above information within 60 days from the date of this letter, we may need to perform additional audit procedures to satisfy ourselves that no material events have occurred from the date that we completed our audit fieldwork through the date that we receive the signed representation letter. These additional procedures would include examining the bank statements, minutes, financial statements, general ledger and would also include inquiries of management and the board of directors. **We will bill the Association for these additional audit procedures at our hourly rates.**

Please do not hesitate to contact us if there are any questions regarding the draft audit.

Sincerely,

Goldklang Group CPAs, P.C.

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Information Included with the Audit

Cover Letter – The audit report is issued in draft for the Association to review. The cover letter explains what information must be returned to our office before the audit report (and other letters) can be finalized.

Independent Auditor's Report – This is our report on the Association's financial statements. Once finalized, the Association may distribute this document, along with the audited financial statements, notes to financial statements and any supplementary information in its entirety to members, potential members, etc.

Management Letter – The management letter is not a required communication under auditing standards, but is a by-product of the audit. We generally issue a management letter to communicate our comments and recommendations. Use of this letter is restricted to the board of directors and management.

Communication with Those Charged with Governance under AU-C §260 (Formerly SAS No. 114) - Under the Clarified Statements of Auditing Standards AU-C §260 we are required to communicate audit matters that, in our professional judgment, may be significant and relevant to those charged with governance of the Association. Use of this letter is restricted to the board of directors and management.

Communication of Significant Deficiencies and/or Material Weaknesses under AU-C §265 (Formerly SAS No. 115) - Under the Clarified Statements of Auditing Standards AU-C §265, we are required to communicate in writing any significant deficiencies and/or material weaknesses in the Association's internal controls. Use of this letter is restricted to the board of directors and management. If we did not note any significant deficiencies or material weaknesses, no letter will be issued.

Representation Letter – The representation letter is a letter from the Association to us confirming that to the best of your knowledge and belief all information was provided or disclosed to us. This letter needs to be signed by the President or Treasurer of the Association and the management agent representative. The letter needs to be returned to our office before the audit can be finalized.

Adjusted Trial Balance and Adjusting Journal Entries – These are the proposed audit adjustments for the period under audit.

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Independent Auditor's Report

To the Board of Directors of
Parkfairfax Condominium Unit Owners Association

Report on the Financial Statements

We have audited the accompanying financial statements of Parkfairfax Condominium Unit Owners Association, which comprise the balance sheet as of October 31, 2015, and the related statements of income, members' equity and cash flows for the five months 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkfairfax Condominium Unit Owners Association as of October 31, 2015, and the results of its operations and its cash flows for the five months then ended in conformity with accounting principles generally accepted in the United States of America.

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 17 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Actual Income and Expenses Compared to Budgeted Income and Expenses on pages 18 - 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for that portion marked "Unaudited", on which we expressed no opinion, the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Reston, Virginia

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION

BALANCE SHEET

OCTOBER 31, 2015

ASSETS

Cash and Cash Equivalents	\$ 855,830
Interest-Bearing Deposits	4,316,000
Assessments Receivable - Net	66,052
Accounts Receivable - Prior Management Escrow	10,055
Accounts Receivable - Laundry	5,364
Accounts Receivable - Other	25,535
Accrued Interest	8,762
Income Taxes Receivable	11,403
Prepaid Expenses	276,537
Property and Equipment - Net	<u>411,825</u>
Total Assets	<u>\$ 5,987,363</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable and Accrued Expenses	\$ 257,197
Accrued Payroll and Related Costs	170,221
Deferred Insurance Proceeds	54,991
Deposits - Security	8,401
Prepaid Assessments	256,044
Deferred Cable Commission	145,600
Deferred Laundry Allowance	32,000
Note Payable	<u>163,297</u>
Total Liabilities	<u>\$ 1,087,751</u>
Restricted Purpose Reserve - Awards	\$ 1,833
Replacement Reserves	3,090,352
Property Fund	411,825
Unappropriated Members' Equity	<u>1,395,602</u>
Total Members' Equity	<u>\$ 4,899,612</u>
Total Liabilities and Members' Equity	<u>\$ 5,987,363</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENT OF INCOME
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015

INCOME:

Assessments	\$	3,718,083
Interest		25,402
Unit Service Program - Repairs		26,490
Late Charges		7,919
Laundry Commission		20,227
Cable Commission		7,000
Resale Certificates		22,415
Advertising		6,437
Rental		33,666
Storage Rental		14,211
Bad Debt Recovery		774
Other		15,771
Total Income	\$	3,898,395

EXPENSES:

Payroll and Related:

Payroll - Management	\$	131,279
Payroll - Administrative		80,310
Payroll - Maintenance		495,014
Payroll - Bonuses		250
Payroll Taxes - Management		9,681
Payroll Taxes - Administrative		6,017
Payroll Taxes - Maintenance		38,114
Retirement - Management		4,976
Retirement - Administrative		2,226
Retirement - Maintenance		13,652
Mileage Reimbursement		600
Education/Training		881
Group Insurance		180,016
Total Payroll and Related	\$	963,016

Administrative:

Audit and Tax Preparation	\$	14,500
Advertising/Employment		553

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENT OF INCOME
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015
(CONTINUED)

Legal	10,510
Management	32,292
Office Supplies	4,634
Office/Machine Equipment	24,988
Office Systems Services	15,169
Professional Fees	2,579
Telephone	13,035
Other	9,912
Communications/Newsletter	15,363
Copying	2,888
Committees and Activities	6,327
Dues/Subscriptions	30
Association Owned Units	39,590
Postage	3,354
Printing	2,160
Total Administrative	\$ 197,884
 Utilities:	
Electricity	\$ 33,549
Gas	101,626
Water and Sewer	459,150
Total Utilities	\$ 594,325
 Repairs:	
General	\$ 24,730
Maintenance Supplies	44,963
Building Repairs	14,549
Electrical/Lighting	15,380
Railing Installation	315
Equipment	582
Equipment and Tool Purchases	4,167
Painting	209,570
Plumbing	13,385
Swimming Pool	30,482
Total Repairs	\$ 358,123

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENT OF INCOME
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015
(CONTINUED)

Services and Supplies:	
Exterminating	\$ 11,705
Pool Contracts	44,415
Pool Equipment and Supplies	504
Trash Removal Contract	120,623
Uniforms	8,331
Unit Service Program Supplies	13,982
Landscaping Contract	114,261
Landscaping Other	89,901
Vehicle	9,993
Vehicle Gas/Oil	10,670
Cleaning	8,522
Exercise Facility	3,854
Total Services and Supplies	<u>\$ 436,761</u>
Other:	
Taxes - Income	\$ 19,125
Taxes - Real Estate	20,523
Insurance - Building Liability	205,880
Permits/Licenses	173
Interest	4,625
Total Other	<u>\$ 250,326</u>
Total Expenses	<u>\$ 2,800,435</u>
Net Income before Contribution to Reserves	\$ 1,097,960
Contribution to Reserves	<u>(1,061,125)</u>
Net Income	<u>\$ 36,835</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENT OF MEMBERS' EQUITY
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015

	Restricted Purpose Reserve - Awards	Replacement Reserves	Property Fund	Unappropriated Members' Equity	Total Members' Equity
Balance as of May 31, 2015	\$ 1,833	\$ 2,712,069	\$ 419,678	\$ 1,358,767	\$ 4,492,347
Additions:					
Contribution to Reserves		1,061,125			1,061,125
Net Income				36,835	36,835
Deductions:					
Depreciation			(7,853)		(7,853)
Stoops / Porches		(61,326)			(61,326)
Paving		(19,892)			(19,892)
Roofs		(71,664)			(71,664)
Domestic Water Pipes		(113,808)			(113,808)
Building		(297,619)			(297,619)
Asbestos Abatement		(52,498)			(52,498)
Association Units		(35,141)			(35,141)
Reserve Study		(1,345)			(1,345)
Grates		(1,377)			(1,377)
Mechanical Systems		(19,360)			(19,360)
Erosion Repairs		(8,812)			(8,812)
Balance as of October 31, 2015	<u>\$ 1,833</u>	<u>\$ 3,090,352</u>	<u>\$ 411,825</u>	<u>\$ 1,395,602</u>	<u>\$ 4,899,612</u>

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income	\$ 36,835
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Bad Debt Expense (Recovery)	(774)
Decrease (Increase) in:	
Assessments Receivable	(23,428)
Accounts Receivable - Prior Management Escrow	(10,055)
Insurance Claim Receivable	50,101
Accounts Receivable - Laundry	1,991
Accounts Receivable - Other	(24,042)
Accrued Interest	(326)
Income Taxes Receivable	(4,500)
Prepaid Expenses	(20,275)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	(171,790)
Accrued Payroll and Related Costs	355
Deferred Insurance Proceeds	54,991
Deposits - Security	120
Prepaid Assessments	(2,126)
Deferred Cable Commission	(7,000)
Deferred Laundry Allowance	(1,667)
Net Cash Flows from Operating Activities	<u>\$ (121,590)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Received from Assessments (Reserves)	\$ 1,061,125
Disbursed for Reserve Expenditures	(716,994)
Received from Interest-Bearing Deposits	200,000
Disbursed for Interest-Bearing Deposits	(600,000)
Net Cash Flows from Investing Activities	<u>\$ (55,869)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Disbursed for Principal Payments	\$ (1,990)
Net Cash Flows from Financing Activities	<u>\$ (1,990)</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015
(CONTINUED)

Net Change in Cash and Cash Equivalents	\$ (179,449)
Cash and Cash Equivalents at Beginning of Period	<u>1,035,279</u>
Cash and Cash Equivalents at End of Period	<u>\$ 855,830</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash Paid for Income Taxes	<u>\$ 23,625</u>
Cash Paid for Interest	<u>\$ 4,625</u>

Draft

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015

NOTE 1 - NATURE OF OPERATIONS:

The Condominium is an Association organized under the laws of the Commonwealth of Virginia for the purposes of maintaining and preserving the common property of the condominium. The Association is located in Alexandria, Virginia, and consists of 1,684 units. The Association's Board of Directors administers the condominium operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting, in which revenues are recognized when earned and expenses when incurred, not necessarily when received or paid.

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. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to assess late and interest charges and to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements, because those properties are owned by the individual unit owners in common and not by the Association. Common property includes, but is not limited to, the exterior structures, mechanical equipment, and recreational facilities.

D) Depreciation - The Association owns furniture, equipment, vehicles, and condominium units that are carried at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets and is reflected in the property fund.

E) Estimates - The preparation of financial statements, in conformity, with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid interest-bearing deposits and investments with an original maturity date of three months or less to be cash equivalents.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Reserve Advisors, Inc. during 2015. Information from this study is included in the Supplementary Information of Future Major Repairs and Replacements.

The study recommends a contribution to reserves of \$2,546,700 for fiscal year 2016. For the five months ended October 31, 2015, the Association budgeted to contribute a prorated amount of \$1,061,125.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. 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 October 31, 2015, the Association had designated \$3,090,352 for replacement reserves. These designated reserves were funded by cash and interest-bearing deposits.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt condominium or as an association taxable as a corporation. As an exempt condominium, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members.

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

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of October 31, 2015, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type</u> <u>Account</u>	<u>Cash and</u> <u>Cash</u> <u>Equivalents</u>	<u>Interest-</u> <u>Bearing</u> <u>Deposits</u>	<u>Total</u>
Petty Cash	Imprest	\$ 500	\$ -	\$ 500
Union Bank	Checking	246,851		246,851
Pacific Premier	Checking / Repurchase Agreement Sweep	248,887		248,887
Wells Fargo	Bank Deposit Sweep (2)	359,592		359,592
Wells Fargo (Various Institutions)	Certificates of Deposit (26)		4,316,000	4,316,000
	Totals	<u>\$ 855,830</u>	<u>\$ 4,316,000</u>	<u>\$ 5,171,830</u>

As of October 31, 2015, the Association had \$238,162 in the Pacific Premier Bank repurchase agreement sweep account. The funds in the sweep account are backed by U.S. Government Securities; however, the account is not covered by FDIC insurance, or any other insurance. The funds are subject to investment risk, including possible loss of principal.

NOTE 6 - PROPERTY AND EQUIPMENT - NET:

Property and equipment are carried at cost. Depreciation is computed over the estimated useful lives of 5 to 30 years using the straight-line method. Current period depreciation was \$7,853.

Association Owned Units	\$ 875,271
Vehicles	500,401
Less: Accumulated Depreciation	<u>(963,847)</u>
Total Property and Equipment - Net	<u>\$ 411,825</u>

The Association owns eighteen condominium units. Thirteen of these units were deeded to the Association by the declarant and are recognized on the Association's financial statements at the fair market value at the time they were contributed to the Association. Five additional units were purchased by the Association and are recognized at their acquisition price. The declarant contributed twenty percent of the purchase price of four of these units to the Association. The remaining eighty percent was financed through mortgage notes secured by the condominium units. The mortgages have since been paid off. During fiscal year 2012, the Association purchased 3278 Martha Custis Drive, which is being financed through a mortgage note.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015
(CONTINUED)

NOTE 6 - PROPERTY AND EQUIPMENT - NET: (CONTINUED)

The Association uses these eighteen units as emergency maintenance personnel housing, rental units, exercise rooms and administrative offices.

Village I	
1401 Martha Custis Drive	\$ 29,000
1403 Martha Custis Drive	30,000
1405 Martha Custis Drive	44,000
1407 Martha Custis Drive	45,000
1409 Martha Custis Drive	30,000
1411 Martha Custis Drive	29,000
Village II	
3544 Martha Custis Drive	27,000
3546 Martha Custis Drive	26,000
3552 Martha Custis Drive	26,000
3554 Martha Custis Drive	27,000
Village III	
3356 Gunston Road	30,000
3358 Gunston Road	33,000
3360 Gunston Road	52,000
3362 Gunston Road	50,000
3364 Gunston Road	33,000
Village IV	
3278 Martha Custis Drive	273,271
3344 Valley Drive	45,500
3354 Valley Drive	45,500
Total	<u>\$ 875,271</u>

NOTE 7 - PROPERTY FUND:

The Association has established a property fund to track activity related to the capitalization and depreciation of property and equipment. As of October 31, 2015, the balance in the property fund was \$411,825.

NOTE 8 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015
(CONTINUED)

NOTE 8 - ASSESSMENTS RECEIVABLE - NET: (CONTINUED)

Assessments Receivable	\$ 167,095
Less: Allowance for Doubtful Assessments	<u>(101,043)</u>
Assessments Receivable - Net	<u>\$ 66,052</u>

NOTE 9 - RETIREMENT SAVINGS PLAN:

The Parkfairfax Condominium Unit Owners Association Employees' Retirement Savings Plan was established in 1987. Employees are eligible to participate on the first enrollment date after having completed 500 hours of service during the six month period starting on the most recent date of employment or ending on the last day of the twelve month period following the most recent date of employment. A participant may make elective contributions on a pre-tax basis of up to the lesser of 15% of compensation or \$15,000 (for calendar year 2007). The Association will match 100% of employee contributions up to 3 percent of each participant's compensation. Participants are always 100 percent vested in their elective contributions and any earnings on them. Participants are 100 percent vested in their employer contribution after completing five years of service. The contribution expense for the five months ended was \$20,854.

NOTE 10 - COLLECTIVE BARGAINING AGREEMENT:

Approximately two-thirds of the Association's work force is covered under a collective bargaining agreement. The collective bargaining agreement is in effect until May 31, 2017, and will automatically renew from year-to-year unless written notice is given by either party 60 days prior to May 31, 2017 or at least 60 days prior to May 31st of any subsequent year.

NOTE 11 - NOTE PAYABLE:

In November 2011, the Association obtained a promissory note with Burke and Herbert Bank & Trust Company in the amount of \$178,141 to finance the purchase of a unit located at 3278 Martha Custis Drive. The terms of the note are for monthly principal and interest payments of \$1,102. The interest rate is 5.5% and the loan matures on November 3, 2036. The interest rate is fixed until November 2016 and will adjust every five years based on the 5 year Treasury Index plus 3.25%. The note is secured by the unit. Principal curtailment of the amount borrowed for the next five years is as follows:

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015
(CONTINUED)

NOTE 11 - NOTE PAYABLE: (CONTINUED)

2016	\$	2,149
2017		4,478
2018		4,731
2019		4,998
2020		5,280
2021		5,577
Thereafter		<u>136,084</u>
Total		<u>\$ 163,297</u>

NOTE 12 - RELATED PARTY TRANSACTIONS:

The Association is managed by Community Management Corporation (CMC). CMC is owned by Associa. Officers of Associa are stockholders in Pacific Premier Bank. In addition, the President/Chief Executive Officer of Associa serves on the bank's board of directors. The Association maintains funds at Pacific Premier Bank.

NOTE 13 - DEFERRED CABLE COMMISSION:

The Association signed a 10-year marketing agreement with Comcast of Virginia, LLC granting the company, among other things, the right to provide its services to the premises. As part of the agreement, the Association received compensation of \$168,000. Upon early termination of the agreement, the unearned portion of the proceeds would be due back to vendor based on the terms of the contract. Therefore, this fee has been deferred and will be recognized over the 10-year term of the contract. As of October 31, 2015, \$145,600 remained in the deferred cable commission.

NOTE 14 - DEFERRED LAUNDRY ALLOWANCE:

The Association signed a 10-year laundry contract beginning November 5, 2013. As part of the agreement the Association received a \$40,000 renovation allowance. Upon early termination of the agreement this amount would be due back to the vendor based on a prorated portion of the agreement. Therefore, this fee is being amortized over the life of the agreement and was recorded as deferred laundry allowance. As of October 31, 2015, \$32,000 was remaining in the deferred laundry allowance.

NOTE 15 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through [date to be inserted upon finalization], the date the financial statements were available to be issued.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015
(CONTINUED)

NOTE 15 - SUBSEQUENT EVENTS: (CONTINUED)

Subsequent to year-end, the Association incurred \$245,952 in reserve expenditures for various projects.

Effective November 1, 2015, the Association changed managing agents to Klingbeil, Powell & Alrutz, Inc.

Draft

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
OCTOBER 31, 2015
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors, Inc. in 2015 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 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>	<u>2015 Estimated Remaining Useful Life (Years)</u>	<u>Estimated Future Replacement Cost</u>
Exterior Building Elements	2-20	\$ 78,715,449
Building Services Elements	2-21	19,790,217
Clubhouse / Management Office	2-10	783,152
Exercise Room	3-13	538,874
Rental and Staff Units	2-10	1,351,184
Maintenance Facilities	2-15	3,032,172
Property Site	2-25	11,906,753
Recreation	2-23	4,868,122
Martha Custis Tennis Courts	2-20	585,881
Valley Drive Tennis and Basketball Courts	2-21	1,078,419
2016 Reserve Expenditures	1	2,306,750
Reserve Study Update with Site Visit	2	9,400

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
SCHEDULE OF ACTUAL INCOME AND EXPENSES
COMPARED TO BUDGETED INCOME AND EXPENSES
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015

	<u>Actual</u>	<u>"Unaudited" Budget</u>	<u>Variance</u>
<u>INCOME:</u>			
Assessments	\$ 3,718,083	\$ 3,718,664	\$ (581)
Interest	25,402	2,083	23,319
Unit Service Program - Repairs	26,490	25,000	1,490
Late Charges	7,919	7,866	53
Laundry Commission	20,227	20,000	227
Cable Commission	7,000	(7,000)	-
Resale Certificates	22,415	12,831	9,584
Advertising	6,437	11,750	(5,313)
Rental	33,666	44,467	(10,801)
Storage Rental	14,211	15,000	(789)
Bad Debt Recovery	774	-	774
Other	15,771	13,029	2,742
Total Income	<u>\$ 3,898,395</u>	<u>\$ 3,877,690</u>	<u>\$ 20,705</u>

EXPENSES:

<u>Payroll and Related:</u>			
Payroll - Management	\$ 131,279	\$ 125,442	\$ 5,837
Payroll - Administrative	80,310	111,145	(30,835)
Payroll - Maintenance	495,014	487,918	7,096
Payroll - Bonuses	250	917	(667)
Payroll Taxes - Management	9,681	12,544	(2,863)
Payroll Taxes - Administrative	6,017	11,023	(5,006)
Payroll Taxes - Maintenance	38,114	45,561	(7,447)
Retirement - Management	4,976	4,583	393
Retirement - Administrative	2,226	2,500	(274)
Retirement - Maintenance	13,652	10,000	3,652
Mileage Reimbursement	600	209	391
Education/Training	881	6,667	(5,786)
Group Insurance	180,016	228,193	(48,177)
Total Payroll and Related	<u>\$ 963,016</u>	<u>\$ 1,046,702</u>	<u>\$ (83,686)</u>

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
SCHEDULE OF ACTUAL INCOME AND EXPENSES
COMPARED TO BUDGETED INCOME AND EXPENSES
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited"</u> <u>Budget</u>	<u>Variance</u>
Administrative:			
Audit and Tax Preparation	\$ 14,500	\$ 14,500	\$ -
Advertising/Employment	553	80	473
Engineering	-	6,429	(6,429)
Legal	10,510	12,500	(1,990)
Collections	-	8,333	(8,333)
Management	32,292	51,042	(18,750)
Office Supplies	4,634	6,875	(2,241)
Office/Machine Equipment	24,988	14,384	10,604
Office Systems Services	15,169	7,709	7,460
Professional Fees	2,579	12,500	(9,921)
Telephone	13,035	10,542	2,493
Other	9,912	15,000	(5,088)
Board/Annual Meeting	-	1,904	(1,904)
Communications/Newsletter	15,363	13,417	1,946
Copying	2,888	2,833	55
Committees and Activities	6,327	11,000	(4,673)
Dues/Subscriptions	30	-	30
Association Owned Units	39,590	37,267	2,323
Website Design	-	8,334	(8,334)
Postage	3,354	8,333	(4,979)
Printing	2,160	1,833	327
Total Administrative	<u>\$ 197,884</u>	<u>\$ 236,481</u>	<u>\$ (38,597)</u>
Utilities:			
Electricity	\$ 33,549	\$ 43,952	\$ (10,403)
Gas	101,626	132,561	(30,935)
Water and Sewer	459,150	455,240	3,910
Total Utilities	<u>\$ 594,325</u>	<u>\$ 631,753</u>	<u>\$ (37,428)</u>
Repairs:			
General	\$ 24,730	\$ 25,000	\$ (270)
Maintenance Supplies	44,963	17,500	27,463
Building Repairs	14,549	16,563	(2,014)

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
SCHEDULE OF ACTUAL INCOME AND EXPENSES
COMPARED TO BUDGETED INCOME AND EXPENSES
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited"</u> <u>Budget</u>	<u>Variance</u>
Railing Installation	315	3,000	(2,685)
Electrical/Lighting	15,380	8,333	7,047
Equipment	582	2,917	(2,335)
Equipment and Tool Purchases	4,167	3,542	625
Painting	209,570	201,250	8,320
Plumbing	13,385	12,500	885
Swimming Pool	30,482	6,000	24,482
Total Repairs	<u>\$ 358,123</u>	<u>\$ 296,605</u>	<u>\$ 61,518</u>
 Services and Supplies:			
Exterminating	\$ 11,705	\$ 18,750	\$ (7,045)
Pool Contracts	44,415	35,336	9,079
Pool Equipment and Supplies	504	4,500	(3,996)
Trash Removal Contract	120,623	120,595	28
Uniforms	8,331	8,333	(2)
Unit Service Program Supplies	13,982	10,417	3,565
Landscaping Contract	114,261	112,957	1,304
Landscaping Other	89,901	118,401	(28,500)
Vehicle	9,993	6,349	3,644
Vehicle Gas/Oil	10,670	11,667	(997)
Cleaning	8,522	7,500	1,022
Exercise Facility	3,854	1,500	2,354
Total Services and Supplies	<u>\$ 436,761</u>	<u>\$ 456,305</u>	<u>\$ (19,544)</u>
 Other:			
Taxes - Income	\$ 19,125	\$ 2,000	\$ 17,125
Taxes - Real Estate	20,523	7,750	12,773
Insurance - Building Liability	205,880	239,191	(33,311)
Permits/Licenses	173	9,513	(9,340)
Interest	4,625	4,302	323
Bad Debt	-	8,333	(8,333)
Total Other	<u>\$ 250,326</u>	<u>\$ 271,089</u>	<u>\$ (20,763)</u>
 Total Expenses	 <u>\$ 2,800,435</u>	 <u>\$ 2,938,935</u>	 <u>\$ (138,500)</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
SCHEDULE OF ACTUAL INCOME AND EXPENSES
COMPARED TO BUDGETED INCOME AND EXPENSES
FOR THE FIVE MONTHS ENDED OCTOBER 31, 2015
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited" Budget</u>	<u>Variance</u>
Net Income before Contribution to Reserves	\$ 1,097,960	\$ 938,755	\$ 159,205
Contribution to Reserves	<u>(1,061,125)</u>	<u>(1,061,125)</u>	<u>-</u>
Net Income	<u>\$ 36,835</u>	<u>\$ (122,370)</u>	<u>\$ 159,205</u>

Draft

Goldklang Group[®]

CPAs, P.C.

Principals

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Donald E. Harris, CPA
Anne M. Sheehan, CPA
S. Gail Moore, CPA

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Associate Principals

Jeremy W. Powell, CPA
Renee L. Watson, CPA

Managers

Allison A. Day, CPA
Matthew T. Stiefvater, CPA
Sheila M. Lewis, CPA

Management Letter

This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

January 28, 2016

Board of Directors
Parkfairfax Condominium Unit Owners Association

Dear Board Members:

We have audited the financial statements of Parkfairfax Condominium Unit Owners Association for the five months ended October 31, 2015. During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. As a result, we make the following comments and recommendations.

Financial Analysis

Associations budget their income evenly over a twelve-month period. When assessments become delinquent, cash flow problems develop and the Association may have problems paying its monthly expenses. As of October 31, 2015, the Association's assessments receivable balance of \$167,095 (before deducting the allowance for doubtful assessments of \$101,043) was equal to 2% of annual assessments. Assessments receivable at a level of 3% or less of annual assessments indicates good collection procedures and has a positive impact on cash flow. An assessments receivable balance of more than 3% of annual assessments suggests the Association may have future cash flow problems. We recommend the Association continue to aggressively pursue all delinquent accounts.

As of October 31, 2015, the Association had a surplus of \$1,395,602 in unappropriated members' equity (excess operating funds). This represents approximately 16% of annual assessments. As a general rule, we recommend associations maintain excess operating funds at a level of 10% to 20% of annual assessments. This procedure will ensure that potential operating deficits do not consume funds designated for replacement reserves. We commend the Association for maintaining excess operating funds at the recommended level.

The designated replacement reserves of \$3,090,352 as of October 31, 2015 were funded by cash and interest-bearing deposits.

Income Taxes Receivable

During fiscal year 2015, the Association received a federal tax refund of \$9,405 from the Internal Revenue Service related to fiscal year 2013. However, according to the fiscal year 2013 federal income tax return, this refund should have been for \$13,405. We are in the process of researching the \$4,000 discrepancy on behalf of the Association.

Deposits - Security

As of October 31, 2015, the Association's financial statements continued to reflect a security deposit of \$1,250 paid years ago by a former tenant for rental unit 1401 Martha Custis Drive. We recommend the Association research this matter to determine if the deposit should be returned to the former tenant or recognized as income.

Employee Bonuses

In July 2015, the Association paid a bonus to an employee that was not processed through the payroll system. The Association should be withholding and paying payroll taxes on employee bonuses. In the future, we recommend all bonuses paid by the Association be included on the Association's payroll returns and have payroll taxes withheld.

Due from John Deere Financial

During our examination of the Association's fiscal year 2014 paid invoices, we noticed that the Association made a duplicate payment to John Deere Financial in the amount of \$774. Additionally, during fiscal year 2015 the Association made another duplicate payment to John Deere Financial in the amount of \$719. These amounts continue to be reflected in accounts receivable - other on the Association's balance sheet. We recommend management research this matter or write-off this receivable, if deemed uncollectible.

Trash Removal

During fiscal year 2015, the Association made a duplicate payment of \$17,340 for May 2015 trash removal services. The second payment was reflected as a prepaid expense. As of October 31, 2015, the Association had not received a refund or credit for this overpayment. Management has been notified and is in the process of researching this matter.

Additionally, the Association's trash removal contract called for a fee increase of 1.3% effective June 1, 2015. However, the fee actually increased by approximately 4% starting in June 2015. Management is in the process of researching this matter to determine if a refund is due back to the Association.

Rent Receivable

Effective August 1, 2015, one of the Association's rental tenants moved from one rental unit to another rental unit. According to the terms of the tenant's new lease, monthly rent payments of \$928 were due to the Association. However, the tenant continued to make monthly payments based on the old rent fee of \$378. We have proposed an adjustment to record a receivable for the additional amounts owed of \$1,650 for August through October 2015. We recommend management pursue collection of all outstanding amounts due from the tenant.

Home Depot Credit Limit

Currently, the Association has a Home Depot credit card with a credit limit of \$25,000. We recommend the Association consider whether this limit could be reduced.

Insurance

We recommend the Association meet with its insurance agent at least annually to discuss insurance coverage. The Association should make sure the insurance policies provide the necessary and appropriate protection. In addition to all of the standard coverage that is usually recommended, the Association should maintain appropriate crime and directors & officers (D&O) coverage. At a minimum, the Association should maintain crime coverage that equals or exceeds the total of its funds or as required by state law. It should be structured to include a defalcation or misappropriation committed by a Board member, an employee of the Association, or employees of the management company, including principals.

Federal Deposit Insurance Corporation (FDIC)

The FDIC insurance limit is \$250,000 per financial institution. We recommend the Association monitor its accounts and immediately transfer funds in excess of the FDIC limit to other institutions or Treasury instruments so all Association funds will be insured. The Association should also periodically check the ratings for all financial institutions used by the Association.

We shall be pleased to discuss our comments and recommendations in greater detail and we are always available to give advice on any financial matter. Please do not hesitate to contact us if there are any questions regarding proper accounting procedures or the implementation of our suggested changes.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

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Communication with Those Charged with Governance under AU-C §260 (Formerly SAS No. 114)
This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

January 28, 2016

Board of Directors
Parkfairfax Condominium Unit Owners Association

Dear Board Members:

We have audited the financial statements of Parkfairfax Condominium Unit Owners Association as of October 31, 2015 and for the five months then ended and have issued our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information required by the Financial Accounting Standards Board, as described by professional standards, is to apply certain limited procedures to the information about management's methods of preparing the information; however, we will not express an opinion or any assurance on the information.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit five months will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Allowance for Doubtful Assessments

The Association's estimate of the allowance for doubtful assessments was established by reviewing the receivables for collectability. We evaluated key factors and assumptions used to develop the allowance for doubtful assessments in determining that it is reasonable in relation to the financial statements taken as a whole.

Accumulated Depreciation and Depreciation Expense

The Association's estimates of accumulated depreciation and depreciation expense were established using the straight line method of depreciation whereby the cost of an asset is amortized over its useful life. We evaluated key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of subsequent events.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjusting journal entries have been provided to the Association and posted to the Association's accounts, if appropriate. The journal entries are material, either individually or in the aggregate, to the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit five months.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

Draft

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***Communication of Significant Deficiencies and/or Material Weaknesses
under AU-C §265 (Formerly SAS No. 115)***

This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

January 28, 2016

Board of Directors
Parkfairfax Condominium Unit Owners Association

Dear Board Members:

In planning and performing our audit of the financial statements of Parkfairfax Condominium Unit Owners Association as of October 31, 2015 and for the five months then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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 effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses or other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following to be material weaknesses or significant deficiencies in internal control:

Accounts Payable

We proposed an adjustment for \$105,538 to record additional accounts payable as of October 31, 2015. This adjustment corrects a material misstatement in the Association's financial statements and is considered a material weakness. If the Association does not have controls in place to ensure that accounts payable is properly stated, then a material misstatement of the financial statements could occur that would not be prevented, or detected and corrected, by the Association's internal control.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

Draft

Representation Letter

This letter needs to be signed by the Board President or Treasurer and management representative, if applicable, and returned to our office within 60 days.

Parkfairfax Condominium Unit Owners Association

GOLDKLANG GROUP CPAs, P.C.
1801 Robert Fulton Drive, Suite 200
Reston, Virginia 20191

Dear Auditors:

The representation letter is provided in connection with your audit of the financial statements of **Parkfairfax Condominium Unit Owners Association** which comprise the balance sheet as of **October 31, 2015**, and the related statements of income, members' equity and cash flows for the five months then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, **to the best of our knowledge and belief**, the following representations made to you during your audit:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the Association's accounts, if appropriate.

- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning pending litigation, claims, or assessments.
- Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
- Transfers or designations of equity balance or inter-equity borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with U.S. GAAP.
- Uncollectible inter-equity loans have been properly accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- We have provided you with minutes of meetings of the Board of Directors.
- We have provided you with communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if any.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 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.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning pending litigation, claims, or assessments.
- 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.
- Except as made known to you and disclosed in the notes to the financial statements, 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.
- We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI. The Association had a study conducted in 2015. 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 Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.
- We acknowledge our responsibility for presenting The Schedule of Actual Income and Expenses Compared to Budgeted Income and Expenses in accordance with U.S. GAAP, and we believe the supplementary information above, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information above have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- Assessments receivable recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and have been reduced to their estimated realizable value.
- We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork on January 14, 2016 and through the date of this letter. Examples of material events include, but are not limited to, contracts for replacement reserve expenditures, losses due to a fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

Parkfairfax Condominium Unit Owners Association
October 31, 2015

Management Representative: (Effective 11/1/15)

 Signature

 Printed Name

 Date

Management Representative: (Through 10/31/15)

Signature _____

Printed Name _____

Date _____

President/Treasurer:

Signature _____

Printed Name _____

Date _____

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Account # / Description	Prior Period (Adjusted) 10/31/2014	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
01013 PACIFIC PREMIER BANK	200,263.03	248,886.82	AJE-1 AJE-2	18,761.38 (18,761.38)	248,886.82	B-1
01099 UNIONBANK OPERATING		150,000.00	AJE-20	96,851.44	246,851.44	B-1B
01210 A/R RENT			AJE-19	1,650.00	1,650.00	Y-3
01220 PETTY CASH	500.00	500.00			500.00	B-B
01230 A/R JOHN HANCOCK			AJE-15	22,391.94	22,391.94	E-4
01318 MONEY MARKET - WELLS FARGO	834,516.14	359,591.87			359,591.87	B-2
01411 MARKETABLE SEC - WELLS FARGO	3,916,000.00	4,316,000.00			4,316,000.00	B-2
01498 A/R LAUNDRY	7,354.64	3,930.64	AJE-1 AJE-5 AJE-14	3,424.00 (7,354.64) 5,364.45	5,364.45	Y-4
01500 ASSESSMENTS RECEIVABLE	143,667.01	167,095.07			167,095.07	E-1
01520 ESCROW RECEIVABLE		10,054.66			10,054.66	E-2
01600 ALLOWANCE FOR DBTFL ACCTS	(101,817.27)	(101,817.27)	AJE-21	774.11	(101,043.16)	F-1
01600 PREPAID INSURANCE	144,398.66	132,590.84	AJE-1 AJE-11 AJE-17	(7,166.29) 7,166.29 25,100.10	157,690.94	G-1
01640 PREPAID EXPENSES	111,862.56	123,898.16	AJE-15 AJE-16	(22,391.94) 17,340.18	118,846.40	G-2
01725 INSURANCE CLAIM RECEIVABLE		(311,127.52)	AJE-8	256,136.64	(54,990.88)	E-4
01730 ACCRUED INTEREST RECEIVABLE	8,436.15	8,762.24			8,762.24	B-2
01735 VENDOR RECEIVABLES	1,493.02	718.88	AJE-1	774.14	1,493.02	E-3
01745 TAXES RECEIVABLE	6,903.00	4,000.00	AJE-1 AJE-3	2,903.00 4,500.00	11,403.00	T-1
01945 ACCUMULATED DEPRECIATION	(955,994.19)	(963,847.19)			(963,847.19)	I-1
01960 VEHICLES	500,400.96	500,400.96			500,400.96	I-1
01970 CONDOMINIUM UNITS	875,271.07	875,271.07			875,271.07	I-1
02000 ACCOUNTS PAYABLE	(185,881.72)	(36,480.28)	AJE-1 AJE-2 AJE-7 AJE-13 AJE-22	(179,908.10) 12,343.40 167,564.70 32,373.80 (105,537.07)	(109,643.55)	N-1
02015 A/P UNCLAIMED FUNDS	(343.46)	(343.46)			(343.46)	

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Account # / Description	Prior Period (Adjusted) 10/31/2014	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
02025 TRANSFER FEE PAYABLE	(1,994.95)	508.50			508.50	
02044 MEMORIAL TREE FUND	(750.00)	(920.00)			(920.00)	
02050 RESIDENT REFUNDS	70.00	(700.47)			(700.47)	
02145 WITHHOLDING RETIRE PLAN	(11,904.58)	(12,273.71)			(12,273.71)	
02150 WITHHOLDING OTHER	(14,308.23)	(14,308.23)			(14,308.23)	
02215 DEFERRED CABLE INCOME	(152,600.00)	(145,600.00)			(145,600.00)	N-3
02216 DEFERRED LAUNDRY ALLOWANCE	(33,666.73)		AJE-1 AJE-4	(33,666.73) 1,667.00	(31,999.73)	Y-4
02300 ACCRUED EXPENSES	(274,234.46)	(126,729.98)	AJE-1 AJE-12 AJE-23	(14,935.58) 14,935.58 (19,366.47)	(146,096.45)	N-2
02310 ACCRUED GARNISHMENTS	(2,310.56)	(2,738.41)			(2,738.41)	
02400 ACCRUED PAYROLL PAYABLE	(45,555.00)	(38,332.00)			(38,332.00)	O-1
02415 SEC DEP - 223-3278 MARTHA CUSTIS DR	(1,400.00)	(1,400.00)			(1,400.00)	Y-3
02425 SEC DEP - 309-3546 MARTHA CUSTIS	(1,322.00)	(1,322.00)			(1,322.00)	Y-3
02430 SEC DEP - 309-3552 MARTHA CUSTIS	(1,359.00)	(1,359.00)			(1,359.00)	Y-3
02435 SEC DEP- 401-1401 M CUSTIS	(2,750.00)	(2,750.00)			(2,750.00)	Y-3
02450 PAYROLL W/H UNION DUES	(1,553.00)	(1,590.00)			(1,590.00)	
02455 ACCRUED VACATION	(94,234.00)	(85,116.18)	AJE-1 AJE-24 AJE-24	(9,117.82) 94,234.00 (100,979.00)	(100,979.00)	O-2
02500 SEC DEP- 401-1403MARTHA CUSTIS	(1,450.00)	(1,570.00)			(1,570.00)	Y-3
02550 PPD ASSESSMENTS	(258,170.27)	(159,129.25)	AJE-20	(96,915.23)	(256,044.48)	E-1
02800 MORTGAGE ON UNIT 3278-BURK & HERBER	(165,286.57)	(163,296.75)			(163,296.75)	M-1
03000 PRIOR YR OWNERS EQUITY	(629,546.47)	(1,452,061.26)	AJE-1	93,289.80	(1,358,771.46)	***
03020 PROPERTY FUND	(419,677.84)	(354,023.75)	AJE-1	(57,801.09)	(411,824.84)	I-1
03035 AWARD FUND CONTRIBUTION	(1,833.18)	(1,833.18)			(1,833.18)	
03102 RESERVES - OPENING BALANCE	(2,712,068.52)	(2,845,411.06)	AJE-1 AJE-10 AJE-13	(1,224,559.38) 1,011,992.29 (32,373.80)	(3,090,351.95)	R-1
03276 RESERVE CONTRIBUTIONS		(1,061,125.00)	AJE-1	2,036,317.00		

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Account # / Description	Prior Period (Adjusted) 10/31/2014	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
			AJE-10	(975,192.00)		
03280 RESERVE EXPENDITURES - OPERATING		477,656.45	AJE-1 AJE-2 AJE-7 AJE-10 AJE-22	(678,415.08) 6,365.00 (81,906.45) 213,059.74 63,240.34		
03281 RESERVE EXPENDITURES - RESERVES		249,860.03	AJE-10	(249,860.03)		
03600 INSURANCE CLAIM RESERVES - OPERATING	50,100.75	19,498.05	AJE-1 AJE-7 AJE-8	50,100.75 (50,100.75) (19,498.05)		
03601 INSURANCE CLAIM RESERVES - RESERVES		236,638.59	AJE-8	(236,638.59)		
(Profit) Loss	(729,224.99)	1,343.12		(38,175.60)	(36,832.48)	

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Account # / Description	Prior Period (Adjusted) 10/31/2014	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
04001 RESIDENTIAL ASSESSMENT	(8,582,653.92)	(3,718,082.95)			(3,718,082.95)	Y-1
04110 CABLE REVENUE	(15,400.00)	(7,000.00)			(7,000.00)	N-3
04225 KEY/CARD INCOME	(6,670.00)	(6,473.50)			(6,473.50)	
04230 UNIT SRVC PROGRAM INCOME	(61,970.82)	(26,490.49)			(26,490.49)	
04235 LAUNDRY INCOME	(55,151.05)	(20,550.37)	AJE-4 AJE-5 AJE-14	(1,667.00) 7,354.64 (5,364.45)	(20,227.18)	Y-4
04245 NEWSLETTER ADVERTISING	(22,339.00)	(6,437.00)			(6,437.00)	
04260 RESALE PACKAGES	(39,909.77)	(22,415.14)			(22,415.14)	
04295 OTHER INCOME	(16,270.21)	(2,519.92)			(2,519.92)	
04340 VACANCY ALLOWANCE	24,064.58		AJE-6	11,409.40	11,409.40	Y-3
04400 FACILITIES RENTAL INCOME	(7,942.75)	(3,856.02)			(3,856.02)	
04410 STORAGE UNIT INCOME	(49,265.90)	(14,211.47)			(14,211.47)	
04500 223-3278 MARTHA CUSTIS DR RENTAL	(17,640.00)	(7,570.00)			(7,570.00)	Y3
04501 309-3554 ARTHA CURTIS DR RENTAL			AJE-6 AJE-18	(1,133.40) (755.60)	(1,889.00)	Y-3
04502 309-3546 MARTHA CUSTIS DR RENTAL	(16,417.00)	(6,610.00)			(6,610.00)	Y-3
04503 309-3552 MARTHA CUSTIS DR RENTAL	(16,533.00)	(6,877.00)			(6,877.00)	Y-3
04504 401-1401 MARTHA CUSTIS DR RENTAL	(17,783.00)	(7,500.00)			(7,500.00)	Y-3
04505 401-1403 MARTHA CUSTIS DR RENTAL	(18,154.00)	(1,570.00)	AJE-6	(6,280.00)	(7,850.00)	Y-3
04507 401-1407 M CUSTIS DR	(23,860.80)		AJE-6 AJE-18 AJE-19	(3,996.00) (1,133.40) (1,650.00)	(6,779.40)	Y-3
04710 LATE FEES & INTEREST	(6,135.00)	(7,918.56)			(7,918.56)	
04800 BAD DEBT RECOVERY			AJE-21	(774.11)	(774.11)	F-1
04805 VIOLATIONS INCOME	900.00					
04825 RECOVERY OF BAD DEBT	(25,681.05)					
04835 MISC INCOME	(1,303.86)	(1,200.00)			(1,200.00)	
04910 INTEREST EARNED-RESERVE ACCOUNTS	(26,053.32)	(25,401.82)	AJE-20	(0.34)	(25,402.16)	Y-2
04920 GAIN/LOSS ON SALE OF INVESTMENT	(500.00)					

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Account # / Description	Prior Period (Adjusted) 10/31/2014	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
05045 DUE & SUBSCRIPTIONS	30.00	30.00			30.00	
05065 COMPUTER REPAIR & MAINT	46,685.80	17,039.58	AJE-22	350.00	17,389.58	
05080 ANNUAL MEETING EXPENSES	7,870.99					
05085 OFFICE EQUIPMENT LEASE	18,122.59	7,163.44	AJE-7 AJE-22	(255.17) 689.41	7,597.68	
05090 OFFICE SUPPLIES	14,294.06	3,733.13	AJE-20 AJE-22	64.13 836.98	4,634.24	
05110 OFFICE SYSTEMS SERVICES	39,429.50	15,188.60	AJE-7	(20.00)	15,168.60	
05195 ADMINISTRATIVE	39,626.68	10,013.56	AJE-2 AJE-7 AJE-22	52.98 (695.01) 544.44	9,915.97	
05205 ACTIVITY CHARGES	4,597.75	6,358.53	AJE-7	(198.75)	6,159.78	
05210 COPYING	7,527.31	2,887.71			2,887.71	
05215 POSTAGE	9,832.03	2,759.09	AJE-7 AJE-22	(138.70) 733.89	3,354.28	
05220 PRINTING	10,993.71	1,914.98	AJE-22	244.80	2,159.78	
05225 NEWSLETTER PRODUCTION	25,165.69	15,362.99			15,362.99	
05302 ADMIN SALARIES	216,785.88	79,107.03	AJE-24 AJE-24	(12,791.00) 13,994.00	80,310.03	X-2
05304 MAINTENANCE SALARIES	1,166,251.93	494,206.29	AJE-24 AJE-24	(64,706.00) 65,514.00	495,014.29	X-2
05306 MANAGER/ASSISTANT MANAGER SALARIES	296,720.90	126,544.53	AJE-24 AJE-24	(16,737.00) 21,471.00	131,278.53	X-2
05325 BONUSES	2,752.85	250.00			250.00	
05330 MEDICAL/HEALTH BENEFITS	454,275.38	175,387.04	AJE-7 AJE-22	(878.99) 5,508.32	180,016.37	X-1
05335 MILEAGE	3,584.01	600.00			600.00	
05340 PAYROLL TAXES - MANAGEMENT	28,164.08	9,680.91			9,680.91	X-2
05345 PAYROLL TAXES - ADMIN	19,581.20	6,017.25			6,017.25	X-2
05365 RETIREMENT - MANAGEMENT	10,016.51	4,976.04			4,976.04	
05370 RETIREMENT - ADMINISTRATIVE	4,600.96	2,226.16			2,226.16	
05375 RETIREMENT - MAINTENANCE	28,144.05	12,407.60	AJE-22	1,244.37	13,651.97	

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Account # / Description	Prior Period (Adjusted) 10/31/2014	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
05380 EMPLOYEE RECRUITMENT	1,375.75	742.25	AJE-7	(189.00)	553.25	
05385 PAYROLL TAXES - MAINTENANCE	95,257.74	38,114.29			38,114.29	X-2
05390 WORKERS COMP	82,679.00	71,697.19	AJE-11 AJE-17	(8,465.69) (24,645.00)	38,586.50	G-1
05399 TRAINING EDUCATION	19,509.19	1,347.74	AJE-7	(466.99)	880.75	
05405 INSURANCE CLAIMS	50,000.00					
05445 GENERAL LIABILITY INSURANCE PREMIUMS	370,455.60	166,448.70	AJE-11 AJE-17	1,299.40 (455.10)	167,293.00	G-1
05601 ACTIVITIES/COMMITTEES			AJE-22	167.41	167.41	
06000 ELECTRICITY	114,916.96	33,549.27			33,549.27	X-1
06005 GAS	305,572.74	105,504.36	AJE-7 AJE-12 AJE-23	(12,691.69) 12,562.66 (3,749.29)	101,626.04	X-1
06025 WATER/SEWER	998,560.37	463,712.72	AJE-12 AJE-23 AJE-23	(27,678.24) 7,763.29 15,352.47	459,150.24	X-1
06035 TRASH REMOVAL	288,446.09	133,554.06	AJE-16 AJE-22	(17,340.18) 4,409.17	120,623.05	X-1
06060 TELEPHONE SERVICE	27,199.43	13,123.40	AJE-7 AJE-22	(220.97) 133.00	13,036.43	
06100 LANDSCAPE MAINT CONTRACT	263,044.75	115,241.00	AJE-7	(980.00)	114,261.00	X-1
06160 TREE MAINTENANCE	73,908.25	33,555.50			33,555.50	
06199 LANDSCAPE OTHER	90,461.01	49,129.20	AJE-22	7,215.30	56,344.50	X-1
06300 LICENSE/FEES	12,386.66	127.20			127.20	
06315 UNIFORMS	19,055.46	7,928.38	AJE-22	402.39	8,330.77	
06434 EXTERMINATING CONTRACT	25,095.03	11,346.00	AJE-7 AJE-12 AJE-22	(946.00) 180.00 1,125.00	11,705.00	
06438 POOL MANAGEMENT CONTRACT	87,243.33	44,415.15			44,415.15	X-1
06442 SNOW REMOVAL SERVICES	1,343.84					
06515 BUILDING REPAIR/MAINT	24,406.48	14,272.54	AJE-7 AJE-22	(247.42) 523.85	14,548.97	
06555 EQUIPMENT REPAIR & MAINT	14,637.77	581.85			581.85	

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Account # / Description	Prior Period (Adjusted) 10/31/2014	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
06600 GENERAL REPAIR & MAINT	36,541.34	22,973.73	AJE-7 AJE-9 AJE-22	(1,646.66) 1,575.55 1,827.49	24,730.11	
06610 GENERAL MAINT SUPPLIES	142,867.37	45,296.24	AJE-7 AJE-22	(2,219.35) 1,886.56	44,963.45	X-1
06635 JANITOR	2,806.56	8,038.38	AJE-22	484.07	8,522.45	
06640 ELECTRICAL/LIGHTING REPAIR & MAINT	20,746.94	15,379.84			15,379.84	
06660 RAILING INSTALLATION	1,400.52	315.00			315.00	
06680 PAINTING	200,770.97	201,680.02	AJE-7 AJE-22	(798.80) 8,688.72	209,569.94	X-1
06695 PLUMBING SUPPLIES	6,490.13	11,671.64	AJE-7 AJE-22	(1,296.40) 3,009.49	13,384.73	
06700 POOL REPAIR & MAINT	8,661.60	30,928.33	AJE-7	(446.25)	30,482.08	X-1
06710 EXERCISE FACILITY	7,069.93	5,129.65	AJE-7	(1,275.79)	3,853.86	
06715 POOL SUPPLIES	4,554.84	503.79			503.79	
06720 VEHICLES REPAIRS	38,597.33	9,992.65			9,992.65	
06755 TOOLS & EQUIPMENT	21,104.02	4,470.44	AJE-7	(303.04)	4,167.40	
06765 TENNIS COURTS REPAIR & MAINT	2,854.73	597.00	AJE-7	(597.00)		
06775 VEHICLE GAS & MAINTENANCE	7,774.52	10,444.53	AJE-7 AJE-22	(478.13) 703.53	10,669.93	
07000 AUDIT/TAX RETURN	14,300.00	14,500.00			14,500.00	X-1
07025 LEGAL - COLLECTIONS	4,181.20	(1,720.53)			(1,720.53)	
07030 LEGAL - GENERAL	37,642.57	10,510.38			10,510.38	X-1
07040 MANAGEMENT FEE	101,758.31	32,291.65			32,291.65	X-1
07095 PROFESSIONAL FEES	4,279.85	2,583.90	AJE-7 AJE-22	(37.80) 32.55	2,578.65	
08110 IN UNIT SUPPLIES	10,980.85	12,920.16	AJE-7 AJE-22	(473.94) 1,535.99	13,982.21	
08900 OWNED UNIT ASSESSMENTS	87,026.52	39,276.20	AJE-9 AJE-18	(1,575.55) 1,889.00	39,589.65	X-3
09000 INCOME TAXES	10,097.00	23,625.00	AJE-3	(4,500.00)	19,125.00	T-1
09015 PROPERTY/REAL ESTATE TAXES	15,897.70	28,578.52	AJE-7	(8,055.65)	20,522.87	X-1

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Account # / Description	Prior Period (Adjusted) 10/31/2014	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
09016 PERSONAL PROPERTY TAXES	7,029.25					
09100 OTHER EXPENSES	12,600.00	45.64			45.64	
09800 REPAIR/REPL RESERVES - OPERATING	2,036,317.00	1,061,125.00			1,061,125.00	R-1
09898 OWNED UNIT MORTGAGE INTEREST	8,484.52	4,624.94			4,624.94	M-1
(Profit) Loss	<u>(729,224.99)</u>	<u>1,343.12</u>		<u>(38,175.60)</u>	<u>(36,832.48)</u>	

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Account #	Account Name / Description	Debits	Credits
10/31/2015	<u>AJE 1</u>		
01013	PACIFIC PREMIER BANK	18,761.38	
01498	A/R LAUNDRY	3,424.00	
01600	PREPAID INSURANCE		7,166.29
01735	VENDOR RECEIVABLES	774.14	
01745	TAXES RECEIVABLE	2,903.00	
02000	ACCOUNTS PAYABLE		179,908.10
02216	DEFERRED LAUNDRY ALLOWANCE		33,666.73
02300	ACCRUED EXPENSES		14,935.58
02455	ACCRUED VACATION		9,117.82
03020	PROPERTY FUND		57,801.09
03102	RESERVES - OPENING BALANCE		1,224,559.38
03276	RESERVE CONTRIBUTIONS	2,036,317.00	
03280	RESERVE EXPENDITURES - OPERATING		678,415.08
03600	INSURANCE CLAIM RESERVES - OPERATING	50,100.75	
03000	PRIOR YR OWNERS EQUITY	93,289.80	
TO RECORD PRIOR YEAR AUDIT ADJUSTMENTS AND TIE EQUITY			
10/31/2015	<u>AJE 2</u>		
01013	PACIFIC PREMIER BANK		18,761.38
02000	ACCOUNTS PAYABLE	12,343.40	
05195	ADMINISTRATIVE	52.98	
03280	RESERVE EXPENDITURES - OPERATING	6,365.00	
TO REVERSE PRIOR YEAR AUDIT ADJUSTMENT			
10/31/2015	<u>AJE 3</u>		
01745	TAXES RECEIVABLE	4,500.00	
09000	INCOME TAXES		4,500.00
TO RECLASSIFY TAX EXTENSION PAYMENTS			
10/31/2015	<u>AJE 4</u>		
02216	DEFERRED LAUNDRY ALLOWANCE	1,667.00	
04235	LAUNDRY INCOME		1,667.00
TO RECORD LAUNDRY BONUS AMORTIZATION			
10/31/2015	<u>AJE 5</u>		
01498	A/R LAUNDRY		7,354.64
35	LAUNDRY INCOME	7,354.64	
TO REVERSE PRIOR YEAR LAUNDRY ACCRUAL			

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Account #	Account Name / Description	Debits	Credits
10/31/2015	AJE 6		
04340	VACANCY ALLOWANCE	11,409.40	
04505	401-1403 MARTHA CUSTIS DR RENTAL		6,280.00
04507	401-1407 M CUSTIS DR		3,996.00
04501	309-3554 ARTHA CURTIS DR RENTAL		1,133.40

TO RECORD VACANCY LOSS THROUGH 10/31/15

10/31/2015	AJE 7		
06005	GAS		12,691.69
03280	RESERVE EXPENDITURES - OPERATING		81,906.45
03600	INSURANCE CLAIM RESERVES - OPERATING		50,100.75
05085	OFFICE EQUIPMENT LEASE		255.17
05110	OFFICE SYSTEMS SERVICES		20.00
05195	ADMINISTRATIVE		695.01
05205	ACTIVITY CHARGES		198.75
05215	POSTAGE		138.70
05330	MEDICAL/HEALTH BENEFITS		878.99
05380	EMPLOYEE RECRUITMENT		189.00
05399	TRAINING EDUCATION		466.99
06050	TELEPHONE SERVICE		220.97
06100	LANDSCAPE MAINT CONTRACT		980.00
06434	EXTERMINATING CONTRACT		946.00
06515	BUILDING REPAIR/MAINT		247.42
06600	GENERAL REPAIR & MAINT		1,646.66
06610	GENERAL MAINT SUPPLIES		2,219.35
06680	PAINTING		798.80
06695	PLUMBING SUPPLIES		1,296.40
06700	POOL REPAIR & MAINT		446.25
06710	EXERCISE FACILITY		1,275.79
06755	TOOLS & EQUIPMENT		303.04
06765	TENNIS COURTS REPAIR & MAINT		597.00
06775	VEHICLE GAS & MAINTENANCE		478.13
07095	PROFESSIONAL FEES		37.80
08110	IN UNIT SUPPLIES		473.94
09015	PROPERTY/REAL ESTATE TAXES		8,055.65
02000	ACCOUNTS PAYABLE	167,564.70	

TO REVERSE PRIOR YEAR ACCOUNTS PAYABLE

10/31/2015	AJE 8		
01725	INSURANCE CLAIM RECEIVABLE	256,136.64	
03600	INSURANCE CLAIM RESERVES - OPERATING		19,498.05
03601	INSURANCE CLAIM RESERVES - RESERVES		236,638.59

TO RECLASSIFY INSURANCE CLAIM ACTIVITY FOR FINANCIAL STATEMENT PRESENTATION PURPOSES

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Account #	Account Name / Description	Debits	Credits
10/31/2015	AJE 9		
06600	GENERAL REPAIR & MAINT	1,575.55	
08900	OWNED UNIT ASSESSMENTS		1,575.55
	TO RECLASSIFY CREDIT CARD PURCHASES		
10/31/2015	AJE 10		
03280	RESERVE EXPENDITURES - OPERATING	213,059.74	
03281	RESERVE EXPENDITURES - RESERVES		249,860.03
03276	RESERVE CONTRIBUTIONS		975,192.00
03102	RESERVES - OPENING BALANCE	1,011,992.29	
	TO COMBINE RESERVE ACTIVITY INTO ONE ACCOUNT		
10/31/2015	AJE 11		
01600	PREPAID INSURANCE	7,166.29	
05445	GENERAL LIABILITY INSURANCE PREMIUMS	1,299.40	
90	WORKERS COMP		8,465.69
	TO REVERSE PRIOR YEAR AUDIT ADJUSTMENT		
10/31/2015	AJE 12		
06434	EXTERMINATING CONTRACT	180.00	
06025	WATER/SEWER		27,678.24
06005	GAS	12,562.66	
02300	ACCRUED EXPENSES	14,935.58	
	TO REVERSE PRIOR YEAR AUDIT ADJUSTMENT		
10/31/2015	AJE 13		
02000	ACCOUNTS PAYABLE	32,373.80	
03102	RESERVES - OPENING BALANCE		32,373.80
	TO REVERSE INVOICES FROM ACCOUNTS PAYABLE THAT WERE PAID BEFORE 10/31/15		
10/31/2015	AJE 14		
01498	A/R LAUNDRY	5,364.45	
04235	LAUNDRY INCOME		5,364.45
	TO ACCRUE LAUNDRY INCOME		

Account #	Account Name / Description	Debits	Credits
10/31/2015		<u>AJE 15</u>	
01230	A/R JOHN HANCOCK	22,391.94	
01640	PREPAID EXPENSES		22,391.94
TO RECLASSIFY JOHN HANCOCK DUPLICATE PAYMENT - REFUND RECEIVED IN NOVEMBER 2015			
10/31/2015		<u>AJE 16</u>	
01640	PREPAID EXPENSES	17,340.18	
06035	TRASH REMOVAL		17,340.18
TO RECORD PREPAID TRASH REMOVAL			
10/31/2015		<u>AJE 17</u>	
01600	PREPAID INSURANCE	25,100.10	
05390	WORKERS COMP		24,645.00
05445	GENERAL LIABILITY INSURANCE PREMIUMS		455.10
TO ADJUST PREPAID INSURANCE			
10/31/2015		<u>AJE 18</u>	
08900	OWNED UNIT ASSESSMENTS	1,889.00	
04507	401-1407 M CUSTIS DR		1,133.40
04501	309-3554 ARTHA CURTIS DR RENTAL		755.60
TO RECORD ASSESSMENT EXPENSE FOR 3554 MARTHA CUSTIS AND TO RECLASSIFY 1407 MARTHA CUSTIS RENTAL PAYMENTS			
10/31/2015		<u>AJE 19</u>	
01210	A/R RENT	1,650.00	
04507	401-1407 M CUSTIS DR		1,650.00
TO RECORD RENTAL INCOME DUE FROM 1407 MARTHA CUSTIS TENANT FOR AUGUST - OCTOBER 2015 PAYMENT SHORTFALLS			
10/31/2015		<u>AJE 20</u>	
01099	UNIONBANK OPERATING	96,851.44	
04910	INTEREST EARNED-RESERVE ACCOUNTS		0.34
05090	OFFICE SUPPLIES	64.13	
02550	PPD ASSESSMENTS		96,915.23
TO RECORD OCTOBER 2015 UNION BANK DEPOSITS AND DISBURSEMENTS			

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Account #	Account Name / Description	Debits	Credits
10/31/2015		<u>AJE 21</u>	
04800	BAD DEBT RECOVERY		774.11
01530	ALLOWANCE FOR DBTFL ACCTS	774.11	
TO ADJUST THE ALLOWANCE FOR BAD DEBT			
10/31/2015		<u>AJE 22</u>	
03280	RESERVE EXPENDITURES - OPERATING	63,240.34	
05065	COMPUTER REPAIR & MAINT	350.00	
05085	OFFICE EQUIPMENT LEASE	689.41	
05090	OFFICE SUPPLIES	836.98	
05195	ADMINISTRATIVE	544.44	
05215	POSTAGE	733.89	
05220	PRINTING	244.80	
05330	MEDICAL/HEALTH BENEFITS	5,508.32	
05375	RETIREMENT - MAINTENANCE	1,244.37	
05601	ACTIVITIES/COMMITTEES	167.41	
06035	TRASH REMOVAL	4,409.17	
06050	TELEPHONE SERVICE	133.00	
06059	LANDSCAPE OTHER	7,215.30	
06055	UNIFORMS	402.39	
06434	EXTERMINATING CONTRACT	1,125.00	
06515	BUILDING REPAIR/MAINT	523.85	
06600	GENERAL REPAIR & MAINT	1,827.49	
06610	GENERAL MAINT SUPPLIES	1,886.56	
06635	JANITOR	484.07	
06680	PAINTING	8,688.72	
06695	PLUMBING SUPPLIES	3,009.49	
06775	VEHICLE GAS & MAINTENANCE	703.53	
07095	PROFESSIONAL FEES	32.55	
08110	IN UNIT SUPPLIES	1,535.99	
02000	ACCOUNTS PAYABLE		105,537.07
TO RECORD ADDITIONAL ACCOUNTS PAYABLE PER AUDITOR'S SEARCH			
10/31/2015		<u>AJE 23</u>	
06005	GAS		3,749.29
06025	WATER/SEWER	7,763.29	
06025	WATER/SEWER	15,352.47	
02300	ACCRUED EXPENSES		19,366.47
TO ADJUST CLIENT'S UTILITY ACCRUALS			
10/31/2015		<u>AJE 24</u>	
05355	ACCRUED VACATION	94,234.00	
05302	ADMIN SALARIES		12,791.00

Account #	Account Name / Description	Debits	Credits
05304	MAINTENANCE SALARIES		64,706.00
05306	MANAGER/ASSISTANT MANAGER SALARIES		16,737.00
05302	ADMIN SALARIES	13,994.00	
05304	MAINTENANCE SALARIES	85,514.00	
05306	MANAGER/ASSISTANT MANAGER SALARIES	21,471.00	
02455	ACCRUED VACATION		100,979.00
TO REVERSE PRIOR YEAR AND RECORD CURRENT PERIOD ACCRUED LEAVE			
Totals		<u>4,463,400.32</u>	<u>4,463,400.32</u>