

DIABLO VIEW HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS

Year Ended December 31, 2005

KILIAN & COMPANY

Certified Public Accountants

DIABLO VIEW HOMEOWNERS ASSOCIATION
FINANCIAL STATEMENTS
Year Ended December 31, 2005

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DIABLO VIEW HOMEOWNERS ASSOCIATION
BALANCE SHEET
December 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
ASSETS			
Cash and cash equivalents	\$ 152	\$ 67,799	\$ 67,951
Assessment receivable	<u>1,610</u>	<u>-</u>	<u>1,610</u>
	<u>\$ 1,762</u>	<u>\$ 67,799</u>	<u>\$ 69,561</u>
LIABILITIES			
Accounts payable	\$ 1,495	\$ -	\$ 1,495
Assessments paid in advance	2,873	-	2,873
Liability for replacement of major components (Note 3)	-	-	-
Commitments and contingencies (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>
	4,368	-	4,368
FUND BALANCES	<u>(2,606)</u>	<u>67,799</u>	<u>65,193</u>
	<u>\$ 1,762</u>	<u>\$ 67,799</u>	<u>\$ 69,561</u>

See independent auditors' report and accompanying notes.

DIABLO VIEW HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 17,337	\$ (21,954)	\$ (4,617)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(703)	-	(703)
Prepaid insurance	4,518	-	4,518
Increase (decrease) in:			
Accounts payable	(1,037)	-	(1,037)
Assessments paid in advance	<u>1,875</u>	<u>-</u>	<u>1,875</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	21,990	(21,954)	36
INTERFUND RESTATEMENT	1,005	(1,005)	-
INTERFUND TRANSFERS	<u>(30,237)</u>	<u>30,237</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(7,242)	7,278	36
CASH AT BEGINNING OF YEAR	<u>7,394</u>	<u>60,521</u>	<u>67,915</u>
CASH AT END OF YEAR	<u>\$ 152</u>	<u>\$ 67,799*</u>	<u>\$ 67,951</u>

*Comprised of:

First Bank Money Market	\$ 26,749
Community Association Bank:	
C/D, mat. 3/22/06, 3.440%	<u>41,050</u>
	<u>\$ 67,799</u>

See independent auditors' report and accompanying notes.

DIABLO VIEW HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2005

3. LIABILITY FOR REPLACEMENT OF MAJOR COMPONENTS

Under provisions of its governing documents, the Board of Directors is responsible for the repair and maintenance of the common area property. The Association has had an replacement reserve study performed on November 10, 2005 by Reserve Analysis Financial Planning, L.L.C. This replacement reserve study is a guide for the Board and future Boards of Directors to budget funds for long-term replacement of major components.

Based on estimated current replacement costs of \$366,345 the replacement reserve study update indicates that as of December 31, 2005 the amount that should be in the replacement fund for non-land related capital improvements, the accumulated replacement liability, was approximately \$132,063. Therefore, the replacement fund balance as of December 31, 2005 (approximately \$67,799) does not represent 100% funding of the anticipated future major repairs and replacements.

Accordingly, the current funding program may or may not be sufficient to meet all future major component repair and replacement costs. The ability of the Association to meet all future major component repair and replacement costs is dependent upon annual increases in that portion of the regular assessment which is allocated to the replacement fund, and/or special assessments. In the event that sufficient funds are not available for the repair and replacement of major components, the Board may increase regular assessments, levy special assessments, or delay repair and replacement until sufficient funds are available.

4. COMMITMENTS

The Association contracts for management and certain maintenance services on an annual basis. The contracts are generally cancellable on 30 to 90 days notice.

DIABLO VIEW HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE REPAIRS
 AND REPLACEMENTS (UNAUDITED)
 Year Ended December 31, 2005

The Association has had a replacement fund study update performed, dated November 10, 2005, by Reserve Analysis Financial Planning, L.L.C. to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives.

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

	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance at December 31, 2005</u>
<u>Components</u>			
Asphalt:			
Bike Paths	0 - 3	\$ 30,060	\$
Concrete:			
Sidewalks and Curb	1	500	
Site V Drain Ditch	6	13,000	
Signage	19	3,100	
Retaining Walls	25	25,310	
Fencing	9 - 13	223,500	
Landscape/Irrigation	7 - 14	28,650	
Common Area	3	7,225	
Tot Lot Replacement	11	35,000	
Replacement Fund Balance		<u>-</u>	<u>67,799</u>
		<u>\$ 366,345</u>	<u>\$ 67,799</u>