

THE RIVERFRONT PLAZA ASSOCIATION
(A California Nonprofit Mutual Benefit Corporation)

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

MARCH 31, 2008

THE RIVERFRONT PLAZA ASSOCIATION

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ACCOUNTANT'S REPORT

To the Board of Directors and Members
The Riverfront Plaza Association
Sacramento, California

I have reviewed the accompanying balance sheets of The Riverfront Plaza Association (A California Nonprofit Corporation) as of March 31, 2008, and the related statements of revenues, expenses and changes in accumulated excess of revenues over expenses, comprehensive income, and cash flows for the year then ended in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The Riverfront Plaza Association.

A review consists principally of inquiries of association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

My review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying Schedule of Operating Revenues and Expenses-Budget (Compiled) and Actual by Department, is presented only for supplementary analysis purposes. Such information (except the budget, which was compiled without audit or review from information that is the representation of management, on which I do not express an opinion or any other form of assurance) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made to it.

The supplementary information on future major repairs and replacements on pages 12 and 13 is not a required part of the basic financial statements, but is supplementary information required by the American Institute of Certified Public Accountants. I have compiled the supplementary information from information that is the representation of the management of The Riverfront Plaza Association, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

Michael T. Dady, CPA
May 2, 2008

THE RIVERFRONT PLAZA ASSOCIATION

Balance Sheets

March 31, 2008

(With Comparative Totals for the Year Ended March 31, 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash and cash equivalents	\$ 4,977	\$ 39,904	\$ 44,881	\$ 112,703
Assessments receivable	10,692	-	10,692	5,034
Other receivables	2,109	-	2,109	-
Accrued interest receivable	-	-	-	537
Prepaid expenses	3,245	-	3,245	23,949
Interfund receivable(payable) (Note 3)	(14,627)	14,627	-	-
Investments	-	-	-	426,000
Deposits held by others	10,000	-	10,000	10,000
Total assets	<u>\$ 16,396</u>	<u>\$ 54,531</u>	<u>\$ 70,927</u>	<u>\$ 578,223</u>
LIABILITIES and FUND BALANCES				
Liabilities				
Cash overdrafts	\$ -	\$ -	\$ -	\$ 5,232
Accounts payable	2,523	-	2,523	2,030
Income taxes payable	-	-	-	4,409
Prepaid member assessments	13,758	-	13,758	16,911
Total liabilities	<u>16,281</u>	<u>-</u>	<u>16,281</u>	<u>28,582</u>
Fund balances				
Accumulated excess (deficit) of revenues over expenses	\$ 115	\$ 54,531	\$ 54,646	\$ 549,641
Accumulated other comprehensive income: Unrealized gain (loss) on investments	-	-	-	-
Total fund balances	<u>115</u>	<u>54,531</u>	<u>54,646</u>	<u>549,641</u>
Total liabilities and fund balances	<u>\$ 16,396</u>	<u>\$ 54,531</u>	<u>\$ 70,927</u>	<u>\$ 578,223</u>

See accompanying notes and accountant's report

THE RIVERFRONT PLAZA ASSOCIATION

Statements of Revenues, Expenses, and Changes in Accumulated
Excess of Revenues over Expenses
For the Year Ended March 31, 2008
(With Comparative Totals for the Year Ended March 31, 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total
REVENUES				
Member assessments	\$ 287,204	\$ 77,284	\$ 364,488	\$ 350,987
Parking income	2,232	-	2,232	2,959
Insurance proceeds	1,668	-	1,668	5,869
Investment income	102	9,148	9,250	21,067
Transfer fees	800	-	800	800
Late fees and fines	3,110	-	3,110	5,299
Keys and remotes	1,175	-	1,175	1,525
Miscellaneous	2	-	2	856
Total revenues	<u>296,293</u>	<u>86,432</u>	<u>382,725</u>	<u>389,362</u>
EXPENSES				
Administration	134,478	-	134,478	112,972
Common area repairs and maintenance	78,740	-	78,740	86,859
Landscaping	41,640	-	41,640	38,421
Major repairs and replacements	-	581,820	581,820	47,392
Utilities	35,129	-	35,129	30,491
Pool and spa maintenance	3,838	-	3,838	4,913
Income taxes	2,075	-	2,075	4,409
Total expenses	<u>295,900</u>	<u>581,820</u>	<u>877,720</u>	<u>325,457</u>
Excess (deficit) of revenues over expenses	393	(495,388)	(494,995)	63,905
Accumulated excess (deficit) of revenues over expenses, beginning of year	<u>(278)</u>	<u>549,919</u>	<u>549,641</u>	<u>485,736</u>
Accumulated excess (deficit) of revenues over expenses, end of year	<u>\$ 115</u>	<u>\$ 54,531</u>	<u>\$ 54,646</u>	<u>\$ 549,641</u>

See accompanying notes and accountant's report

THE RIVERFRONT PLAZA ASSOCIATION

Statements of Comprehensive Income

For the Year Ended March 31, 2008

(With Comparative Totals for the Year Ended March 31, 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total
Excess (deficit) of Revenues over Expenses	\$ 393	\$ (495,388)	\$ (494,995)	\$ 63,905
Other comprehensive income, after tax:				
Unrealized gain (loss) on securities arising during the year	-	-	-	458
Total comprehensive income (loss)	<u>\$ 393</u>	<u>\$ (495,388)</u>	<u>\$ (494,995)</u>	<u>\$ 64,363</u>

See accompanying notes and accountant's report

THE RIVERFRONT PLAZA ASSOCIATION

Statements of Cash Flows

For the Year Ended March 31, 2008

(With Comparative Totals for the Year Ended March 31, 2007)

	2008			2007
	Operating Fund	Replacement Fund	Total	Total
Cash flows from operating activities:				
Excess (deficit) of revenues over expenses	\$ 393	\$ (495,388)	\$ (494,995)	\$ 63,905
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:				
(Increase) decrease in:				
Assessments receivable	(5,658)	-	(5,658)	(2,651)
Other receivables	(2,109)			-
Accrued interest receivable	-	537	537	1,960
Accounts receivable - other	-	-	-	-
Prepaid expenses	20,704	-	20,704	(9,176)
Deposits held by others	-	-	-	(10,000)
Increase (decrease) in:				
Cash overdrafts	(5,232)	-	(5,232)	5,232
Accounts payable	493	-	493	224
Income taxes payable	-	(4,409)	(4,409)	1,880
Prepaid assessments	(3,153)	-	(3,153)	(3,890)
Net cash used by operating activities	<u>5,438</u>	<u>(499,260)</u>	<u>(491,713)</u>	<u>47,484</u>
Cash flows from investing activities:				
Change in investments	-	426,000	426,000	(76,000)
Cash flows from financing activities:				
Interfund borrowing	(461)	461	-	-
Net decrease in cash and cash equivalents	4,977	(72,799)	(65,713)	(28,516)
Cash and cash equivalents, beginning of year	-	112,703	112,703	141,219
Cash and cash equivalents, end of year	<u>\$ 4,977</u>	<u>\$ 39,904</u>	<u>\$ 46,990</u>	<u>\$ 112,703</u>
Supplemental Disclosure:				
Income taxes paid	<u>\$ 5,320</u>	<u>\$ -</u>	<u>\$ 5,320</u>	<u>\$ 2,542</u>

See accompanying notes and accountant's report

THE RIVERFRONT PLAZA ASSOCIATION

Notes to Financial Statements
March 31, 2008

Note 1: **Organization and Summary of Significant Accounting Policies**

The Riverfront Plaza Association (“Association”), formed in March of 1976, is a non-profit corporation organized under the Non-Profit Mutual Benefit Corporation Laws of California. The primary purpose of the Association is to own, repair, maintain, and manage certain common areas of the condominium development, to enforce the rules and regulations adopted by the Board of Directors, and to discharge such other lawful duties and responsibilities required pursuant to the Corporation’s Bylaws and the Restated Declaration of Covenants, Conditions, and Restrictions. The Association is supported by monthly assessments to its 91 condominium units, located in Sacramento, California.

A. Method of Accounting

The Association's policy is to prepare its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses when the related liability is incurred.

B. 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 purposes:

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.

C. Income Taxes

Homeowners’ associations may elect to be taxed as regular corporations or as homeowners' associations. The Association has elected to be taxed as a regular corporation for 2007. Under that election, the Association is generally taxed on non-membership income such as investment earnings at a 15% federal and 8.84% state tax rate. Membership income is exempt from taxation if certain criteria are met.

THE RIVERFRONT PLAZA ASSOCIATION

Notes to Financial Statements
March 31, 2008

Note 1: **Organization and Summary of Significant Accounting Policies** (continued)

D. Member Assessments

Association members are subject to monthly assessments to provide funds for operating expenses and future major repairs and replacements of common property. The Association's policy is to assess late penalties against homeowners whose assessments are more than fifteen days delinquent. Liens are filed against those whose assessments are more than sixty days delinquent.

E. Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not capitalized in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Personal property, such as equipment having a cost of \$1,000 or more acquired by the Association, is capitalized in the Operating Fund at cost and depreciated over its useful life using the straight-line method.

F. Estimates

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

G. Cash and Cash Equivalents

For purposes of the *Statements of Cash Flows*, the Association considers investments with a maturity, from the date of purchase, of three months or less as cash and cash equivalents.

H. Interest Income

Interest income is credited to the Operating and Replacement Funds based on the actual amount of interest earned on the interest-bearing deposits of each fund.

THE RIVERFRONT PLAZA ASSOCIATION

Notes to Financial Statements
March 31, 2008

Note 3: **Interfund Receivable and Payable**

The interfund receivable and payable at March 31, 2008 consists of the following:

	Due from (Due to)	
	Operating Fund	Replacement Fund
Beginning balance, April 1, 2007	\$ (15,088)	\$ 15,088
Operating loan	(9,500)	9,500
Repayments to Replacement Fund	18,432	(18,432)
2007/2008 replacement transfers due	(12,880)	12,880
Payment of Replacement Fund taxes - 07/08	4,409	(4,409)
Ending balance, March 31, 2008	\$ (14,627)	\$ 14,627

Note 4: **Replacement Fund**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings and institutional brokerage accounts and generally are not available for expenditures for normal operations. The Board of Directors conducted an update to their comprehensive study in the 2007/2008 fiscal year that is effective for the 2008/2009 fiscal year.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Fund. Funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. Should the ultimate amount of required expenditures exceed the amount of funds available, the Association is authorized to levy a special assessment against the homeowners, provided there is a 51% majority vote from all voting members. Amounts expended from the Replacement Fund for the year ended March 31, 2006, consist of the following:

Structural beams	550,410
Reserve study	200
Tennis courts - resurface	11,660
Concrete walkways	273
Structural - sundeck wood	11,354
Income taxes	2,075
Total	\$ 573,897

SUPPLEMENTARY INFORMATION

THE RIVERFRONT PLAZA ASSOCIATION

Schedule of Operating Revenues and Expenses-
Budget (Compiled) and Actual by Department
March 31, 2008

	Budget	Actual	Variance
OPERATING REVENUES			
Member assessments	\$ 287,204	\$ 287,204	\$ -
Parking income	4,000	2,232	(1,768)
Insurance proceeds	-	1,668	1,668
Investment income	-	102	102
Transfer fees	-	800	800
Late fees and fines	750	3,110	2,360
Keys and remotes	-	1,175	1,175
Miscellaneous	500	2	(498)
Total operating revenues	<u>292,454</u>	<u>296,293</u>	<u>3,839</u>
OPERATING EXPENSES			
Administration			
Insurance	63,970	58,357	5,613
Management	24,720	24,936	(216)
Office expense	6,200	9,888	(3,688)
Accounting	1,500	1,500	-
Telephone	2,700	2,948	(248)
Security	1,300	1,606	(306)
Legal	13,904	27,194	(13,290)
Fees, licenses and permits	500	954	(454)
Payroll services	2,000	1,715	285
Other administration	1,250	5,380	(4,130)
Total administration	<u>118,044</u>	<u>134,478</u>	<u>(16,434)</u>
Common area repairs and maintenance			
Wages	42,096	41,607	489
Payroll taxes and benefits	16,014	11,728	4,286
Elevator	7,600	8,142	(542)
Electrical repairs	1,000	622	378
Supplies and materials	4,000	1,851	2,149
Window washing (E units)	3,100	2,065	1,035
Plumbing	2,000	308	1,692
Gate	1,500	780	720
Street and parking areas	350	300	50
Building	2,500	3,605	(1,105)
Painting	500	236	264
Locks	500	-	500
Other repairs and maintenance	5,500	7,496	(1,996)
Total common area repairs and maintenance	<u>86,660</u>	<u>78,740</u>	<u>7,920</u>

THE RIVERFRONT PLAZA ASSOCIATION

Schedule of Operating Revenues and Expenses-
Budget (Compiled) and Actual by Department - (Continued)
March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Landscaping			
Contracted services	\$ 23,400	\$ 23,400	\$ -
Wages	11,440	10,677	763
Payroll taxes and benefits	4,104	3,006	1,098
Irrigation	2,000	570	1,430
Flowers	2,000	204	1,796
Exterminator	2,000	1,625	375
Trees	2,000	2,024	(24)
Other landscaping	1,500	134	1,366
Total landscaping	<u>48,444</u>	<u>41,640</u>	<u>6,804</u>
Utilities			
Electricity	19,632	18,410	1,222
Refuse	7,920	8,027	(107)
Gas	3,600	8,272	(4,672)
Water	354	420	(66)
Total utilities	<u>31,506</u>	<u>35,129</u>	<u>(3,623)</u>
Pool and spa maintenance			
Contract services	4,200	3,685	515
Repairs and supplies	2,100	153	1,947
Total pool and spa maintenance	<u>6,300</u>	<u>3,838</u>	<u>2,462</u>
Corporate income taxes	1,500	2,075	(575)
Total operating expenses	<u>292,454</u>	<u>295,900</u>	<u>(3,446)</u>
Excess (deficit) of operating revenues over operating expenses	<u>\$ -</u>	<u>\$ 393</u>	<u>\$ 393</u>

THE RIVERFRONT PLAZA ASSOCIATION
Supplementary Information on Future Major Repairs
and Replacements (Unaudited)
For the Year Ended March 31, 2008

The Association engaged the services of an independent reserve study specialist in the 2007/2008 fiscal year to perform an update to their comprehensive reserve study. The update is effective for the 2008/2009 fiscal year. The objective of the study is to forecast the Association's ability to repair or replace major components as they wear out in future years. A comprehensive study, required to be performed every three years, includes an on-site review of the common property components that the Association is required to maintain and a condition and valuation assessment of those components. The 2008/2009 study is an update to the comprehensive study and is made in accordance with California Civil Code Sections 1365 and 1365.5(e).

Based upon the updated reserve study, the Board is of the opinion that currently projected reserve account balances will not be sufficient at the end of each year to meet the Association's obligation to repair and/or replace the major components during the next 30 years. The Board believes that additional annual reserve assessments will need to be assessed during the 2008/2009 fiscal year (\$16,484 per unit), the 2014/2015 fiscal year (\$4,396 per unit) and during the 2018/2019 fiscal year (\$3,297 per unit).

Components considered to be major components and, thus, included in the study have a remaining useful life of less than 30 years and a value greater than \$1,000. Additional items are considered based upon requirements of management and the Board of Directors. Estimated current replacement costs were determined based upon known construction costs and, for selected components, by independent contractors retained to render opinions. Assumptions pertinent to this forecast include a 3.0% annual cost inflation factor for future expenditures and a 3.0% before-tax return on invested replacement funds.

The information on the following page is based on the study and presents significant information about the components of the common property. The complete study is available at the Association office.

THE RIVERFRONT PLAZA ASSOCIATION
Schedule of Supplementary Information on Future Major Repairs
and Replacements (Compiled)
For the Fiscal Year Ended March 31, 2008

Component	Estimated Current Replacement Cost	Estimated Useful Life (Yrs.)	Estimated Remaining Useful Life (Yrs.)	2008/2009 Replacement Contributions
Paving	\$ 21,587	5-25	1-4	\$ 450
Concrete	30,536	1-10	1-3	1,839
Painting - exterior	477,283	4-12	2-8	15,534
Painting - interior	4,764	7-8	2-4	187
Structural repairs	2,038,103	1-25	1-16	47,671
Roofing	145,951	1-20	2-12	4,283
Rehabilitation - lobby	10,000	10-10	2-2	280
Gate equipment	36,193	5-20	2-8	757
Pool	25,751	5-15	1-3	875
Spa	8,449	6-10	3-7	348
Recreational facilities	15,443	6-25	3-6	410
Tennis court	11,660	7-7	1-1	453
Landscaping	39,234	2-5	2-4	2,995
Lighting	5,000	4-4	2-2	350
Mechanical equipment	26,660	8-15	2-10	619
Elevator	166,295	5-20	1-12	3,481
Furnishings - clubhouse	6,077	10-15	3-3	162
Flooring - clubhouse	10,245	3-15	2-3	496
Appliances - clubhouse	2,884	10-10	8-8	97
Miscellaneous	28,929	3-40	1-40	1,639
Reserve study	1,400	3-3	3-3	135
Undesignated	6,952	1-1	2-2	1,951
	<u>\$ 3,119,396</u>			<u>\$ 85,012</u>

Total