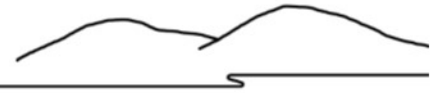


**Riviera Heights Homeowners Association**  
**FINANCIAL STATEMENTS**

**REVIEW REPORT**

**June 30, 2022**



**August 5, 2022**

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Riviera Heights Homeowners Association  
Kelseyville, CA 95451

To The Board of Directors:

We have reviewed the accompanying financial statements of Riviera Heights Homeowners Association., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities 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 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'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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

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 accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our review was made for the purpose of forming an opinion on the basic financial statements taken as a whole. I have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of my audit. The Supplemental Information on Replacement Fund Balances on page 11 is not a required part of the basic financial statements but is supplemental information required by Financials Accounting Standards Board, who considers it to be an essential part of financials reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it

Zach Pehling, CPA, MBA

**Riviera Heights Homeowners Association**

**REVIEW REPORT**

**June 30, 2022**

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See accompanying notes and independent Accountant's Review Report

**Riviera Heights Homeowners Association**

**Balance Sheet  
June 30, 2022**

	<u>Operating Fund</u>	<u>Reserve Fund</u>
<b><u>ASSETS</u></b>		
<u>Current Assets:</u>		
Cash on Hand and in Banks	37,048	193,312
Prepaid Expenses	2,835	-
Accounts Receivable(Less) Allowance for Doubtful Accounts	156,951	-
	<u>196,834</u>	<u>193,312</u>
Total Current Assets	<u>196,834</u>	<u>193,312</u>
<b>TOTAL ASSETS</b>	<u>196,834</u>	<u>193,312</u>
 <b><u>LIABILITIES</u></b>		
Accounts Payable	7,943	-
ARC Performance Deposits	2,000	-
Prepaid Assessments	5,405	-
	<u>15,348</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>15,348</u>	<u>-</u>
 <b>TOTAL FUND BALANCE</b>	 <u>\$ 181,486</u>	 <u>\$ 193,312</u>

See accompanying notes and independent Accountant's Review Report

**Riviera Heights Homeowners Association**

**Statement of Revenues, Expenses & Change in Fund Balance  
For the Year-Ended  
June 30, 2022**

	<u>Operating Fund</u>	<u>Reserve Fund</u>
<b><u>REVENUES:</u></b>		
HOA Assessments	205,690	\$ 59,286
Other Fees, Fines, income	37,261	-
Grant Income	-	-
Interest Income	4	77
<b>TOTAL REVENUES</b>	<b>242,955</b>	<b>59,363</b>
<b><u>EXPENSES:</u></b>		
Administrative Expense:		
Office Expense	14,086	-
Uncollectible Accounts/Bad Debt	45,250	-
Insurance	10,421	-
Professional Fees	18,215	-
Taxes	113	-
Total Administrative Expense	88,085	-
Operating Expense:		
Community & Clubhouse	40,854	28,771
Marina	5,563	112,721
Swimming Pool	19,965	784
Grant Expense	-	-
Payroll Expense	105,227	-
Total Operating Expense	171,609	142,276
<b>TOTAL EXPENSES</b>	<b>259,694</b>	<b>142,276</b>
<b><u>NET INCREASE (DECREASE) IN FUND BALANCE</u></b>	<b>(16,739)</b>	<b>(82,913)</b>
<b><u>FUND BALANCE, BEGINNING OF YEAR</u></b>	<b>198,225</b>	<b>276,225</b>
<b><u>FUND BALANCE, END OF YEAR</u></b>	<b>\$ 181,486</b>	<b>\$ 193,312</b>

See accompanying notes and independent Accountant's Review Report



# **Riviera Heights Homeowners Association**

## **Notes to Financial Statements June 30, 2022**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Riviera Heights Homeowners Association (the Association) have been prepared in conformity with generally accepted accounting principles. The most significant of the Association's accounting policies are described below.

#### **A. Description of the Reporting Entity**

The Riviera Heights Homeowners Association was organized on May 4, 1970, with 701 lots for sale. Due to merging of lots the Association currently has 633 lots. The Association is organized in conformance with State of California law. The Association provides covenants, conditions and restrictions for the Riviera Heights Subdivision.

The Association is a governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members elected by association members.

The Board appoints the Chair (person) of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the Association; perform all duties commonly incident to the position of presiding officer of a board, Association, or business organization; and exercise supervision over the business of the Association, its officers, and its employees.

#### **B. Fund financial statements**

The financial statements, the balance sheet, and the statement of revenues, expenses and change in fund balances, and statement of cash flows report information on all of the activities of the Association.

##### *Fund Accounting*

The Association uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Association has two funds. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

The Association reports the following funds:

General Fund – The General Fund is used to account for all financial resources of the Association. The general fund balance is available to the Association for any purpose provided it is expended or transferred according to the general laws of California and the bylaws of the Association.

Reserve Fund – The Reserve Fund is used to accumulate financial resources designated for future major repairs and replacements.

# **Riviera Heights Homeowners Association**

## **Notes to Financial Statements June 30, 2022**

### **C. Cash and Cash Equivalents**

The Association maintains its cash in a private banking institution. The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

The Association's governing documents require funds to be accumulated for the replacement of its common areas and for general operations. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed. As such cash in the reserve fund are restricted for this purpose.

### **D. Member Assessments**

Association members are subject to annual assessments to provide funds for the Association's operating expenses. Each unit shall be assessed at a rate that is uniform with other units. The annual budget and assessments of owners are determined and approved 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.

### **E. Dues Receivable**

On an accrual basis, revenue from assessments is recognized in the fiscal year in which all eligibility requirements have been satisfied. Receivables are resources of the Association based upon current year dues not paid in the current year. The Association has created an allowance for doubtful collections in the amount of (9,964) that is carried on the balance sheet.

### **F. Accounts Payable and Accrued Liabilities**

The Association reports an accounts payable and accrued liability on the balance sheet. The liabilities from expenses are recognized at the time they are incurred, during the current period.

### **G. ARC Performance Deposits**

The Association reports and ARC Performance Deposit liability on the statement of net assets. These are monies collected from builders as a performance deposit and are refunded once a project has been completed.

### **H. Pre-paid Assessments**

The Association mails assessments before fiscal year-end. These assessments are due in the following fiscal-year. Dues paid before the fiscal year-end are considered a liability of the Association as unearned revenue until the point at which the restriction has been removed.



# **Riviera Heights Homeowners Association**

## **Notes to Financial Statements June 30, 2022**

### **I. Common Property**

In accordance with prevalent industry standards, real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners and not by the Association. The Association also recognizes real property not directly associated with the units as assets when the Association has title and can dispose of the property, at discretion of the Board of Directors, for cash, with the Association retaining the proceeds.

### **J. Fund Balance**

Fund Balance presents the difference between assets and liabilities in the Balance Sheet. Fund Balances are reported as restricted when there are legal limitations imposed on their use.

### **K. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **NOTE 2: INCOME TAX**

The Association qualifies as a tax exempt Homeowners Association for all income and expenses related to its exempt function purpose of the acquisition, construction, management, maintenance and care of Association property. The net nonexempt income from earned interest is taxed at 32% by the Federal Government, if the Association elects to file Form 1120-H. The Association elected to file Form 1120-H for the current year. Alternatively, the Association may be classified as a non exempt membership organization for federal income tax purposes. In general, the Association is then required to classify its taxable income and deductions between member activities, non member activities, and capital transactions (for capital replacement fund components). The Association is subject to specific rulings and regulations applicable to non exempt membership organizations. The Association is taxed on all net income from non member activities, reduced only by losses from non member activities for which a profit motive exists. Non member income may not be offset by member losses, and any net member losses may only be carried forward to offset member income of future tax periods. Any net member income not applied to the subsequent tax year is subject to taxation. Under this tax method, the Association files Form 1120, with tax rates applicable to Association net taxable income based on a graduated rate table with rates of 15% to 39%. For California State income tax purposes, the Association is taxed on all net income from non member activities reduced only by losses from non member activities for which a profit motive exists. Non member income may not be offset by member losses. Any net member income is not subject to taxation. The tax rate for Association net taxable income is 8.84%.

# **Riviera Heights Homeowners Association**

## **Notes to Financial Statements June 30, 2022**

### **NOTE 3: RISK MANAGEMENT**

The Association is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2022, the Association contracted with private insurance agencies for liability, property, crime damage, employee and director insurances.

### **NOTE 4: CONTIGENCIES**

As of June 30, 2022, the Association did not have any nondisclosed pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

### **NOTE 5: SUBSEQUENT EVENTS**

For the purpose of the accompanying consolidated financial statements, subsequent events have been evaluated through August 5, 2022, which is the date these financial statements were available to be issued.

**Riviera Heights Homeowners Association**

**Supplemental Information**

**June 30, 2022**

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
<b>Clubhouse Building</b>				
101	Balcony & Deck - Inspection	9	1	\$3,480
109	Clubhouse Deck - Repair/Replace	30	22	\$45,350
303	HVAC Units - Replace (York)	12	6	\$26,400
305	Security System - Replace (Club)	5	4	\$2,340
323	Exterior Lights - Replace	25	4	\$5,055
508	Deck Railings - Repair/Replace	30	15	\$2,600
701	Clubhouse Main Doors - Replace	30	4	\$4,730
702	Clubhouse Entry Doors - Replace	30	4	\$14,100
703	Entry/Access Doors - Replace	25	4	\$6,380
803	Water Heater - Replace	20	1	\$2,955
905	Ping-Pong Room - Refurbish/Remodel	15	11	\$2,955
911	Kitchen Appliances - Replace	15	5	\$8,870
942	Clubhouse - Refurbish/Remodel	15	8	\$17,600
1110	Clubhouse Int. Surfaces - Repaint	15	8	\$5,320
1116	Clubhouse Ext. Surfaces - Repaint	7	0	\$5,000
1117	Clubhouse Ext. Surfaces - Repair	7	0	\$1,700
1118	Deck Railings - Repaint	7	0	\$1,760
1303	Comp Shingle Roof - Replace	30	17	\$23,650
1307	Flat Roof - Replace	20	7	\$1,955
1312	Gutters/Downspouts - Replace	30	17	\$3,965
1314	Skylights - Replace	30	23	\$9,030
<b>Clubhouse Common Areas</b>				
201	Clubhouse Asphalt - Remove/Replace	40	19	\$105,850
202	Clubhouse Asphalt - Overlay	40	4	\$54,400
203	Clubhouse Asphalt - Seal/Repair	4	6	\$3,720
320	Pole Lights - Replace	40	31	\$4,935
408	Club Picnic Tables/Benches-Replace	25	4	\$3,215
503	Metal Railings - Replace	40	33	\$3,985
71 O	Clubhouse Entry Gate - Replace	40	15	\$5,320
1810	Plumbing • Repairs	1	0	\$2,080
1811	Plumbing - Replace	10	4	\$9,240
1812	Septic System - Repair/Replace	10	5	\$11,825
<b>Pool Area</b>				
504	Pool Equip. Gate - Replace	40	15	\$2,365
515	Pool Fence/Gates - Replace	40	15	\$10,625
908	Pool Bathrooms - Refurbish/Remodel	15	9	\$16,500
1201	Pool Deck - Resurface	20	2	\$13,650

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
1203	Pool - Resurface	12	4	\$36,650
1206	Pool Filters - Replace	15	13	\$5,405
1208	Pool Heater - Replace	10	4	\$11,150
1210	Pool Pump - Replace	10	5	\$2,615
1217	Pool Cover/Roller - Replace	10	0	\$5,200
1218	Pool Rails - Replace	40	15	\$4,730
1219	Pool Furniture - Replace	10	3	\$10,625
<b>Marina</b>				
201	Marina Asphalt Drive-Remove!Replace	40	13	\$100,250
201	Marina Asphalt Lot - Remove/Replace	40	19	\$70,950
202	Manna Asphalt Drive - Overlay	40	33	\$37,850
202	Marina Asphalt Lot - Overlay	40	2	\$5,200
203	Marina Asphalt Drive - Seal!Repair	4	0	\$3,120
203	Marina Asphalt Lot - Seal!Repair	4	0	\$2,860
305	Security System - Replace (Marina)	10	8	\$4,160
409	Marina Picnic Tables - Replace	25	5	\$4,260
526	Retaining Walls - Repair	14	12	\$15,600
709	Marina Entry Gate - Replace	40	3	\$5,320
909	Marina Bathrooms - Refurb!Remodel	15	8	\$10,625
1704	Dock Pilings - Replace	30	28	\$5,200
1709	Dock Float - Repair/Replace	20	18	\$9,720
1710	Dock Ramp - Major Repair	30	28	\$7,800
1710	Dock Ramp- Minor Repair	10	5	\$4,495
1711	Marina Pier Dock - Repair!Replace	30	28	\$88,400
1712	Marina Railing - Repair/Replace	25	23	\$10,735
1750	Gazebo - Repa1r!Replace	25	4	\$3,990
1810	Plumbing - Repairs	1	0	\$2,600
<b>General Common Areas</b>				
103	Concrete Walkways - Repair	10	3	\$4,345
1008	Trees - Trim/Remove	1	0	\$8,840
1403	Monument Signs - Replace	20	5	\$5,320
1830	Fire Abatement - Maintenance	1	0	\$5,000
1835	Knox Boxes - Replace	20	17	\$1,885
1841	Flood Control - Waterbars	5	2	\$1,180
1850	CC&Rs - Update!Revise	10	0	\$10,380
1925	Reserve Study - Update	1	0	\$970

**69 Total Funded Components**