



# North Rosedale Community Association

April 18, 2012

RE: North Rosedale Community Association  
2011 Audit Report

Dear North Rosedale Community Association Homeowner:

Enclosed, please find a copy of the North Rosedale Community Association year end report as of December 31, 2011. This is being distributed to you in accordance with California Civil Code 1365 (b), which states in part, "A review of the financial statement of the association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year."

This report shall be distributed annually to each member of the association within 120 days after each accounting year end. The year end for the North Rosedale Community Association is December 31<sup>st</sup>.

Please take a few moments of your time to review the enclosed as it outlines the financial condition of your association. This report was prepared by the independent C.P.A. firm of Schonwit & Company. It is recommended that you retain this document with your permanent property records.

Upon your receipt and review of the enclosed, should you have any questions, please do not hesitate to contact the undersigned at (877) 577-6462 ext. 265.

Sincerely,

At the Direction of the Board of Directors,  
North Rosedale Community Association

*Jamie Bolduc*

Jamie Bolduc, CCAM  
Senior Community Association Manager  
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**NORTH ROSEDALE COMMUNITY ASSOCIATION  
COMPARATIVE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

NORTH ROSEDALE COMMUNITY ASSOCIATION

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# Schonwit & Company

## Certified Public Accountants

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### INDEPENDENT AUDITORS' REPORT

To the Owners  
North Rosedale Community Association

We have audited the accompanying balance sheet of North Rosedale Community Association, as of December 31, 2011, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information is presented for comparative purposes only and has been extracted from the North Rosedale Community Association's financial statements presented by fund for 2010 on which we expressed an unqualified opinion in our report dated February 23, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of North Rosedale Community Association as of December 31, 2011, 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.

The supplementary information on future major repairs and replacements that accompanies the basic financial statements 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.

*Schonwit & Co.*  
SCHONWIT & COMPANY

March 3, 2012

NORTH ROSEDALE COMMUNITY ASSOCIATION  
BALANCE SHEET  
AS OF DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>2011</u>			<u>2010</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents [Note 7]	\$ 250,105	\$ 183,701	\$ 433,806	\$ 340,384
Member assessments receivable, less allowance for doubtful collection of \$37,100 at 12/31/11 and \$22,900 at 12/31/10	19,638	-	19,638	10,771
Investments [Note 8]	91,078	177,588	268,666	230,666
Accrued interest receivable	-	-	-	214
Other receivable	3,133	-	3,133	-
Prepaid insurance	365	-	365	334
Prepaid taxes	-	-	-	183
Total Assets	<u>\$ 364,319</u>	<u>\$ 361,289</u>	<u>\$ 725,608</u>	<u>\$ 582,552</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 22,347	\$ -	\$ 22,347	\$ 5,037
Prepaid assessments	9,175	-	9,175	5,068
Refundable deposits [Note 10]	14,900	-	14,900	15,000
Income taxes payable	326	-	326	10
Total Liabilities	46,748	-	46,748	25,115
<b>FUND BALANCES</b>	<u>317,571</u>	<u>361,289</u>	<u>678,860</u>	<u>557,437</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 364,319</u>	<u>\$ 361,289</u>	<u>\$ 725,608</u>	<u>\$ 582,552</u>

See independent auditors' report and accompanying notes to financial statements.

NORTH ROSEDALE COMMUNITY ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>2011</u>			<u>2010</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>REVENUES</b>				
Member assessments	\$ 114,208	\$ 80,823	\$ 195,031	\$ 184,224
Developer assessments	22,965	16,252	39,217	29,579
Mapleton cost center assessments	28,784	9,592	38,376	42,432
Shared cost income	5,928	--	5,928	--
Interest	965	1,655	2,620	1,637
Violation income	18,200	--	18,200	8,300
Other income	6,540	--	6,540	2,701
Total Revenues	<u>197,590</u>	<u>108,322</u>	<u>305,912</u>	<u>268,873</u>
<b>EXPENSES</b>				
Utilities:				
Electricity	8,525	--	8,525	3,255
Water	33,034	--	33,034	35,988
Gas	8,836	--	8,836	--
Refuse	736	--	736	--
Telephone	586	--	586	--
Cable	853	--	853	--
Maintenance:				
Landscape maintenance and supplies	29,013	3,260	32,273	32,853
Irrigation repairs	378	--	378	1,153
Lighting maintenance and supplies	951	--	951	--
Pool service, supplies and repairs	2,720	--	2,720	--
Janitorial service and supplies	5,316	--	5,316	--
Street sweeping and maintenance	435	--	435	506
Other common area maintenance	8,566	--	8,566	1,953
Painting	--	20,900	20,900	--
Asphalt work	--	2,440	2,440	--
Administrative:				
Insurance	5,850	--	5,850	5,653
Management fees	20,852	--	20,852	19,032
Professional fees	4,402	--	4,402	2,473
Income taxes [Note 4]	714	--	714	327
Postage and printing expense	7,041	--	7,041	5,225
Other administrative expenses	4,756	125	4,881	2,653
Bad debt expense	14,200	--	14,200	14,031
Total Expenses	<u>157,764</u>	<u>26,725</u>	<u>184,489</u>	<u>125,102</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	39,826	81,597	121,423	143,771
<b>Beginning Fund Balances</b>	<u>277,745</u>	<u>279,692</u>	<u>557,437</u>	<u>413,666</u>
<b>Ending Fund Balances</b>	<u>\$ 317,571</u>	<u>\$ 361,289</u>	<u>\$ 678,860</u>	<u>\$ 557,437</u>

See independent auditors' report and accompanying notes to financial statements.

NORTH ROSEDALE COMMUNITY ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>2011</u>			<u>2010</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>Excess of revenues over expenses:</b>	\$ 39,826	\$ 81,597	\$ 121,423	\$ 143,771
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
(Increase)/decrease in member assessments receivable	(8,867)	-	(8,867)	3,341
Decrease in developer assessment receivable	-	-	-	3,701
Decrease in accrued interest receivable	8	206	214	771
Increase in other receivable	(3,133)	-	(3,133)	-
Increase in prepaid insurance	(31)	-	(31)	(5)
(Increase)/decrease in prepaid taxes	183	-	183	(183)
Increase in accounts payable	17,310	-	17,310	1,582
Increase/(decrease) in prepaid assessments	4,107	-	4,107	(11,511)
Decrease in refundable deposits	(100)	-	(100)	(8,000)
Increase/(decrease) in income taxes payable	316	-	316	(244)
Net cash provided by operating activities	<u>49,619</u>	<u>81,803</u>	<u>131,422</u>	<u>133,223</u>
Cash provided/(used) by investing activities:				
Acquisition of certificates of deposit	-	(86,249)	(86,249)	(230,666)
Maturity of certificates of deposit	-	50,000	50,000	100,000
Interest reinvested in certificates of deposit	(773)	(978)	(1,751)	-
Net cash flows from investing activities	<u>(773)</u>	<u>(37,227)</u>	<u>(38,000)</u>	<u>(130,666)</u>
Net increase in cash	48,846	44,576	93,422	2,557
Cash at beginning of year	<u>201,259</u>	<u>139,125</u>	<u>340,384</u>	<u>337,827</u>
Cash at end of year	<u>\$ 250,105</u>	<u>\$ 183,701</u>	<u>\$ 433,806</u>	<u>\$ 340,384</u>

See independent auditors' report and accompanying notes to financial statements.



NORTH ROSEDALE COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE 1. ORGANIZATION

North Rosedale Community Association [the Association] is a statutory homeowners association which was organized as a non-profit mutual benefit corporation in January 2005. The purpose of the Association is primarily to maintain, preserve and control the common areas of the community located in Azusa, California. Owners residing in the Mapleton Cost Center also pay additional assessments for separate maintenance costs. At December 31, 2011, the Association was in Phase 17 of development and included 161 residential units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Accounting - The books and records for the Association are maintained on a modified accrual basis of accounting. For these audited financial statements, adjustments have been made at December 31, 2011 to convert the Association's records to the full accrual basis of accounting. The tax returns are also reported on the accrual basis of accounting.

(b) Capitalization Policy and Depreciation - In accordance with industry standards, the Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. Replacements and improvements to the real property which are directly associated with the units are also not capitalized. They are instead charged directly to either operating or replacement funds in the period they are incurred.

Significant capital assets not directly associated with the units, referred to as personal property assets, are capitalized and depreciated over their estimated useful life using the straight-line method of depreciation. During the year ended December 31, 2011, there were no significant personal property additions.

(c) Fund Accounting - The Association's accompanying financial statements have been prepared using fund accounting. Under this method of accounting, funds are separated into two categories, the operating fund and the replacement fund. Disbursements from the replacement fund generally may be made only for designated repair or replacement of major common area components. Disbursements from the operating fund are at the discretion of the Board of Directors and generally are for on-going repairs, maintenance, and administrative functions.

(d) Investment Income - The Board's policy is to allocate interest earned on operating and replacement fund cash and investment accounts to the respective fund, and to pay the related income taxes out of the operating fund.

(e) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(f) Subsequent Events - Subsequent events have been evaluated through March 3, 2012, which is the date the financial statements were available to be issued.

NOTE 3. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

NORTH ROSEDALE COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE 4. INCOME TAXES

The Association may elect to file its federal income tax return as either a regular corporation [under Internal Revenue Code Section 277] or as a homeowners association [under Internal Revenue Code Section 528]. For the year ended December 31, 2011, the Association elected to file as a homeowners association, where generally the association is taxed only on income unrelated to membership dues and assessments [such as interest income less related expenses]. For California purposes, the Association also qualifies for tax exempt status as a homeowners association and pays a tax of 8.84% on income not related to membership dues and assessments. For the year ended December 31, 2011, the federal and California income tax expense was \$530 and \$184, respectively.

The Association utilizes the liability method of accounting for income taxes. Under the liability method deferred income tax assets and liabilities are provided based on the difference between the financial statements and tax basis of assets and liabilities measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. Because there is no material difference between the financial accounting and tax basis of the Association's assets and liabilities, the Association has not recorded any deferred tax assets or liabilities.

The Association has adopted accounting standards for the accounting for uncertainty in income taxes. These standards provide guidance for the accounting and disclosure about uncertain tax positions taken by an association. Management believes that all of the positions taken by the Association in its federal and state income tax returns are more likely than not to be sustained upon examination. The Association's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed.

NOTE 5. ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to paying assessments to fund for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at December 31, 2011 represent assessments and other fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments, including filing of liens on the owner's unit, foreclosing on the unit owner, or obtaining judgment on other assets of the unit owner. At December 31, 2011, the Association has recorded an allowance for uncollectible assessments of \$37,100. This allowance represents an estimated amount which was calculated using historical collection information.

For the year ended December 31, 2011, the Association's assessments were based upon the Department of Real Estate Budget [DRE] in effect for the applicable phases of development. Accordingly, the Association's monthly assessment was \$146.04 per unit. Owners residing in the Mapleton Cost Center were also required to pay a separate monthly assessment of \$136 per unit from January through August 2011, and then \$97 per unit for the remainder of the year.

NOTE 6. REPLACEMENT FUNDING PROGRAM

In accordance with the Association's governing documents, which require that funds be accumulated for future major repairs and replacements, the Association has established certain amounts as reserves for future capital expenditures. Members' assessments relating to the replacement funding program are considered capital contributions from members' dues and as such are restricted in usage. Disbursements are to be made only if specifically approved by the Board of Directors.

NORTH ROSEDALE COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE 6. REPLACEMENT FUNDING PROGRAM – (CONTINUED)

Independent studies of the Association's replacement funding programs were conducted in June 2011 and recommend contributions to the replacement fund of approximately \$80,691 and \$12,744 for the Association and the Mapleton Cost Center, respectively, for 2012. The studies' recommendations were based on estimates of remaining useful lives, current replacement costs, and amounts accumulated in the replacement funds. For the year ended December 31, 2011, the Association funded \$106,667 from assessments to the replacement fund. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

Replacement funds are being accumulated based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement funds may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Association's governing documents, to pass special assessments, increase monthly assessments, or delay replacement until funds are available.

NOTE 7. SCHEDULE OF CASH BALANCES

Generally, certificates of deposit and other debt securities with original maturities less than 90 days are considered cash equivalents, while certificates of deposits and debt securities with maturities over 90 days are considered "investments."

At December 31, 2011 and 2010, the Association maintained cash balances at the following institutions:

<b><u>Operating Fund:</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Pacific Premier Bank - money market	\$ 130,132	\$ --
City National Bank - checking	119,973	70,551
Merrill Lynch - money funds	--	130,708
	<u>          </u>	<u>          </u>
Total Cash - Operating Fund	<u>\$ 250,105</u>	<u>\$ 201,259</u>
<b><u>Replacement Fund:</u></b>		
City National Bank - checking with interest	\$ 128,261	\$ 55,654
City National Bank - checking with interest (Mapleton)	34,126	32,436
City National Bank - checking with interest (Shared cost)	21,314	--
Merrill Lynch - money funds	--	51,035
	<u>          </u>	<u>          </u>
Total Cash - Replacement Fund	<u>\$ 183,701</u>	<u>\$ 139,125</u>

NORTH ROSEDALE COMMUNITY ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

NOTE 8. INVESTMENTS

The Association's investments consist of certificates of deposit with original maturities over 90 days. Investment income from these investments is recorded when earned or accrued. The investments are considered to be held to maturity and are carried at cost, which approximates the fair value.

At December 31, 2011 and 2010, the Association's investments are as follows:

<u>Operating Fund:</u>	<u>2011</u>	<u>2010</u>
OneWest Bank - 0.399%, 3/9/12	<u>\$ 91,078</u>	<u>\$ 90,305</u>
 <u>Replacement Fund:</u>		
OneWest Bank - 0.598%, 9/10/12	\$ 91,339	\$ 90,361
Gateway Business Bank - 1.19%, 8/1/12	86,249	--
Bank of America - 0.55%, 4/14/11	--	<u>50,000</u>
Total Investments - Replacement Fund	<u>\$ 177,588</u>	<u>\$ 140,361</u>

NOTE 9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for income taxes amounted to \$205 for the year ended December 31, 2011. No interest was paid and there were no non-cash investing or financing transactions during the year.

NOTE 10. REFUNDABLE DEPOSITS

The Association collects deposits from homeowners to assure that they will comply with certain landscaping requirements. These deposits are refundable upon satisfactory completion of the particular requirements.

NORTH ROSEDALE COMMUNITY ASSOCIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 ON FUTURE MAJOR REPAIRS & REPLACEMENTS  
 AS OF DECEMBER 31, 2011  
 (UNAUDITED)

Independent reserve studies were conducted in June 2011 to estimate the remaining useful lives and the replacement costs of the components of common property and the Mapleton Cost Center. The studies were based upon representations by the Board of Directors and the experience and knowledge of the independent reserve analyst. The estimates were based on current replacement costs adjusted for an annual inflation rate of 2.5%. These estimates are used as a foundation in arriving at recommended funding requirements, based upon cash and investments which have been allocated for future repairs and replacements, earning a yield on investments of 1.0%.

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

<u>Common Area Component</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>2012 Recommended Funding Requirement</u>	<u>Study's Recommended Fund Balance</u>
<b>Association:</b>				
Painting	0-3 years	\$ 21,551	\$ 574	\$ 8,648
Fences/walls	11-20 years	57,363	3,812	15,521
Irrigation controllers	5-19 years	52,536	3,934	22,173
Mailboxes	10 years	28,140	2,241	9,380
Landscape	0 years	16,784	17,148	16,784
Slopes	10 years	635,770	50,631	211,924
Contingency	N/A years	--	2,351	8,532
	Sub-total:	812,144	80,691	292,962
<b>Mapleton Cost Center:</b>				
Painting	0-2 years	\$ 6,474	\$ 434	\$ 2,587
Lighting	13 years	3,840	261	1,067
Asphalt/concrete	3-15 years	42,069	2,675	11,122
Fences	13 years	27,260	1,853	7,572
Irrigation controllers	7-19 years	5,774	422	1,742
Mailboxes	9-10 years	4,703	378	1,582
Traffic signs	13 years	4,000	272	1,111
Landscape	0 years	5,950	6,079	5,950
Contingency	N/A years	--	370	982
	Sub-total:	100,070	12,744	33,715
	Total	<u>\$ 912,214</u>	<u>\$ 93,435</u>	<u>\$ 326,677</u>
Replacement Fund balance at 12/31/11:				<u>\$ 361,289</u>