

MEMORANDUM

DATE: November 30, 2018
TO: The Mountain View Community Association Membership
FROM: Board of Directors
RE: 2018 Audit

Enclosed for your review are the 2018 year-end financial statements for Mountain View Community Association.

Civil Code requires that the Association engage a Certified Public Accountant to perform an audit or review of the financial statements for any fiscal year in which the gross income of the Association exceeds \$75,000.

A list of the names and addresses of the current members is located at the Association's managing office.

Should you have any questions regarding the enclosed information, please feel free to contact Amy Dankel of FirstService Residential at (951) 973-7519.

MOUNTAIN VIEW COMMUNITY ASSOCIATION

Annual Homeowner Disclosure Form

Dear Homeowner,

On September 28, 2016, Governor Brown signed Senate Bill 918 into law, creating Civil Code § 4041. This new Civil Code requires owners, on an annual basis, to provide written notice to their association of four pieces of information, items 5-8 below. Please carefully consider your responses to the questions below as your responses will dictate your proper receipt of important Association information. The Association thanks you for your cooperation as we seek to comply with this new legislation.

1. Name:

2. Property Address:

3. Homeowner's phone number. Designate if this is a home or mobile number.

4. Homeowner's email address:

5. Mailing address to receive notices from the Association (if different than Property Address):

6. Secondary address (if any) to receive notices from the Association:

7. Name and address of Legal Representative (if any), including any person with power of attorney or other person who can be contacted in the event of the owner's extended absence:

8. Status of Property: (Check one)
 Owner-Occupied Rented Vacant Undeveloped Land

Please return this form by (March 1, 2019).

Please note: Should you choose not to provide the above information to your association, the statute provides that your onsite property address will be deemed to be your proper mailing address to receive notices from the association.

Return this form in one of the following ways:




15241 Laguna Canyon Road
Irvine, CA 92618


949.448.6400


CustomerCare.CA@fsresidential.com

**Mountain View Community Association
Financial Statements
For the Year Ended July 31, 2018**

**Mountain View Community Association
Financial Statements
For the Year Ended July 31, 2018**

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Independent Auditor's Report

To the Board of Directors of Mountain View Community Association

We have audited the accompanying financial statements of Mountain View Community Association (the "Association") which comprise the balance sheet as of July 31, 2018, 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.

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 Mountain View Community Association as of July 31, 2018, and 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.

Emphasis of a Matter on Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statement, taken as a whole. We have not applied procedures to determine whether the funds designated for future repairs and replacements as discussed in Note 4 are adequate to meet such future costs, because such determination is outside the scope of our audit. Our opinion is not modified with respect to this matter.

Disclaimer of Opinion of Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Repairs and Replacements 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 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.

Newman & Associates, CPA, PC

Newman & Associates, CPA, PC
Carlsbad, California
October 08, 2018

Mountain View Community Association
Balance Sheet
July 31, 2018

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 68,755	\$ 353,921	\$ 422,676
Investments		727,000	727,000
Assessments receivable	12,474		12,474
Allowance for doubtful accounts	(8,690)		(8,690)
Interest receivable		2,362	2,362
Prepaid insurance	6,913		6,913
Total assets	\$ 79,452	\$ 1,083,283	\$ 1,162,735
Liabilities			
Accounts payable	\$ 7,120	\$ 5,291	\$ 12,411
Prepaid assessments	22,504		22,504
Income taxes payable	3,645		3,645
Total liabilities	33,269	5,291	38,560
Fund balances	46,183	1,077,992	1,124,175
Total liabilities and fund balances	\$ 79,452	\$ 1,083,283	\$ 1,162,735

Mountain View Community Association
Statement of Revenue and Expenses and Changes in Fund Balances
For the Year Ended July 31, 2018

	Operating Fund	Replacement Fund	Total
Revenues			
Owners assessments	\$ 266,112	\$ 119,448	\$ 385,560
Interest		12,916	12,916
Other member income	18,084		18,084
Total revenues	<u>284,196</u>	<u>132,364</u>	<u>416,560</u>
Expenses			
Utilities			
Electricity and gas	33,992		33,992
Water	21,125		21,125
Trash removal	388		388
Telephone and cable	2,484		2,484
Cable	3,042		3,042
	<u>61,031</u>	<u>-</u>	<u>61,031</u>
Maintenance			
Landscape and irrigation	45,544	9,100	54,644
Common area repairs and maintenance	24,808	15,891	40,699
Lighting service and maintenance	528	20,267	20,795
Plumbing	345		345
Pool and spa	10,061	10,782	20,843
Pest control	2,983		2,983
Janitorial	10,338		10,338
Access gate	5,703		5,703
Fences and gates		5,905	5,905
Street sweeping	1,716		1,716
Concrete		8,925	8,925
Painting		6,185	6,185
Contingency		303	303
	<u>102,026</u>	<u>77,358</u>	<u>179,384</u>
Administrative			
Insurance	8,505		8,505
Management	44,881		44,881
Management reimbursables	10,440		10,440
Administrative expense	6,691		6,691
Legal and professional	4,705		4,705
Collection costs	6,118		6,118
Licenses, permits and fees	798		798
Income tax expense	4,151		4,151
Bad debt expense (recoveries)	6,389		6,389
	<u>92,678</u>	<u>-</u>	<u>92,678</u>
Total expenses	<u>255,735</u>	<u>77,358</u>	<u>333,093</u>
Excess (deficit) of revenues over (under) expenses	28,461	55,006	83,467
Beginning fund balances	17,722	1,022,986	1,040,708
Ending fund balances	<u>\$ 46,183</u>	<u>\$ 1,077,992</u>	<u>\$ 1,124,175</u>

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Mountain View Community Association
Statement of Cash Flows
For the Year Ended July 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess (deficit) of revenues over (under) expenses	\$ 28,461	\$ 55,006	\$ 83,467
Adjustments to reconcile excess (deficit) of revenues over (under) expenses to net cash provided (used) by operating activities			
Decrease (Increase) in operating assets:			
Accounts receivable	448		448
Allowance for doubtful accounts	(612)		(612)
Interest receivable		575	575
Prepaid insurance	(5,962)		(5,962)
Increase (decrease) in operating liabilities:			
Accounts payable	(3,815)	(378)	(4,193)
Prepaid assessments	4,544		4,544
Income taxes payable	3,492		3,492
Total adjustments	<u>(1,905)</u>	<u>197</u>	<u>(1,708)</u>
Net cash provided (used) by operating activities	<u>26,556</u>	<u>55,203</u>	<u>81,759</u>
Cash provided (used) by investing activities			
Change in investments		(727,000)	(727,000)
Net cash provided (used) by investing activities	<u>-</u>	<u>(727,000)</u>	<u>(727,000)</u>
Cash provided (used) by financing activities			
Interfund borrowings	1,332	(1,332)	-
Net cash provided (used) by financing activities	<u>1,332</u>	<u>(1,332)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	27,888	(673,129)	(645,241)
Beginning cash and cash equivalents	40,867	1,027,050	1,067,917
Ending cash and cash equivalents	<u>68,755</u>	<u>\$ 353,921</u>	<u>\$ 422,676</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			\$ -
Interest paid			\$ -

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Mountain View Community Association
Notes to Financial Statements
For the Year Ended July 31, 2018

1. Organization

Mountain View Community Association (the "Association") was incorporated on August 11, 2000 as a nonprofit mutual benefit corporation under the laws of California, for the purposes of maintaining and preserving common property. The Association consists of 255 residential homes and is located in Moreno Valley, California.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Association maintains its financial records on the cash basis of accounting, which recognizes revenues when received and expenses when paid. Adjustments at the end of the fiscal year result in these financial statements being presented on the full accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the board of directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 significantly from those estimates.

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement generally may be made only for designated purposes.

Capital Assets and Depreciation Policy

The Association has not capitalized real and personal common area property contributed by the developer. Replacements and improvements to real property are also not capitalized; rather, they are charged to the respective fund in the period the cost is incurred. Significant personal property assets are capitalized and depreciated over their estimated lives using straight-line depreciation.

Cash and Cash Equivalents

Cash and cash equivalents include the Association's cash, checking accounts, money market funds and investments in certificates of deposit with original maturities of 90 days or less.

Investments

Investments consist of certificates of deposit and other securities and investment accounts with original maturities of more than 90 days.

Subsequent Events

Subsequent events have been evaluated through October 08, 2018, which is the date the financial statements were available to be issued.

Mountain View Community Association
Notes to Financial Statements
For the Year Ended July 31, 2018

3. Assessments and Assessments Receivable

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable represent fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments and fees, including filing of liens on an owner's unit, foreclosing on a unit owner, and obtaining a legal judgment on an owner's other assets. Any excess operating funds are retained at the end of the fiscal year for use in future periods. After the Association has exhausted all efforts to collect delinquent accounts, the Board of Directors may elect to write off uncollectible balances.

The Association records an allowance for doubtful accounts to reflect an estimate of accounts that may not be collectible, which includes accounts receivable greater than 90 days old.

4. Future Major Repairs and Replacements

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

The board of directors conducted a reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to its governing documents, to increase regular assessments or to levy special assessments, or it may delay major repairs and replacements until funds are available.

5. Income Taxes

The Association elected to file its Federal income tax returns as a homeowners association under Internal Revenue Code Section 528. For its California income tax return, the Association qualifies for tax exempt status as a homeowners' association under California Revenue and Taxation code section 23701(t). For both Federal and California returns, the Association is generally taxed on income not related to membership dues and assessments, such as interest income and non-member income. The Internal Revenue Service and the California Franchise Tax Board can examine the Association's income tax returns generally up to three years and four years, respectively.

Mountain View Community Association
Supplementary Information on Future Major Repairs and Replacements
July 31, 2018
(Unaudited)

The Association's board of directors, in conjunction with a reserve study expert, conducted a reserve study dated April 25, 2018 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 on the date of the study.

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

Study Component	Estimated remaining useful lives	Estimated current replacement costs	Study recommended annual funding requirement	Study recommended fund balance
Street & Drives	2-7	\$ 688,256	\$ 35,544	\$ 473,957
Lighting	2	108,475	1,788	97,628
Grounds	2-18	96,615	4,944	50,035
Landscape	0-5	70,000	6,864	54,500
Fencing	2-7	94,316	3,468	73,296
Buildings	0-18	111,900	10,500	103,600
Painting	0-7	60,850	8,676	27,718
Roof	7	16,382	900	11,795
Pool & Spa	0-10	116,129	6,228	83,317
Contingency		-	2,364	29,275
		<u>\$ 1,362,923</u>	<u>\$ 81,276</u>	<u>\$ 1,005,121</u>
Replacement fund balance at July 31, 2018				<u>\$ 1,077,992</u>

Other Assumptions:

Interest rate	<u>0.50%</u>
Inflation rate	<u>2.00%</u>

See the Balance Sheet for replacement fund cash, cash equivalents and investments balances at July 31, 2018.