

DIABLO VIEW HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS

Year Ended December 31, 2008

KILIAN & COMPANY
Certified Public Accountants

DIABLO VIEW HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS

Year Ended December 31, 2008

DIABLO VIEW HOMEOWNERS ASSOCIATION
FINANCIAL STATEMENTS
Year Ended December 31, 2008

INDEX

	<u>Page</u>
Independent Auditors' Report	1
Balance Sheet	2
Statement of Revenues and Expenses And Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 6
Accountants' Report on Supplementary Information	7
Supplementary Information on Future Major Repairs and Replacements	8

KILIAN & COMPANY

Certified Public Accountants

Chimes Block Building
5290 College Avenue
Oakland, California 94618
(510) 414-2536 • Fax (510) 547-1623

Independent Auditors' Report

The Board of Directors and Members
Diablo View Homeowners Association
Martinez, California

We have audited the accompanying balance sheet of Diablo View Homeowners Association (Association) as of December 31, 2008 and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. Our responsibility is to express an opinion on these financial statements on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diablo View Homeowners Association as of December 31, 2008 and the 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.

Kilian & Company

February 9, 2009

DIABLO VIEW HOMEOWNERS ASSOCIATION
BALANCE SHEET
December 31, 2008

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
ASSETS			
Cash and cash equivalents	\$ 17,123	\$ 124,469	\$ 141,592
Assessments receivable	3,944	-	3,944
Prepaid taxes	244	-	244
	<u>\$ 21,311</u>	<u>\$ 124,469</u>	<u>\$ 145,780</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Assessments paid in advance	5,596	-	5,596
Liability for replacement of major components (Note 3)	-	-	-
Commitments and contingencies (Note 4)	-	-	-
	<u>5,596</u>	<u>-</u>	<u>5,596</u>
FUND BALANCES	<u>15,715</u>	<u>124,469</u>	<u>140,184</u>
	<u>\$ 21,311</u>	<u>\$ 124,469</u>	<u>\$ 145,780</u>

See independent auditors' report and accompanying notes.

**DIABLO VIEW HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCES
Year Ended December 31, 2008**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
REVENUES			
Homeowners assessments	\$ 99,876	\$ -	\$ 99,876
Interest income	-	3,177	3,177
Late charges and other	2,140	554	2,694
	<u>102,016</u>	<u>3,731</u>	<u>105,747</u>
EXPENSES			
Insurance	6,320	-	6,320
Gas and electricity	130	-	130
Maintenance	633	565	1,198
Landscape	16,801	3,215	20,016
CCWD-irrigation	5,199	-	5,199
Weed abatement	2,995	-	
Income taxes	316	-	316
Management fees	24,276	-	24,276
Other administrative	1,562	510	2,072
Legal and accounting	1,200	-	1,200
Website	107	-	107
Reserve study update	-	800	800
Fencing	-	10,173	10,173
Miscellaneous	1,475	-	1,475
	<u>61,014</u>	<u>15,263</u>	<u>73,282</u>
Excess (deficiency) of revenues over expenses	41,002	(11,532)	29,470
Beginning fund balances	10,133	100,581	110,714
Interfund transfers	<u>(35,420)</u>	<u>35,420</u>	<u>-</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u><u>\$ 15,715</u></u>	<u><u>\$ 124,469</u></u>	<u><u>\$ 140,184</u></u>

See independent auditors' report and accompanying notes.

DIABLO VIEW HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008

	Operating Fund	Replacement Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 41,002	\$ (11,532)	\$ 29,470
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(541)	-	(541)
Other receivables	1,940	-	1,940
Prepaid taxes	(244)	-	(244)
Increase (decrease) in:			
Assessments paid in advance	675	-	675
	42,832	(11,532)	31,300
CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
INTERFUND TRANSFERS	(35,420)	35,420	-
NET INCREASE (DECREASE) IN CASH	7,412	23,888	31,300
CASH AT BEGINNING OF YEAR	9,711	100,581	110,292
CASH AT END OF YEAR	\$ 17,123	\$ 124,469 *	\$ 141,592

* Comprised of:

 First Bank:

 Money Market

\$ 21,179

 C/D, mat. 5/15/09, 1.75%

70,754

 Community Association Bank:

 C/D, mat. 2/29/09, 2.37%

32,536

\$ 124,469

See independent auditors' report and accompanying notes.

DIABLO VIEW HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008

1. ORGANIZATION

Diablo View Homeowners Association (the Association) is a common interest subdivision located in Martinez, California that consists of 203 residences and certain common area property. The Association was incorporated as a California nonprofit corporation on April 4, 1985 to provide for management and maintenance of the common area property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts of the Association are maintained, and the accompanying financial statements are prepared, on the accrual basis of accounting.

(b) Fund Accounting

The funds of the Association are segregated according to the fund method of accounting. This methodology requires that funds, such as funds for operations, and funds for future major repairs and replacements, be classified separately for accounting and financial reporting purposes.

(c) Real and Personal Common Property

Real common property acquired by the original homeowners from the developer is not recognized on the Association's financial statements, because it is commonly owned by individual owners and its disposition by the Board of Directors is restricted. Similarly, replacements and improvements to real common property are not recognized.

(d) Income Taxes

Homeowners associations are not taxed on amounts received as assessments from owners, subject to certain regulations and the timely filing of tax returns. Income taxes are paid on income sources other than that related to the tax-exempt purposes of the Association, net of their related expenses. Non-exempt income on which the Association is taxable consists of interest income.

(e) Estimates

The preparation of financial statements in conformity with generally accepted accounting principle requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

DIABLO VIEW HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2008

3. LIABILITY FOR REPLACEMENT OF MAJOR COMPONENTS

Under provisions of its government documents, the Board of Directors is responsible for the repair and maintenance of the common area property. The Association has had a replacement reserve study performed on November 20, 2008 by Reserve Analysis Consulting, L.L.C. These replacement reserve studies are 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 \$163,795 the replacement study indicates that as of December 31, 2008 the amount that that should be in the replacement fund for non-land related capital improvements, the accumulated replacement liability, was approximately \$54,198. Therefore, the replacement fund balance as of December 31, 2008 (approximately \$124,469) represents 100% funding of the anticipated future major repairs and replacements.

Accordingly, the current funding program may 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 assessments are available.

4. COMMITMENTS

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

KILIAN & COMPANY

Certified Public Accountants

Chimes Block Building
5290 College Avenue
Oakland, California 94618
(510) 414-2536 • Fax (510) 547-1623

The Board of Directors and Members
Diablo View Homeowners Association
Martinez, California

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 American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Kilian & Company

February 9 , 2009

DIABLO VIEW HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE REPAIRS
 AND REPLACEMENTS (UNAUDITED)

Year Ended December 31, 2008

The Association has had a replacement fund study performed, dated November 20, 2008, by Reserve Analysis Consulting, L.L.C. to estimate the remaining lives and replacement costs of the components or 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 represents significant information about the components of common property:

	Est. Use. <u>Life</u>	Est. Rem. <u>Life</u>	Current Replacement <u>Cost</u>	Replacement Fund Balance as of <u>12/31/08</u>
<u>COMPONENTS</u>				
Asphalt:				
Bike Paths	5 - 40	2 -15	\$ 26,860	\$
Concrete:				
Drainage Gutter Repairs	10	3	13,500	
Signage	Var.	16	3,100	
Retaining Walls	25 - 60	23	25,310	
Fencing	1	1	12,000	
Landscape/Irrigation	Var.	5 - 12	37,150	
Common Area	25	23	7,350	
Tot Lot Replacement	15	9	35,000	
Spring Riders	10	6	3,525	
Replacement Fund Balance			-	124,469
			\$ 163,795	\$ 124,469