

VISTA PARK VILLAS HOMEOWNERS ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2014

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
VISTA PARK VILLAS HOMEOWNERS ASSOCIATION

We have reviewed the accompanying balance sheet of VISTA PARK VILLAS HOMEOWNERS ASSOCIATION as of March 31, 2014 and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 and the board of directors are 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 review in accordance with Statements on 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.

The prior year summarized comparative information has been derived from the March 31, 2013 financial statements, which were reviewed by us. Our report dated April 25, 2013 stated that we were unaware of any material modifications that should be made to those financial statements in order for them to be in conformity with generally accepted accounting principles.

Based on our review, 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.

The supplementary information on future major repairs and replacements on page 8 is not a required part of the basic financial statements but is supplementary information required by the Financial Accounting Standards Board. 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 not audited, reviewed or compiled the required supplementary information, and, accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Beck and Company, CPA's, Inc.
BECK and COMPANY, CPA's, INC.

April 29, 2014

**VISTA PARK VILLAS HOMEOWNERS ASSOCIATION
BALANCE SHEET
MARCH 31, 2014
(With Comparative Totals for 03/31/2013)**

	2014			2013
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>ASSETS:</u>				
Cash including interest bearing deposits	\$ 101,186	\$ 143,646	\$ 244,832	\$ 218,379
Assessments Receivable	2,766		2,766	48,333
Allowance for Doubtful Accounts	-		-	(41,021)
Prepaid Insurance	1,714		1,714	1,615
Loan Fees	3,240		3,240	-
TOTAL ASSETS	\$ 108,906	\$ 143,646	\$ 252,552	\$ 227,306
 <u>LIABILITIES:</u>				
Accounts Payable	\$ 18,957	\$ -	\$ 18,957	\$ 19,076
Prepaid Assessments	3,123		3,123	6,772
Loan Payable-Note 6	-	341,426	341,426	-
TOTAL LIABILITIES	22,080	341,426	363,506	25,848
 FUND BALANCES	 86,826	 (197,780)	 (110,954)	 201,458
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 108,906	 \$ 143,646	 \$ 252,552	 \$ 227,306

VISTA PARK VILLAS HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2014
(With Comparative Totals for 03/31/2013)

	2014		2013	
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
Member Assessments	\$ 254,902	\$ 63,050	\$ 317,952	\$ 317,952
Interest Income		145	145	75
Other Income-Note 7	37,370		37,370	37,857
TOTAL REVENUES	292,272	63,195	355,467	355,884
<u>EXPENSES</u>				
Maintenance				
Landscaping	51,868		51,868	44,059
Common Area R & M	42,814		42,814	22,821
Pool Maintenance	5,121		5,121	4,488
Pest Control	35,161		35,161	4,207
Utilities				
Electricity & Gas	7,417		7,417	6,664
Water & Sewer	65,391		65,391	55,307
Rubbish Removal	20,755		20,755	20,372
Administrative				
Review/Tax Prep/Rsv Study	2,050		2,050	1,650
Insurance	20,488		20,488	19,852
Legal & Consulting	1,583		1,583	12,800
Management Fee	17,340		17,340	17,340
Office & Administrative	9,094		9,094	9,492
Taxes, Licenses & Permits	1,058		1,058	325
Loan Interest	258		258	-
Amortization	360		360	-
Major Repairs and Replacements		387,120	387,120	7,857
TOTAL EXPENSES	280,759	387,120	667,879	227,234
Excess of Revenues over Expenses or (Expenses over Revenue)	11,513	(323,925)	(312,412)	128,650
Beginning Fund Balances	71,723	129,735	201,458	72,808
Net Interfund Transfers	3,590	(3,590)	0	0
ENDING FUND BALANCES	\$ 86,826	\$ (197,780)	\$ (110,954)	\$ 201,458

See accompanying notes to financial statements

VISTA PARK VILLAS HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2014
(With Comparative Totals for 03/31/2013)

	2014			2013
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ 11,513	\$ (323,925)	\$ (312,412)	\$ 128,650
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments Receivable	45,567		45,567	34,207
Allowance for Doubtful Accounts	(41,021)		(41,021)	(37,556)
Prepaid Insurance	(99)		(99)	(15)
Prepaid Taxes	-		-	480
Loan Fees	(3,240)		(3,240)	-
Increase (decrease) in:				
Accounts Payable	(119)		(119)	(7,501)
Prepaid Assessments	(3,649)		(3,649)	2,115
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	8,952	(323,925)	(314,973)	120,380
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan obtained	-	341,426	341,426	-
Interfund transfers	3,590	(3,590)	0	-
Sub Total	12,542	13,911	26,453	120,380
NET INCREASE (DECREASE) IN CASH	12,542	13,911	26,453	120,380
CASH AT BEGINNING OF YEAR	88,644	129,735	218,379	97,999
CASH AT END OF YEAR	\$ 101,186	\$ 143,646	\$ 244,832	\$ 218,379
SUPPLEMENTAL DISCLOSURE				
Income taxes paid	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements

VISTA PARK VILLAS HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 1 – ORGANIZATION

VISTA PARK VILLAS HOMEOWNERS ASSOCIATION was incorporated on April 3, 1973 as a nonprofit mutual benefit corporation in the State of California. Its primary purpose is to act as “management body” for the preservation, maintenance and architectural control of the common areas within the project. There are 92 units in the residential development.

NOTE 2 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of this report which is the date that the financial statements were available to be issued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Fund Accounting

The Association’s accounting records are maintained on a modified accrual basis, however, the accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles whereby all revenues are recognized when earned and expenses are recognized when incurred.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of owners are determined by the Board of Directors who are elected by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Association’s policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. The Association uses a guideline of 100% provision for Allowance for Doubtful Accounts for all accounts delinquent over one year, foreclosed on, in bankruptcy, or abandoned, as well as on a case by case basis of other facts and circumstances.

Property and Equipment

Real property and common areas acquired from the developer and related improvements are not recognized as assets on the Association’s financial statements. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for the purpose of financial reporting.

VISTA PARK VILLAS HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY
(Continued)

Cash/Cash Equivalents/Investments

Per the provisions of U.S. generally accepted accounting principles in regard to the “Statement of Cash Flows,” cash equivalents consist primarily of certificates of deposits and other securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments. The Association considers all its CD/investment accounts to be short-term investments.

The Association’s investments are classified as “held-to-maturity,” therefore the investments are carried on the financial statements at amortized cost, and any gain or loss will be recorded at time of sale.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the report date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.

NOTE 4 – INCOME TAXES

The Association qualifies as a tax-exempt homeowners’ association under Internal Revenue Code Section 528 and State Revenue & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. The applicable tax rate is 30% for the federal government and 8.84% for the Franchise Tax Board. Generally, the Association treats income tax expenses as an operating expense regardless of the fund through which the related taxable income was recognized.

The Association’s income tax returns are subject to examination by the Internal Revenue Service generally for three years after they are filed, and by the Franchise Tax Board for four years after they are filed. In evaluating the Association’s tax positions and accruals, the Association believes that the estimates are appropriate based on the current facts and circumstances.

VISTA PARK VILLAS HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are to be held in separate interest bearing accounts and are generally not available for operating purposes.

The Association engaged an independent consultant who conducted a study in January of 2014 to estimate the remaining useful lives and the replacement costs of the common property components. The Association should fund such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacements costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary materially from the estimates. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds turn out to be necessary, the Association has the right, subject to member approval, to increase regular assessments, levy special assessments or delay major repairs and replacements until funds become available. The Association spent \$387,120 for major repairs and replacements as follows:

Roofing	\$ 350,079
Painting	32,820
Landscape/Trees	4,221
	<u>\$ 387,120</u>

NOTE 6 – LINE OF CREDIT/LOAN PAYABLE

The Association obtained a Line of Credit for \$620,000 from Pacific Western Bank for roof and asphalt repairs. The loan balance outstanding at March 31, 2014 is \$341,426. The interest rate during the construction period is 4.75%. On November 30, 2014 the Line of Credit will be converted to a 10 year loan with the interest rate of 5.25%. The monthly payment will be \$6,675.43 with the maturity date of October 4, 2024.

NOTE 7 – OTHER INCOME/RECOVERY OF BAD DEBT

During the year ended December 31, 2013 the Association recovered significant amounts of Bad Debt Provision due to application of extraordinary efforts in collection of delinquent accounts. The reversal of Bad Debt Provision has been recorded in Other Income.

VISTA PARK VILLAS HOMEOWNERS ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS
MARCH 31, 2014
(COMPILED)

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the common area replacement components during January of 2014. The estimates were based on inspection by the independent consultant, and the information provided by the Board of Directors, property manager and others familiar with the development. Replacement costs were based on the estimated costs to repair or replace the common area replacement components at the time of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

Category	Estimated Remaining Useful Lives(Years)	Estimated Current Replacement Costs	Annual Funding Requirement	Fully Funded Reserve Requirement
Roofing & Decks	1-22	617,110	28,671	90,538
Painting /Repairs	1-25	402,982	28,859	332,250
Fences/Security	1-25	162,375	6,290	98,700
Paved Surfaces	1-12	275,846	21,899	246,197
Pool	1-9	24,026	1,644	17,519
Mechanical Plumbing	9-9	14,725	589	9,424
Landscaping/Irrigation	1-9	55,877	7,192	44,215
Lighting/Electrical	6-8	21,200	1,090	12,600
Miscellaneous	1-14	66,279	6,919	30,720
Contingency		82,021	5,158	44,108
Totals		<u>\$ 1,722,441</u>	<u>\$ 108,311</u>	<u>\$ 926,271</u>

As of March 31, 2014, the annual budgeted allocation to replacements is \$63,050 and the cash/cash equivalent/investments in replacement funds as of March 31, 2014 total \$143,646.

California Civil Code requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary. The report must be available to all owners. Although the code does not require adequate funding, disclosure must be made.

(See accompanying notes and Independent Accountant's Report)