VALLEY LO TOWERS I
CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

Year ended December 31, 2016 with
comparative totals for 2015

with

Independent Auditor's Report

CONTENTS

NYBORG & COMPANY, LTD.
Member of the AICPA and Illinois CPA Society

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Lo Towers I
Condominium Association
Glenview, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Lo Towers I Condominium Association, which comprise the balance sheets as of December 31, 2016, and the related statements of revenue, expenditures and changes in fund balances and cash flows for the year 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 judgement, 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.

236 Webster Street • Batavia, IL 60510 • Phone: 630-482-9750 • Fax: 630-482-9754

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Lo Towers I Condominium Association as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Valley Lo Towers I Condominium Association's 2015 financial statements, and our report dated April 21, 2016 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of certain balance sheet account groups (page 9), revenue over (under) expenditures (page 10), revenue accounts (page 11) and expenditures (pages 12-15) are presented for purposes of additional analysis and are 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. The information (except for the budget information which was compiled without audit or review from information that is the representation of management, on which we do not express an opinion or any other form of assurance) 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 16 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.

Nykborg & Company, LLP

Batavia, Illinois
April 18, 2017

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

BALANCE SHEETS

December 31, 2016 with comparative totals for 2015

	2016			
	Operating Fund	**Replacement Fund**	**Total**	**2015 Total**
ASSETS				
Cash, including interest-bearing accounts	$ 87,824	905,844	993,668	930,256
Accounts receivable	2,864		2,864	2,454
Prepaid expenses	16,924		16,924	16,360
Due from replacement fund	247,126		247,126	47,126
TOTAL ASSETS	$ 354,738	905,844	1,260,582	996,196
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenditures	$ 44,465	121,556	166,021	21,308
Assessments received in advance and deposits	20,778		20,778	20,739
Due to operating fund		247,126	247,126	47,126
TOTAL LIABILITIES	65,243	368,682	433,925	89,173
FUND BALANCES				
Available for operations	289,495		289,495	290,538
Available for replacement of common elements		537,162	537,162	616,485
TOTAL FUND BALANCES	289,495	537,162	826,657	907,023
TOTAL LIABILITIES AND FUND BALANCES	$ 354,738	905,844	1,260,582	996,196

See accompanying notes to financial statements.

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended December 31, 2016 with comparative totals for 2015

	2016			
	Operating Fund	Replacement Fund	Total	2015 Total
REVENUE				
Unit owner assessments	$ 468,558	192,071	660,629	660,629
Interest		2,106	2,106	1,523
Other	1,223		1,223	21,803
TOTAL REVENUE	469,781	194,177	663,958	683,955
EXPENDITURES				
General and administrative	93,165		93,165	58,354
Operating	283,078		283,078	298,556
Maintenance and repairs	64,020		64,020	73,417
Insurance	30,561		30,561	30,068
Capital expenditures		273,500	273,500	46,756
TOTAL EXPENDITURES	470,824	273,500	744,324	507,151
REVENUE OVER (UNDER) EXPENDITURES	(1,043)	(79,323)	(80,366)	176,804
FUND BALANCES AT BEGINNING OF YEAR	290,538	616,485	907,023	730,219
FUND BALANCES AT END OF YEAR	$ 289,495	537,162	826,657	907,023

See accompanying notes to financial statements.

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

STATEMENTS OF CASH FLOWS

Year ended December 31, 2016 with comparative totals for 2015

	2016			
	Operating Fund	Replacement Fund	Total	2015 Total
CASH AT BEGINNING OF YEAR	$ 266,645	663,611	930,256	855,031
CASH FLOWS FROM OPERATING ACTIVITIES				
Unit owner assessments received	468,887	192,071	660,958	673,058
Interest received		2,106	2,106	1,523
Other income received	523		523	20,453
Operating expenses paid	(448,231)		(448,231)	(462,624)
Capital expenditures paid		(151,944)	(151,944)	(157,185)
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,179	42,233	63,412	75,225
CASH FLOWS FROM FINANCING ACTIVITY				
Interfund borrowings	(200,000)	200,000		
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITY	(200,000)	200,000		
NET INCREASE (DECREASE) IN CASH	(178,821)	242,233	63,412	75,225
CASH AT END OF YEAR	$ 87,824	905,844	993,668	930,256
RECONCILIATION OF REVENUE OVER (UNDER) EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Revenue over (under) expenditures	$ (1,043)	(79,323)	(80,366)	176,804
Effects of all deferrals and accruals on operating receipts and payments:				
Changes in accounts receivable	(410)		(410)	5,351
Changes in prepaid expenses	(564)		(564)	213
Changes in accounts payable and accrued expenditures	23,157	121,556	144,713	(112,871)
Changes in assessments received in advance and deposits	39		39	5,728
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 21,179	42,233	63,412	75,225

See accompanying notes to financial statements.

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

1. Significant accounting policies

The Valley Lo Towers I Condominium Association (the "Association") financial statements and income tax returns are prepared on the accrual basis of accounting, which recognizes revenue when it is earned or due and expenditures when they are incurred.

The Association uses the fund method of accounting which requires that funds such as operating funds and funds restricted for future major repairs and replacements be classified separately for accounting and reporting purposes. Expenses from the operating fund are generally at the discretion of the Board of Directors, while expenditures from the replacement fund are to be made only for their designated purposes.

Cash, including interest-bearing accounts consist of checking accounts and money market accounts. Insurance costs are amortized over the periods covered by the premiums.

Accounts receivable are unit owner obligations due for unpaid assessments and other monthly charges. Payments on receivables that are received after a 10-day grace period are assessed a late fee of $75. Late fees are recognized as income when billed. Accounts receivable are stated at the amount billed to the unit owner. Unit owner account balances with invoices dated over 30 days old are considered delinquent. Payments of accounts receivable are allocated to the specific charges identified on the unit owner's remittance advice or, if unspecified, are applied to the earliest unpaid balance.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

2. Date of management's review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 18, 2017, the date that the financial statements were available to be issued.

3. Association organization and operations

The Association, which was incorporated on October 21, 1992, is an Illinois not-for-profit corporation responsible for the direction and administration of certain property held in trust under a Declaration of Condominium Ownership and of Easements, Restrictions, Covenants and By-Laws. The Association, which encompasses 118 assessable residential units, is the governing body for all of the unit owners to provide for the maintenance, repair, replacement, administration and operation of the property, except individual units, covered by its Declaration.

The Board of Directors, elected by the unit owners in accordance with the Declaration, is responsible for the Association's management, including establishment of budgets used to determine assessments and other financial matters. Assessments for operation and maintenance of the Association and for future capital replacements and improvements of its common elements are charged to unit owners based upon their percentages of ownership as stated in the Declaration.

The unit owners hold title to their individual units and an undivided interest in the common elements including storage areas, the buildings, improvements and the land on which the buildings are situated. As of December 31, 2016, the buildings were insured for their guaranteed replacement cost. The common elements are not subject to real estate taxes because the real estate tax assessed values of individual units include the common elements.

4. Income taxes

Under current federal income tax laws, a homeowners' association may elect each year to file its federal income tax return as a not-for-profit homeowners' association or as a for-profit corporation. For 2015, the Association filed its income tax returns as a for-profit corporation with an income tax liability of approximately $450. For 2016, the Association intends to file its income tax returns as a not-for-profit homeowners' association with no income tax liability.

For income tax purposes, as of December 31, 2016, the Association has cumulative net operating losses for state purposes in the amount of $12,707. The net operating losses begin to expire in 2024.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal and state income tax returns for 2015, 2014 and 2013 remain open to examination by the Internal Revenue Service and by the state. In evaluating the Association's tax provision and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

5. Future major repairs and replacements

The Association's Declaration states that the Board shall maintain an adequate replacement fund for the replacement of the common elements. An independent consulting company conducted a study in January 2014 to estimate the remaining useful lives and the replacement costs of the components of common elements. The estimates were based on 2014 estimated replacement costs.

The study considers an annual inflation rate of two and six-tenths percent and an interest rate of one quarter of one percent on amounts funded for future major repairs and replacements. The Board is funding for future major repairs and replacements over the remaining useful lives of the components based on the study's estimates of 2014 replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of $194,519 has been included in the 2017 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for major repairs and replacements of the common element components. Actual expenditures may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available. As of December 31, 2016, the Association had accumulated $537,162 of equity available in the replacement fund for future major repairs and replacements.

6. Fair value

In determining fair value, the Association uses various valuation approaches for fair value measurement within FASB ASC 820. Fair value measurements are determined based on the assumptions that the market participants would use in pricing an asset or liability.

FASB ASC 820 established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the uses of unobservable inputs by requiring that the most observable inputs be used when available. The defined levels within the hierarchy based on the reliability of inputs are as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The Association measures fair value for money markets as classified within Level 1 of the valuation hierarchy. The Association does have a materiality threshold for adjusting to fair value, and believes all cash reflects fair value at December 31, 2016 with no material variance.

7. Uninsured cash balances

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash, including interest-bearing accounts in financial institutions, which from time to time exceed the Federal depository insurance coverage limit. Cash, including interest-bearing accounts exceeding federally insured limits totaled $16,645 at December 31, 2015.

SUPPLEMENTARY INFORMATION

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF CERTAIN BALANCE SHEET ACCOUNT GROUPS

December 31, 2016 with comparative totals for 2015

	2016 Total	2015 Total
CASH, INCLUDING INTEREST-BEARING ACCOUNTS		
Checking	$ 87,824	266,645
Money market	905,844	663,611
	$ 993,668	930,256
ACCOUNTS RECEIVABLE		
Assessments, and other amounts due from unit owners and tenants	$ 2,864	2,454
ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES		
Accounts payable-operating	$ 40,165	17,108
Accounts payable-replacement	121,556	
Accrued expenditures-		
Audit	4,300	4,200
	$ 166,021	21,308
ASSESSMENTS RECEIVED IN ADVANCE AND DEPOSITS		
Assessments received in advance	$ 17,953	17,214
Deposits	2,825	3,525
	$ 20,778	20,739

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF REVENUE OVER (UNDER) EXPENDITURES

Year ended December 31, 2016 with comparative totals for 2015

	2016				
	Operating Fund	Replacement Fund	Total	*Budget	2015 Total
REVENUE					
Unit owner assessments	$ 468,558	192,071	660,629	660,660	660,629
Interest		2,106	2,106	1,500	1,523
Other	1,223		1,223		21,803
TOTAL REVENUE	469,781	194,177	663,958	662,160	683,955
EXPENDITURES					
General and administrative	93,165		93,165	85,639	58,354
Operating	283,078		283,078	284,086	298,556
Maintenance and repairs	64,020		64,020	68,464	73,417
Insurance	30,561		30,561	30,400	30,068
Capital expenditures		273,500	273,500	40,000	46,756
TOTAL EXPENDITURES	470,824	273,500	744,324	508,589	507,151
REVENUE OVER (UNDER) EXPENDITURES	$ (1,043)	(79,323)	(80,366)	153,571	176,804

***Unaudited**

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF REVENUE ACCOUNTS

Year ended December 31, 2016 with comparative totals for 2015

	2016		2015
	*Budget	Actual	Actual
REVENUE			
Unit owner assessments	$ 660,660	660,629	660,629
Interest	1,500	2,106	1,523
Other			
Cable television			11,900
Late fees and NSF fees		75	375
Fines and fees		300	166
Keys and transmitters		375	1,625
Repairs charged to owners/tenant		323	684
Move in and move out income		150	
Collection fees reimbursable			7,053
		1,223	21,803
TOTAL REVENUE	$ 662,160	663,958	683,955

***Unaudited**

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF EXPENDITURES

Year ended December 31, 2016 with comparative totals for 2015

	2016		2015
	*Budget	Actual	Actual
GENERAL AND ADMINISTRATIVE			
Recreation facility	$ 33,108	33,108	33,108
Management	32,375	32,375	31,432
Telephone and internet	6,000	8,215	6,266
Audit	4,326	4,800	4,200
Legal	4,000	4,243	2,080
Printing and copier	2,250	2,164	3,227
Management fee special project	1,180	1,255	60
Postage and delivery	800	1,923	1,232
Board expense	750	660	545
Miscellaneous	300	1,377	1,221
Signs and directory	300		
Fees and permits	200	295	270
Office supplies	50	37	
Legal collections			7,053
Project supervision		1,823	
Consulting		257	
Parties and special events		299	74
Income taxes			436
Website		300	
Bank fees		34	50
Bad debts (recovery)			(32,900)
Total general and administrative	85,639	93,165	58,354

***Unaudited**

Continued...

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF EXPENDITURES

Year ended December 31, 2016 with comparative totals for 2015

	2016		2015
	*Budget	Actual	Actual
...Continued			
OPERATING			
Maintenance	$ 50,500	49,340	49,772
Part-time maintenance	5,880	11,252	11,193
Total wages	56,380	60,592	60,965
Benefits	14,388	12,986	13,065
Payroll taxes	7,307	5,948	5,866
Total wages, benefits and payroll taxes	78,075	79,526	79,896
Electricity	60,000	59,426	68,808
Water and sewer	36,000	30,848	34,177
Landscaping	28,000	28,000	28,000
Gas	25,000	20,520	23,526
Snow removal	15,000	11,157	12,457
Elevator	12,000	20,098	17,242
Heating, ventilating and air conditioning	10,085	10,085	10,808
Scavenger	9,626	9,856	9,214
Security	6,224	4,666	9,331
Elevator fees and permit	1,345	525	1,645
Exterminating	1,272	1,201	1,272
Window washing	1,075	1,092	1,040
Cable television	384	417	365
Mailboxes		5,661	
Janitorial			775
Total operating	284,086	283,078	298,556

***Unaudited**

Continued...

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF EXPENDITURES

Year ended December 31, 2016 with comparative totals for 2015

	2016		2015
	*Budget	Actual	Actual
...Continued			
MAINTENANCE AND REPAIRS			
Fire and safety	$ 23,204	31,120	22,971
Landscaping extras	10,000	5,469	4,920
Repair material	7,000	4,951	6,373
Plumbing contract extras	5,000	10,011	6,079
Summer annuals	4,600	2,400	2,400
HVAC supplies and repairs	4,000	1,304	
Emerald ash borer	4,000	2,244	4,028
Tree maintenance and pruning	2,160		3,095
Parking/garage	2,000	1,543	971
Janitorial supplies	1,000	409	347
Lighting	1,000	646	5,476
Carpet and tile cleaning	1,000		
Miscellaneous	1,000		23
Roofs	1,000	417	
Doors and windows	500	244	4,101
Electrical	500		
Hospitality room	500		105
Shrub and tree mulching			11,200
Tree ring repair		1,964	
Insect and disease control		122	
Interior painting and decorating		550	
Common area furniture and fixtures			207
Unit owner reimbursements		273	684
Exterior maintenance			17
Diplodia tip blight/fingicide		268	
Pool and fitness		85	222
Fitness room			198
Total maintenance and repairs	68,464	64,020	73,417
INSURANCE	30,400	30,561	30,068

***Unaudited**

Continued...

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF EXPENDITURES

Year ended December 31, 2016 with comparative totals for 2015

	2016		2015
	*Budget	Actual	Actual
...Continued			
CAPITAL EXPENDITURES			
Parking/garage improvements	$ 40,000		
Landscape improvements			25,952
Common area furniture and fixtures			1,540
Elevators		273,500	
Common area carpet			3,927
Common area painting			12,170
Building improvements			3,167
Total capital expenditures	40,000	273,500	46,756
TOTAL EXPENDITURES	$ 508,589	744,324	507,151

***Unaudited**

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2016

(UNAUDITED)

An independent consulting company conducted a study in January 2014 to estimate the remaining useful lives and the replacement costs of the components of common elements. The estimates were based on 2014 replacement costs. Funding requirements consider an annual inflation rate of two and six-tenths percent and an interest rate of one quarter of one percent on amounts funded for future major repairs and replacements.

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

Components	2014 Estimated remaining useful lives	2014 Estimated replacement cost	2017 Funding requirement	Components of fund balance at Dec. 31, 2016
Building services elements	1-30 yrs	$ 2,280,282		
Exterior building elements	1-29 yrs	1,945,494		
Interior building elements	1-30 yrs	1,612,699		
Property site elements	0-30 yrs	646,149		
Garage elements	2-27 yrs	332,850		
		$ 6,817,474	$194,519	$537,162