



September 27, 2018

Dear Riverview Ventura Homeowner:

Enclosed is a copy of the annual audit report prepared by Moskowitz and Company, Inc. for the fiscal year ending June 30, 2018. It is a requirement of your CC&R's and the California Civil Code that the audit be sent to each homeowner annually.

Please retain this document with the other permanent records for your home.

Sincerely,

Board of Directors
Riverview Ventura Homeowners Association

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION

Audited Financial Statements

For The Year Ended June 30, 2018

TABLE OF CONTENTS

| | PAGE |
|--|------|
| INDEPENDENT AUDITORS' REPORT | 3-4 |
| BALANCE SHEET | 5 |
| STATEMENT OF REVENUE EXPENSES AND ASSOCIATION FUNDS..... | 6 |
| STATEMENT OF CASH FLOWS..... | 7 |
| NOTES TO FINANCIAL STATEMENTS..... | 8-11 |
| SUPPLEMENTAL INFORMATION | 12 |
| INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION | 13 |
| SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS | 14 |

OWENS, MOSKOWITZ AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

19510 VENTURA BLVD, SUITE 209
TARZANA, CALIFORNIA 91356

TELEPHONE: (888) 281-1917 • FAX (877) 562-9807
E-MAIL: raocpa@aol.com Web Site: www.raocpa.com

MEMBER:
AMERICAN INSTITUTE
OF CERTIFIED
PUBLIC ACCOUNTANTS

MEMBER:
CALIFORNIA SOCIETY
OF CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Riverview Ventura Homeowners Association

We have audited the accompanying financial statements of Riverview Ventura Homeowners Association, which comprise the balance sheet as of June 30, 2018, and the related statements of revenue and expenses and association funds, 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 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 Riverview Ventura Homeowners Association as of June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of- Matter Regarding Supplemental Information

Per California Civil Code requirements, the Association has conducted a study to estimate the remaining lives and replacement costs of the common property within the past three years. The schedule that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements has used the most current study dated May 26, 2016. The projections of this study have not been updated and may no longer be valid.

Owens, Moskowitz and Associates, Inc.

September 26, 2018

Owens, Moskowitz and Associates, Inc.

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION
BALANCE SHEET
JUNE 30, 2018

| | OPERATING FUND | REPLACEMENT FUND | TOTAL |
|--|-------------------|---------------------|-------------------|
| ASSETS | | | |
| Cash | \$ 104,306 | \$ 126,774 | \$ 231,080 |
| Investments | - | 321,543 | 321,543 |
| Assessments Receivable | 4,420 | - | 4,420 |
| Less: Allowance For Doubtful Accounts | (3,206) | - | (3,206) |
| Prepaid Insurance | 2,406 | - | 2,406 |
| Prepaid Expenses | 7,443 | - | 7,443 |
| Total Assets | \$ 115,369 | \$ 448,317 | \$ 563,686 |
| LIABILITIES AND ASSOCIATION FUNDS | | | |
| Liabilities | | | |
| Accounts Payable | \$ 18,031 | \$ - | \$ 18,031 |
| Prepaid Assessments | 9,008 | - | 9,008 |
| Income Taxes Payable | 184 | - | 184 |
| Total Liabilities | 27,223 | - | 27,223 |
| Commitments | - | - | - |
| Association Funds | 88,146 | 448,317 | 536,463 |
| Total Liabilities And Association Funds | \$ 115,369 | \$ 448,317 | \$ 563,686 |

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE EXPENSES AND ASSOCIATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | OPERATING FUND | REPLACEMENT FUND | TOTAL |
|--|-------------------|---------------------|-------------------|
| REVENUE | | | |
| Assessments | \$ 376,209 | \$ 170,991 | \$ 547,200 |
| Interest Income | - | 2,935 | 2,935 |
| Bad Debt Recovery | 5,106 | - | 5,106 |
| Other Income | 1,024 | - | 1,024 |
| Total Revenue | 382,339 | 173,926 | 556,265 |
| EXPENSES | | | |
| Landscape Maintenance | 88,869 | 16,220 | 105,089 |
| Management Fees | 19,440 | - | 19,440 |
| Administrative | 10,270 | 4 | 10,274 |
| Legal And Audit | 1,550 | - | 1,550 |
| Insurance | 43,352 | - | 43,352 |
| Pool | 18,398 | 448 | 18,846 |
| Rubbish Collection | 271 | - | 271 |
| Pest Control | 19,740 | 87,485 | 107,225 |
| Painting | - | 32,262 | 32,262 |
| General Maintenance | 5,774 | - | 5,774 |
| Gas | 14,096 | - | 14,096 |
| Electricity | 13,287 | - | 13,287 |
| Water | 144,773 | - | 144,773 |
| Concrete | - | 3,675 | 3,675 |
| Other Maintenance Expense | - | 1,260 | 1,260 |
| Fence | - | 16,095 | 16,095 |
| Lighting and Electrical | 130 | - | 130 |
| Plumbing | 1,783 | 7,731 | 9,514 |
| Income Tax | 448 | - | 448 |
| Total Expenses | 382,181 | 165,180 | 547,361 |
| Excess of Revenue Over Expenses | 158 | 8,746 | 8,904 |
| Association Funds Balance Beginning of Year | 88,932 | 438,627 | 527,559 |
| Interfund Transfers | (944) | 944 | - |
| Association Funds Balance End of Year | \$ 88,146 | \$ 448,317 | \$ 536,463 |

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

| | OPERATING FUND | REPLACEMENT FUND | TOTAL |
|--|-------------------|---------------------|-------------------|
| Cash Flows From Operating Activities: | | | |
| Cash Received From Members | \$ 377,686 | \$ 170,991 | \$ 548,677 |
| Cash Paid To Suppliers of Goods And Services | (389,573) | (197,668) | (587,241) |
| Interest Received | - | 2,935 | 2,935 |
| Income Taxes Paid | (49) | - | (49) |
| Net Cash Used In Operating Activities | (11,936) | (23,742) | (35,678) |
| Cash Flows From Investing Activities: | | | |
| Purchase of Short-Term Investments | - | (111,895) | (111,895) |
| Cash Flows From Financing Activities: | | | |
| Interfund Transfers | (944) | 944 | - |
| Interfund Borrowings | 944 | (944) | - |
| Net Cash Provided By (Used In) Financing Activities | - | - | - |
| Net Decrease In Cash And Cash Equivalents | (11,936) | (135,637) | (147,573) |
| Cash And Cash Equivalents At Beginning of Year | 116,242 | 262,411 | 378,653 |
| Cash And Cash Equivalents At End of Year | \$ 104,306 | \$ 126,774 | \$ 231,080 |

RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | | | |
|---|--------------------|--------------------|--------------------|
| Excess of Revenue Over Expenses | \$ 158 | \$ 8,746 | \$ 8,904 |
| Adjustments To Reconcile Excess of Revenue Over Expenses To Net Cash Provided By Operating Activities: | | | |
| Change In Assessments Receivable | 458 | - | 458 |
| Change In Prepaid Insurance | 2,330 | - | 2,330 |
| Change In Prepaid Expenses | (500) | - | (500) |
| Change In Prepaid Taxes | 225 | - | 225 |
| Change In Accounts Payable | (9,670) | (32,488) | (42,158) |
| Change In Prepaid Assessments | (5,111) | - | (5,111) |
| Change In Income Tax Payable | 174 | - | 174 |
| Net Cash Used In Operating Activities | \$ (11,936) | \$ (23,742) | \$ (35,678) |

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 NATURE OF ORGANIZATION

Riverview Ventura Homeowners Association was incorporated on February 22, 1979, in the state of California. It is responsible for the operation and maintenance of the common property within the development, which is located in the city of Ventura, California. The development consists of 120 residential units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The books of Riverview Ventura Homeowners Association are maintained on the accrual basis of accounting with entries made to adjust them for audit and tax purposes.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

- | | |
|--------------------|---|
| Operating fund - | This fund is used to account for financial resources available for the general operations of the Association. |
| Replacement fund - | This fund is used to accumulate financial resources designated for future major repairs and replacements. |

Property and Equipment

Real property and common areas acquired by the original homeowners from the developer are owned by the individual owners in common and are not capitalized on the Association's financial statements.

Replacements and improvements to the real property and common areas also belong to the owners and are not capitalized on the Association's financial statements.

Cash Equivalents and Investments

Cash equivalents consist primarily of certificates of deposit and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as investments. Cash equivalents and investments are stated at cost, which approximates market value.

Use of Estimates

The Association uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

SEE INDEPENDENT AUDITORS' REPORT

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 3 REPLACEMENT FUND

The Association is funding contributions to capital for the future replacement of selected Association common areas. The funds are held in separate savings accounts to be used for the replacement of common areas only and not in the course of normal operations.

California Civil Code Section 5550 requires that associations identify the estimated remaining life of assets the association is obligated to maintain and the methods of funding used to defray future repair and replacement costs.

Industry practice is to engage outside consultants with experience in construction and maintenance to study and report on the estimated remaining life of assets that the Association is obligated to maintain and the costs of their repair and replacement. These reports address the adequacy of reserves and their funding.

A study of the Association's funding program for the replacement of Association common areas, conducted as of June 30, 2016, indicated the Association's ideal cash replacement fund balance was \$ 1,132,881 at that date. The study indicated the replacement fund was approximately 41% ideally funded.

An independent study to determine the adequacy of the funding program for the replacement of Association common areas has not been conducted for the current year. The preparation of such a study involves significant estimates by the persons preparing the study, and these estimates are subject to annual revision for changing prices, circumstances and assumptions. Accordingly, the current program and cash savings may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the monthly assessments, pass special assessments, or delay replacement until funds are available.

NOTE 4 INCOME TAXES

The Association is a corporation that is potentially taxable on all of its net income, including unspent member assessments. However, under state and federal filing elections, the Association may choose to be taxed only on its net non-membership income, which includes interest income.

The State of California allows qualifying homeowner associations to file an election to be taxed under special rules. Under this election, income from members (such as assessments) is exempt from taxation.

Federal law offers a similar election, which must be made annually. However, net non-membership income under this election is taxed at a flat rate of 30%. If the Association chooses to file as a regular corporation, it may still exclude from taxation its net membership income by making certain elections. Tax at the regular corporate tax rate is generally lower. Some of these elections, however, have come under IRS attack and certain issues are yet to be clarified.

In fiscal 2018, the Association filed as a regular corporation for federal taxes, since it had an excess of maintenance expenses over membership source income. That excess may be carried over to future periods to offset future membership source income when the Association files as a regular corporation. This election is not related to the issues involved in the recent IRS audits.

Regardless of how the Association files its taxes, non-membership income (interest) may not be offset with membership expenses (such as common area maintenance costs). That is why the Association's taxable income can be greater than its net income as recorded in the financial statements.

SEE INDEPENDENT AUDITORS' REPORT

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 4 INCOME TAXES (Continued)

The years open for tax authority examination are 2014 through 2017 for federal purposes and 2013 through 2017 for state purposes.

Federal and California income taxes have been accrued based on the taxable portion of the income reported in the accompanying financial statements. Income taxes for the current year were:

| 2018 INCOME TAXES | FEDERAL | STATE TAX | STATE FEE | TOTAL |
|-------------------------------------|--------------|---------------|--------------|---------------|
| Income Taxes | \$ 232 | \$ 206 | \$ 10 | \$ 448 |
| Less: Credit from prior year return | (200) | (25) | - | (225) |
| Less: Estimated payments | - | (39) | - | (39) |
| Income tax payable | <u>\$ 32</u> | <u>\$ 142</u> | <u>\$ 10</u> | <u>\$ 184</u> |

NOTE 5 CASH AND INVESTMENTS

The Association's cash and investment balances as of June 30, 2018, were as follows:

| INSTITUTION | INTEREST RATE | AMOUNT | MATURITY DATE |
|------------------------------|---------------|-------------------|----------------|
| Union Bank | - | \$ 104,306 | - |
| Union Bank | 0.02% | 126,528 | - |
| Premier America Credit Union | 0.25% | 246 | - |
| Premier America Credit Union | 2.08% | 109,280 | July 11, 2019 |
| U.S. Bank | 1.24% | 212,263 | March 27, 2019 |
| Total | | <u>\$ 552,623</u> | |

NOTE 6 ASSESSMENTS RECEIVABLE

Association members are subject to annual assessments (paid in monthly installments) to fund the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments receivable at the balance sheet date represent assessments and other fees due from unit owners. Most owners live within Southern California and their ability to pay would be influenced by the local economy. The Association's CC & R's provide for various collection remedies for delinquent assessments including filing of liens on the owner's unit, foreclosing on the unit owner, and obtaining judgement on other assets of the unit owner.

NOTE 7 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Association uses the allowance method of recording bad debts. This method requires an annual provision for bad debts based on past or industry experience.

NOTE 8 ASSESSMENTS

During fiscal 2018, assessments were billed at a rate of \$ 380.00 per unit per month. Effective July 1, 2018, the rate increased to \$ 400.00 per unit per month.

SEE INDEPENDENT AUDITORS' REPORT

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 9 SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is September 26, 2018, which is the date on which the financial statements were issued.

SEE INDEPENDENT AUDITORS' REPORT

SUPPLEMENTAL INFORMATION

OWENS, MOSKOWITZ AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER:
AMERICAN INSTITUTE
OF CERTIFIED
PUBLIC ACCOUNTANTS

19510 VENTURA BLVD, SUITE 209
TARZANA, CALIFORNIA 91356
TELEPHONE: (888) 281-1917 • FAX (877) 562-9807
E-MAIL: raocpa@aol.com Web Site: www.raocpa.com

MEMBER:
CALIFORNIA SOCIETY
OF CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Riverview Ventura Homeowners Association

Our report on our audit of the basic financial statements of Riverview Ventura Homeowners Association for the year ended June 30, 2018 appears on page 3. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 14 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.

Owens, Moskowitz and Associates, Inc.

September 26, 2018

Owens, Moskowitz and Associates, Inc.

RIVERVIEW VENTURA HOMEOWNERS ASSOCIATION
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS
JUNE 30, 2018
(UNAUDITED)

Please Note: A current year study has not been conducted.

The board of directors contracted an independent consultant who conducted a May 26, 2016 study, projected to June 30, 2016, to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements include an inflation factor of 3% and an interest rate of 0.5%.

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

| <u>Components</u> | <u>Estimated Remaining Useful Lives</u> | <u>Estimated Current Replacement Cost</u> | <u>2016/2017 Funding Requirement</u> | <u>Recommended Fund Balances</u> |
|---------------------------|---|---|--|--|
| Roof | 11 years | \$ 853,125 | \$ 43,829 | \$ 477,750 |
| Painting | 0 to 2 years | 44,686 | 37,043 | 42,961 |
| Asphalt/Concrete | 1 to 17 years | 201,859 | 14,193 | 71,033 |
| Doors | 0 years | 3,000 | 3,853 | 3,000 |
| Pool Deck | 0 to 9 years | 32,125 | 4,126 | 12,843 |
| Monuments/Mailboxes/Signs | 0 years | 22,100 | 1,453 | 22,100 |
| Fencing/Walls | 0 to 7 years | 310,525 | 24,096 | 285,361 |
| Pools/Spas | 0 to 11 years | 79,099 | 12,000 | 50,735 |
| Tennis Court | 0 years | 6,120 | 983 | 6,120 |
| Lighting | 7 years | 17,400 | 894 | 12,528 |
| Landscape/Irrigation | 0 to 2 years | 75,950 | 16,354 | 63,450 |
| Plumbing Repairs | 0 years | 42,500 | 5,459 | 42,500 |
| Termite Treatment | 0 years | 42,500 | 10,917 | 42,500 |
| | | <u>\$ 1,730,989</u> | <u>\$ 175,200</u> | <u>\$ 1,132,881</u> |

As shown above, the study recommended a replacement fund balance of \$1,132,881 as of June 30, 2016 and contributions to reserves of \$175,200 during 2016/2017. The Association's replacement fund balance at June 30, 2016 was \$461,276 or 40.72% of the recommended fund balance.