

**RIO VISTA
COMMUNITY ASSOCIATION**

Financial Statements
And
Supplementary Information

December 31, 2014 and 2013



An Accountancy and Consulting Company

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors Rio Vista Homeowners' Association

We have reviewed the accompanying balance sheets of Rio Vista Homeowners' Association as of December 31, 2014 and 2013, and the related statements of revenues and expenses, changes in members' equity and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our reviews were made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The Supplementary Information on Future Major Repairs and Replacements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of management. We have not audited or reviewed the supplementary information, and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

HR & ASSOCIATES, LLP

HR & Associates, LLP
Rancho Cucamonga, CA
April 27, 2015

**RIO VISTA
COMMUNITY ASSOCIATION**
Balance Sheets
December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Operating Assets:		
Cash and Cash Equivalents	\$ 174,426	\$ 127,737
Short Term Investments	76,439	76,286
Members Assessment Receivables (Net of Allowance for Doubtful Accounts of \$6,624 in 2014 and \$6,653 in 2013)	931	3,458
Interest Receivable	56	74
Prepaid Income Tax	37	37
Prepaid Insurance	<u>119</u>	<u>118</u>
Total Assets	<u>\$ 252,008</u>	<u>\$ 207,710</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:		
Accounts Payable	\$ 8,047	\$ 10,053
Income Tax Payable	-	9
Prepaid Assessments	<u>1,395</u>	<u>5,686</u>
Total Liabilities	9,442	15,748
Members' Equity	<u>242,566</u>	<u>191,962</u>
Total Liabilities and Members' Equity	<u>\$ 252,008</u>	<u>\$ 207,710</u>

See Independent Accountants' Review Report
The accompanying notes are an integral part of the financial statements.

RIO VISTA
COMMUNITY ASSOCIATION
 Statements of Revenues and Expenses
 For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues:		
Member Assessments:		
Assessments - Operations	\$ 45,425	\$ 43,533
Assessments - Reserves	22,452	27,392
Cost Sharing - Reimbursement	29,512	-
Interest Earned	191	240
Total Revenues	97,580	71,165
 Expenses:		
Landscape Contract	13,341	13,129
Gardening	1,560	1,320
Utilities	6,362	6,050
Management Contract	10,032	10,032
Legal and Professional	5,593	9,342
Insurance	1,946	1,957
Administrative	3,157	2,917
Maintenance	1,649	2,075
Bad Debts	(29)	3,523
Cost Sharing Maintenance	-	14,218
Taxes and Licenses	10	11
Provision for Income Taxes	-	9
Total Expenses	43,621	64,583
Excess of Revenues Over Expenses		
Before Replacement Fund Allocations	53,959	6,582
Major Repairs and Replacements	(3,355)	(11,877)
Excess (Deficit) of Revenues Over Expenses	\$ 50,604	\$ (5,295)

See Independent Accountants' Review Report
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RIO VISTA
COMMUNITY ASSOCIATION
Statements of Changes in Members' Equity
For the Years Ended December 31, 2014 and 2013

	Future Major Repairs and Replacements	Retained Earnings	Total Members' Equity
Members' Equity - January 1, 2013	\$ 148,231	\$ 49,026	\$ 197,257
Deficit of Revenues Over Expenses	-	(5,295)	(5,295)
Amounts Allocated To Major Repairs and Replacements	15,746	(15,746)	-
Transfer From Future Major Repairs and Replacement to Retained Earnings	<u>(231)</u>	<u>231</u>	<u>-</u>
Members' Equity - December 31, 2013	163,746	28,216	191,962
Excess of Revenues Over Expenses	-	50,604	50,604
Amounts Allocated To Major Repairs and Replacements	19,288	(19,288)	-
Transfer From Future Major Repairs and Replacement To Retained Earnings	<u>(191)</u>	<u>191</u>	<u>-</u>
Members' Equity - December 31, 2014	<u>\$ 182,843</u>	<u>\$ 59,723</u>	<u>\$ 242,566</u>

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**RIO VISTA
COMMUNITY ASSOCIATION**
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities:		
Excess (Deficit) of Revenues Over Expenses	\$ 50,604	\$ (5,295)
Adjustments to reconcile Excess (Deficit) Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:		
Provision for Doubtful Accounts	(29)	3,523
(Increase) Decrease in Interest Receivable	18	31
(Increase) Decrease in Member Assessments Receivable	2,556	(4,431)
(Increase) Decrease in Prepaid Insurance	(1)	11
Increase (Decrease) in Accounts Payable	(2,005)	5,288
Increase (Decrease) in Prepaid Assessments	(4,292)	3,982
Increase (Decrease) in Income Taxes Payable	(9)	8
Total Adjustments	(3,762)	8,412
Net Cash Provided (Used) by Operating Activities	46,842	3,117
Cash Flows From Investing Activities:		
(Increase) Decrease in Short Term Investments	(153)	(228)
Net Increase (Decrease) in Cash	46,689	2,889
Cash and Cash Equivalents at Beginning of Year	127,737	124,848
Cash and Cash Equivalents at End of Year	\$ 174,426	\$ 127,737
Analysis of Cash and Cash Equivalents:		
Cash and Cash Equivalents - Operations	\$ 58,534	\$ 30,938
Cash and Cash Equivalents - Future Major Repairs and Replacements	115,892	96,799
Total Cash and Cash Equivalents	\$ 174,426	\$ 127,737
Supplemental Disclosure		
Income Taxes Paid	\$ 9	\$ 1

See Independent Accountants' Review Report
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**RIO VISTA
COMMUNITY ASSOCIATION**

Notes to Financial Statements
December 31, 2014 and 2013

(1) Organization

Rio Vista Community Association, is a statutory association organized as a not-for-profit corporation for the purposes of maintaining and preserving common property of Rio Vista Community Association. Rio Vista Community Association consists of 44 residential units. The Association began its operations in October 2005.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. Accordingly, revenues and expenses are recorded when recognized. Disbursements from replacement funds generally may be made only for designated purposes.

Interest Earned

The Association's policy is to allocate to replacement funds interest earned on all cash accounts net of income taxes.

Cash and Cash Equivalents

Highly liquid investments with original maturities of three months or less are considered cash equivalents.

Short-Term Investments

Investments with maturities between three and twelve months are considered to be short-term investments. Short-term investments are carried at cost, plus accrued interest, which approximates market.

Property and Equipment

The Association capitalizes all property and equipment that has been purchased and for which it holds title. Real property owned by individual unit owners in common and improvements made by the Association to such property are not capitalized in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**RIO VISTA
COMMUNITY ASSOCIATION**

Notes to Financial Statements
December 31, 2014 and 2013

(3) Income Taxes

For the year ended December 31, 2014 and 2013, the Association has been granted tax-exempt status under Federal and California income tax codes. The codes permit the Association to elect to have members' dues and assessments exempt from income taxes. In 2014, the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code 528. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to homeowners. In 2013, the Association filed as a regular corporation. The Association had an excess of expenses for maintenance of the common property over membership source income. That excess may be carried over to offset future income from membership sources. The Association's investment income and other non-exempt income were subject to tax at a rate of 30 percent and 15 percent for federal in 2014 and 2013, respectively, and 8.84 percent for California in both years.

In 2014, the Association reported a net loss of \$84 for federal and state, respectively, and a taxable income of \$62 for federal and a net loss of \$35 for state in 2013. The tax provisions for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Federal Provision	\$ -	\$ 9
State Provision	-	-
Subtotal	<u>-</u>	<u>9</u>
Less: Prior Year's Credits & Estimated Payments	<u>(37)</u>	<u>(37)</u>
Total Income Tax Payable (Credit)	<u>\$ (37)</u>	<u>\$ (28)</u>

The Association has adopted the recognition requirements for uncertain income positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Association has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Association believes the income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations or cash flows. Accordingly, the Association has not recorded any reserves, or restated accruals for interest and penalties for uncertain income tax positions at December 31, 2014.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association believes it is no longer subject to income tax examinations for years prior to 2011.

The Association's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

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Notes to Financial Statements
December 31, 2014 and 2013

4) Homeowner Assessments

Monthly assessments to owners were approximately \$120 in 2014 and 2013. Of that amount, approximately \$43 and \$52 were designated to replacement funds for 2014 and 2013, respectively.

The annual budget and assessments of homeowners are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

(5) Cash and Cash Equivalents

The Association's cash, cash equivalents, and short-term investment account balances as of December 31, 2014 and 2013 were as follows:

<u>Institution</u>	<u>Interest Rate</u>	<u>Amount</u>
2014		
Cash and Cash Equivalents for Operations:		
Union Bank	-	\$ 58,534
Cash and Cash Equivalents For Future Major Repairs and Replacements:		
Union Bank - Savings	0.05%	<u>115,892</u>
Total Cash and Cash Equivalents		174,426
Short-Term Investments For Future Major Repairs:		
Union Bank - Time Deposit	0.15%	<u>76,439</u>
Total Cash, Cash Equivalents and Short-Term Investments		<u>\$ 250,865</u>
2013		
Cash and Cash Equivalents for Operations:		
Union Bank	-	\$ 30,938
Cash and Cash Equivalents For Future Major Repairs and Replacements:		
Union Bank - Savings	0.05%	<u>96,799</u>
Total Cash and Cash Equivalents		127,737
Short-Term Investments For Future Major Repairs:		
Union Bank - Time Deposit	0.20%	<u>76,286</u>
Total Cash, Cash Equivalents and Short-Term Investments		<u>\$ 204,023</u>

See Independent Accountants' Review Report.

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Notes to Financial Statements
December 31, 2014 and 2013

(6) Assessments Receivable

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are in arrears. It is the opinion of the Association that it will prevail against homeowners whose assessments are delinquent.

(7) Major Repairs and Replacements

For the year ended December 31, 2014 and 2013, the major repairs and replacements consisted of the following:

	<u>2014</u>	<u>2013</u>
General Operating	\$ -	10,917
Mailboxes & Signs	-	260
Landscaping /Tree Trimming	3,355	700
	<u> </u>	<u> </u>
Total Expenditures for Major Repairs and Replacements	<u>\$ 3,355</u>	<u>\$ 11,877</u>

(8) Future Major Repairs and Replacements

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

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements 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 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, subject to compliance with California Civil Code, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

(9) Cost Sharing Reimbursement

In 2011, the Association, together with its surrounding communities, established a cost sharing plan for the maintenance of the common streets used by the surrounding communities. For the year ended December 31, 2014, the Association received \$29,512 as reimbursement for common maintenance expenses. While for the year ended December 31, 2013, the Association had cost sharing maintenance expenses totaling \$14,218.

(10) Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through April 27, 2015, which is the date the financial statements were available to be issued.

**RIO VISTA
COMMUNITY ASSOCIATION**
Supplementary Information on Future Major
Repairs and Replacements
December 31, 2014

(Un-audited)

Barrera and Company Reserve Specialists conducted a study on January 1, 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates are based on future estimated replacement costs. Funding requirements were based on an annual inflation rate of 3.00 percent and interest of 1.00 percent on amounts funded for future major repairs and replacement costs.

<u>Components</u>	<u>Estimated Remaining Useful Life in Years</u>	<u>Estimated Future Replacement Costs</u>	<u>2015 Funding Requirement</u>	<u>Components of Fund Balance at December 31, 2014</u>
Streets and Asphalts	0-21	\$ 187,390	\$ 8,819	\$ 86,403
Exterior Lighting	22	27,250	908	7,967
Mailboxes & Signs	13	9,650	416	15,355
Irrigation and Backflow	13	5,125	240	9,563
Landscaping and Tree Trimming	6	5,125	342	18,177
Special Building Repairs	-	-	-	3,444
General Operating	n.a.	-	-	41,934
		<u>\$ 234,540</u>	<u>\$ 10,725</u>	<u>\$ 182,843</u>

See Independent Accountants' Review Report.