

Ginsburg & Dwaileebe CPAs LLP

Certified Public Accountants and Consultants

RIO CROSSING HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

RIO CROSSING HOMEOWNERS ASSOCIATION

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors and Members
Rio Crossing Homeowners Association
Avondale, Arizona

Management is responsible for the accompanying financial statements of Rio Crossing Homeowners Association, which comprise the balance sheet - modified cash basis - as of December 31, 2018, and the related statement of revenues, expenses, and changes in fund balances - modified cash basis - for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting as described in Note 2, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Required Supplementary Information

The modified cash basis of accounting requires that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not performed an audit, review, or compilation on the required supplementary information. We do not express an opinion, a conclusion, nor provide any assurance on the information.



Ginsburg & Dwaileebe CPAs, LLP
Gilbert, Arizona
February 27, 2019

RIO CROSSING HOMEOWNERS ASSOCIATION
BALANCE SHEET - MODIFIED CASH BASIS
DECEMBER 31, 2018

ASSETS

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$ 173,911	\$ 380,888	\$ 554,799
TOTAL ASSETS	173,911	380,888	554,799

LIABILITIES AND FUND BALANCES

LIABILITIES			
Prepaid assessments	54,813	-	54,813
TOTAL LIABILITIES	54,813	-	54,813
FUND BALANCES	119,098	380,888	499,986
TOTAL LIABILITIES AND FUND BALANCES	\$ 173,911	\$ 380,888	\$ 554,799

See independent accountants' compilation report. The accompanying notes
are an integral part of these financial statements.

RIO CROSSING HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total
REVENUES			
Homeowner assessments	\$ 183,109	\$ 73,200	\$ 256,309
Interest income	218	900	1,118
Late fees	4,379	-	4,379
Legal fees reimbursement	13,895	-	13,895
NSF fees reimbursed	25	-	25
CC&R violation fees	9,749	-	9,749
Insurance claim income	19,238	-	19,238
TOTAL REVENUES	230,613	74,100	304,713
EXPENSES			
Utilities	63,464	-	63,464
Repairs and maintenance	31,736	-	31,736
Contracted services	104,329	-	104,329
Administrative	36,812	-	36,812
Major repairs and replacements	-	94,259	94,259
TOTAL EXPENSES	236,341	94,259	330,600
Excess of Revenues over (under) Expenses	(5,728)	(20,159)	(25,887)
Fund Balances, Beginning of Year	124,826	401,047	525,873
Fund Balances, End of Year	\$ 119,098	\$ 380,888	\$ 499,986

See independent accountants' compilation report. The accompanying notes
are an integral part of these financial statements.

RIO CROSSING HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1: NATURE AND ORGANIZATION

Rio Crossing Homeowners Association, (the “Association”), a non-stock homeowners association, was incorporated on June 15, 2004 under the general non-profit laws of the State of Arizona and was organized for the purposes of maintaining common areas, holding title to property and maintaining architectural control. The Association consists of 345 units located in Avondale, Arizona. There is a board of directors that is elected by the member homeowners.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The Association’s financial statements are prepared on the modified cash basis of accounting; accordingly, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, accounts receivable due from homeowners, deferred revenues and accrued expenses are not included in the financial statements. However, prepaid assessments are presented in these financial statements.

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.

Cash

Cash listed as operating is available for current operations and is not bound by any restriction or designation. Cash listed as reserves is designated for future major repairs and replacements and is generally not available for current operations. The Association considers all highly liquid investments with an original maturity of three months or less to be cash.

Maintenance Assessments

Association members are subject to assessments to provide funds for the Association’s operating expenses and future major repairs and replacements. The Association’s policy is to assess late fees and, if necessary, retain legal counsel and place liens on the properties of the homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year. Maintenance assessments were \$860 per unit for the year ended December 31, 2018, payable in equal quarterly installments.

See independent accountants’ compilation report.

RIO CROSSING HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association files its income tax return as a homeowner's association in accordance with Internal Revenue Code Section 528 using Form 1120-H. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income.

Arizona income tax is based on the federal taxable income at 4.9% after adding the Form 1120-H \$100 specific deduction and deducting any net disbursements carryover from prior years.

The Association's federal income tax returns for 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed. The Association's state income tax returns for 2015, 2016, 2017 and 2018 are subject to examination generally for four years after they were filed.

NOTE 3: CONCENTRATION OF CREDIT RISK FOR CASH BALANCES

The Association maintains cash balances with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage, which as of December 31, 2018 was insured up to \$250,000 per institution. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portion of cash accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Association.

NOTE 4: SUBSEQUENT EVENTS

The Association has evaluated subsequent events through February 27, 2019, the date which the financial statements were available to be issued.

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is setting aside funds for future major repairs and replacements, as required by the governing documents, based on funding requirements determined by the Board of Directors and a professional reserve study. The funds set aside each year are generated from member assessments and other net revenues, and are periodically transferred from the operating checking account into segregated reserve cash accounts.

Actual expenditures may vary from the estimated funding amounts determined by the Board of Directors and the reserve study, and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association may increase regular assessments, levy special assessments or delay major repairs and replacements until funds are available.

See independent accountants' compilation report.

RIO CROSSING HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2018

The Association's board of directors engaged an independent consultant to conduct a study dated October 20, 2015, for the year beginning January 1, 2016, 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 and replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Replacement Fund Balance at December 31, 2018
Concrete	0	\$ 5,000	\$ -
Roofs	0 - 9	12,000	-
Paint	0 - 5	26,033	-
Walls	19	16,000	-
Park Equipment	1 - 12	81,850	-
Drywells	0	4,050	-
Granite Replenishment	3 - 9	76,895	-
Irrigation	9 - 18	250,000	-
Mailboxes	9	42,550	-
Monument Signs	9	6,000	-
Unallocated Funds		-	380,888
		<u>\$ 520,377</u>	<u>\$ 380,888</u>

See independent accountants' compilation report.