
SPANISH WALK HOMEOWNERS ASSOCIATION

April 25, 2017

Re: Audit for Fiscal Year Ending December 31, 2016

Dear Homeowner:

California Civil Code 5305 and your CC&Rs require an independent audit of the financial operations of your homeowner's association be conducted at the end of each fiscal year.

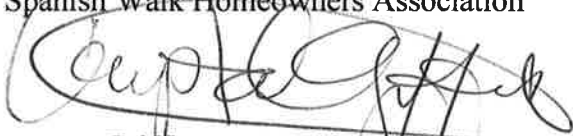
Your Board of Directors has engaged the services of Beck & Company, CPA's, Inc., Certified Public Accountant, to conduct the audit. This report is enclosed for your review.

The report expresses the professional opinion of the accountant and fairly presents and discloses the financial position of the Association. The report is prepared in accordance with generally accepted principles of accounting.

It is suggested you read this information carefully and keep these reports with all other documents concerning your home, as it may be necessary to show this information to any prospective buyer of your property.

Sincerely,

By direction of the Board of Directors
Spanish Walk Homeowners Association



Crystal Griffin, CCAM-ND, CMCA
Community Association Manager

Enclosures (Audit)

**SPANISH WALK COMMUNITY ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

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BECK and COMPANY, CPA'S, INC.

34-220 Gateway Drive, Suite 120 Palm Desert, CA 92211
760-340-5547 Fax 760-340-2321
chuck@beck-cpa.com

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
SPANISH WALK COMMUNITY ASSOCIATION

We have reviewed the accompanying financial statements of SPANISH WALK COMMUNITY ASSOCIATION which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Summarized Comparative Information

The prior year summarized comparative information has been derived from the December 31, 2015 financial statements, which were reviewed by us. Our report dated March 8, 2016 stated that we were unaware of any material modifications that should be made to those financial statements in order for them to be in conformity with generally accepted accounting principles.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on the last page be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Beck and Company, CPA's, Inc.

March 31, 2017

**SPANISH WALK COMMUNITY ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2016
(With Comparative Totals for 12/31/2015)**

	2016			2015
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>ASSETS:</u>				
Cash	\$ 51,019	\$ 283,872	\$ 334,891	\$ 777,949
Investments		500,000	500,000	-
Assessments Receivable	25,372		25,372	11,081
Allowance for Doubtful Accounts	(5,288)		(5,288)	(5,288)
Prepaid Insurance	6,493		6,493	5,618
Deposits	425		425	425
Due (to) from other fund	(604)	604	-	-
TOTAL ASSETS	\$ 77,417	\$ 784,476	\$ 861,893	\$ 789,785
<u>LIABILITIES:</u>				
Accounts Payable	\$ 26,242	\$ -	\$ 26,242	\$ 45,662
Members Deposits	105		105	-
Income Taxes Payable	-		-	462
Prepaid Assessments	20,047		20,047	28,275
TOTAL LIABILITIES	46,394	-	46,394	74,399
FUND BALANCES	31,023	784,476	815,499	715,386
TOTAL LIABILITIES AND FUND BALANCES	\$ 77,417	\$ 784,476	\$ 861,893	\$ 789,785

See accompanying notes to financial statements
(2)

SPANISH WALK COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 12/31/2015)

	2016		2015	
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Member Assessments	\$ 492,045	\$ 149,813	\$ 641,858	\$ 496,627
Special Assessments	32,155		32,155	-
Capital Contribution	15,202	-	15,202	18,972
ARC Submittal	1,570	-	1,570	7,970
Interest Income	-	898	898	2,568
Rental Income	525	-	525	-
Other Income	14,220	-	14,220	3,748
TOTAL REVENUES	555,717	150,711	706,428	529,885
EXPENSES				
Utilities				
Cable Service	2,453		2,453	1,741
Electricity	24,632		24,632	27,876
Gas	31,974		31,974	34,319
Telephone	7,494		7,494	6,050
Water	18,402		18,402	15,445
Maintenance				
Common Area R & M	33,429		33,429	43,243
Landscape Contract	187,352		187,352	163,980
Landscape Extras	4,798		4,798	13,867
Pool Contract	17,530		17,530	17,530
Pool Extras	3,196		3,196	7,246
Pest Control	4,475		4,475	3,545
Janitorial	20,435		20,435	15,158
Property Protection	12,085		12,085	26,364
Administrative				
Review/Tax Prep/Rsv Study	3,340		3,340	1,500
Insurance	13,288		13,288	11,511
Legal & Professional	15,352		15,352	13,008
Management Fee	52,834		52,834	44,046
Taxes, Licenses & Permits	2,788		2,788	2,444
Office & Administrative	33,873		33,873	42,912
Major Repairs and Replacements		116,585	116,585	78,749
TOTAL EXPENSES	489,730	116,585	606,315	570,534
Excess of Revenues over Expenses or (Expenses over Revenue)	65,987	34,126	100,113	(40,649)
Beginning Fund Balances	(35,198)	750,584	715,386	778,550
Prior Period Adjustment (Note 7)	-	-	-	(22,515)
Net Interfund Transfers	234	(234)	(0)	(0)
ENDING FUND BALANCES	\$ 31,023	\$ 784,476	\$ 815,499	\$ 715,386

See accompanying notes to financial statements
(3)

SPANISH WALK COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 12/31/2015)

	2016		2015	
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ 65,987	\$ 34,126	\$ 100,113	\$ (40,849)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Prior Period Adjustment	-		-	(22,515)
(Increase) decrease in:				
Assessments Receivable	(14,291)		(14,291)	22,778
Allowance for Doubtful Accounts	-		-	(9,725)
Other receivable				
Prepaid Insurance	(875)		(875)	(714)
Prepaid Taxes	-		-	43
Deposits	-		-	700
Due to/from other fund	(233)	233	-	-
Increase (decrease) in:				
Accounts Payable	(19,420)		(19,420)	30,143
Members Deposits	105			
Prepaid Assessments	(8,228)		(8,228)	(5,587)
Income Taxes Payable	(462)		(462)	295
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	22,583	34,359	56,942	(25,231)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from CD's		(500,000)	(500,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund transfers	234	(234)	(0)	0
Sub Total	22,817	(465,875)	(443,058)	(25,231)
NET INCREASE (DECREASE) IN CASH	22,817	(465,875)	(443,058)	(25,231)
CASH AT BEGINNING OF YEAR	28,202	749,747	777,949	803,180
CASH AT END OF YEAR	\$ 51,019	\$ 283,872	\$ 334,891	\$ 777,949
SUPPLEMENTAL DISCLOSURE				
Income taxes paid	\$ 473	\$ -	\$ 473	\$ -

**SPANISH WALK COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – ORGANIZATION

SPANISH WALK COMMUNITY ASSOCIATION was incorporated on September 26, 2006 as a nonprofit mutual benefit corporation in the State of California. Its primary purpose is to act as “management body” for the preservation, maintenance and architectural control of the common areas within the project. There are 317 out of a total projected build-out of 390 homes in the residential development located in Palm Desert California.

NOTE 2 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the review report, which is the date that the financial statements were available to be issued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association’s accounting records are maintained on a modified accrual basis, however, the accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles whereby all revenues are recognized when earned and expenses are recognized when incurred.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of owners are determined by the Board of Directors who are elected by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Association’s policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. The Association uses a guideline of 100% provision for Allowance for Doubtful Accounts for all accounts delinquent over one year, foreclosed on, in bankruptcy, or abandoned, as well as on a case by case basis of other facts and circumstances.

Property and Equipment

Real property and common areas acquired from the developer and related improvements are not recognized as assets on the Association’s financial statements. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for the purpose of financial reporting.

**SPANISH WALK COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.

NOTE 4 – INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and State Revenue & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. The applicable tax rate is 30% for the federal government and 8.84% for the Franchise Tax Board. Generally, the Association treats income tax expenses as an operating expense regardless of the fund through which the related taxable income was recognized.

The Association's income tax returns are subject to examination by the Internal Revenue Service generally for three years after they are filed, and by the Franchise Tax Board for four years after they are filed. In evaluating the Association's tax positions and accruals, the Association believes that the estimates are appropriate based on the current facts and circumstances.

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are to be held in separate interest bearing accounts and are generally not available for operating purposes.

The Association engaged an independent engineer who conducted a study in August of 2016 to estimate the remaining useful lives and the replacement costs of the common property components. The Association should fund such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary materially from the estimates. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds turn out to be necessary, the Association has the right, subject to member approval, to increase regular assessments, levy special assessments or delay major repairs and replacements until funds become available.

NOTE 6 – SPECIAL ASSESSMENT

In May of 2016 the Board carefully reviewed the Association's financial statements, annual budget and the operating and reserve accounts, and due to an annual deficit in the approximate amount of \$35,000, the Board felt it was in the best interest of the Association to approve a one-time special assessment in the amount of \$99 per homeowner. The special assessment is in lieu of raising the assessments again this year. The special assessment is effective July 1, 2016 and will be due no later than September 1, 2016.

**SPANISH WALK COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Continued)**

The Association spent \$116,585 for major repairs and replacements as follows:

Common Area Doors	\$ 1,226
Fitness Equipment	18,242
Furnishings-Clubhouse	19,267
Furnishings-Clubhouse Apl & Equip	3,591
Landscaping	6,000
Paint-Interior	800
Pool Furniture	3,825
Pool Heater	2,800
Pool Replaster	33,735
Pool/Spa Incidentals	450
Security System	2,919
Spa Replaster	5,845
Tree Trimming	12,905
Walks/Drives-Concrete	4,980
Total	<u>\$ 116,585</u>

NOTE 6 – CASH IN EXCESS OF FDIC INSURANCE LIMITS

At the year ended December 31, 2016 the association had reserve funds in a bank in excess of FDIC insured limits.

**SPANISH WALK COMMUNITY ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2016
(COMPILED)**

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the common area replacement components during August of 2016. The estimates were based on inspection by the independent consultant, and the information provided by the Board of Directors, property manager and others familiar with the development. Replacement costs were based on the estimated costs to repair or replace the common area replacement components at the time of the study. A 2% annually compounded rate was used to take into account the effects of inflation between the date of the study and the date that the components are projected to require repair or replacement.

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

Category	Estimated Remaining Useful Lives(Years)	Estimated Current Replacement Costs	Annual Funding Requirement	Fully Funded Reserve Requirement
Building Elements	10-32	\$ 76,325	\$ 2,728	\$ 18,024
Paved Surfaces	1-17	895,353	58,466	320,773
Fences & Gates	2-28	239,675	11,472	77,784
Paint	1-10	112,013	30,855	66,344
Lighting	9-14	102,875	6,941	38,213
Landscape	2-5	237,400	32,038	110,700
Irrigation	5-18	130,750	9,083	34,242
Waterscape	3-7	49,900	4,226	26,450
Pool & Spa	1-18	392,930	40,404	164,969
Recreation Rooms	2-11	165,775	13,207	73,668
Other	1-20	330,198	16,083	116,744
Totals		<u>\$ 2,733,194</u>	<u>\$ 225,504</u>	<u>\$ 1,047,911</u>

As of December 31, 2016, the annual budgeted allocation to replacements is \$149,813. The cash balance in replacement funds as of December 31, 2016 is \$783,872, which is in excess of FDIC limits.

California Civil Code requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary. The report must be available to all owners. Although the code does not require adequate funding, disclosure must be made.

MAY 2017

Professionally Managed by: Prime Association Services



Spanish Walk Community Association

WWW.SPANISHWALKCOMMUNITY.COM



To safelist your vehicle, visit Patrol Masters website www.patrolmasters.com and use the online safelist procedures, or call (877) 648-0602 if you do not have online access.

Board of Directors Meeting

When: June 8, 2017

Time: 3:30 p.m.

Location: The Association's Clubhouse



Dog Feces Notice and Leash Reminder

Each Resident is responsible for immediately removing defecation of his or her dog, cat, or other animal from the property of the Association. Local municipal ordinances regarding leash laws will be strictly enforced.



REQUESTING OWNER EMAILS

In an attempt to save the association mailing costs, the Board requests that all homeowners provide an email address to management. They will utilize email to notify homeowners of safety issues, etc.



BARKING DOGS? CONTACT ANIMAL CONTROL

Riverside County Department of Animal Services - Coachella Valley
Phone: 760-343-3644 or visit the website to download the barking dog complaint form
<https://www.rcdas.org/index.php/services/forms-ordinances>



FITNESS CENTER HOURS



Effective immediately, the fitness center will be open for use by homeowners and residents twenty-four (24) hours/day, seven (7) days/week. Enjoy!

CHECK OUT OUR



WEB SITE!

Keep up to date on community progress, notices, access association documents and more. Register for access today!

SPANISHWALKCOMMUNITY.COM

Crystal Griffin, CCAM-ND, CMCA
Regional Supervisor
951.335.8563 ext.142
crystalgriffin@theprimeas.com



PRIME
ASSOCIATION SERVICES

Ed Paquette
Assistant Manager
951.335.8563 ext. 101
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36-953-Cook Street Ste. 101, Palm Desert, CA 92211 ♦ 760-360-5580

BOARD APPROVALS AND UPDATES



The Board addressed the following issues during the April 13th Board Meeting:

The Board reviewed and ratified the following approved proposals/contracts:

- ◆ H&H Ornamental Iron: install magnetic locks on entrance gate in the amount of \$1,200;
- ◆ Spectrum: upgrade internet at clubhouse to view cameras in the amount of \$99/month;
- ◆ Three Phase Electric: replace broken light fixture at picnic table on Paseo Bravo and repair/replace recess lighting in fitness center in the amount of \$285 and not to exceed \$425.70; and
- ◆ Blue Agave Landscape: removal of trees, replacement of malfunctioning controller and install (400) plants in the total amount of \$9,460.

The Board reviewed and approved the following:

- ◆ A revised proposal from NPG to install "No Parking, Fire Lane", "STOP" and "No Parking in Alley" signs and to paint red curb through out the community in the total amount of \$16,740.
- ◆ A proposal from Patrol Masters to provide four (4) additional random inspections during the day time hours over the Coachella and Stagecoach weekends in the amount of \$720.
- ◆ A hand carried inspection report and proposals from Aqua Pool Services to conduct the following work in the total amount of \$64,225 and to pay for the services from the association's reserve account:

Main Pool:

Install three (3) automated systems to comply with Title 22 Daily Monitoring Laws;
 Install six (6) Rola Chems to feed the chlorine and acid to water;
 Replace two (2) life rings and ropes;
 Replace two (2) pool heaters;
 Replace one (1) spa heater;
 Replace three (3) timers; and
 Labor and chemicals to drain and restart the spa.

Alegria Pool:

Install two (2) automated systems to comply with Title 22 Daily Monitoring Laws;
 Install four (4) Rola Chems to feed the chlorine and acid to water;
 Replace one (1) life ring and rope;
 Maintain two (2) heaters; and
 Labor and chemicals to drain and restart the spa.

Sonrisa Pool:

Install two (2) automated systems to comply with Title 22 Daily Monitoring Laws;
 Install four (4) Rola Chems to feed the chlorine and acid to water;
 Replace one (1) life ring and rope;
 Maintain two (2) heaters; and
 Labor and chemicals to drain and restart the spa.

- ◆ Proposed rules (see enclosed notice)

The Board discussed the appointment of a member of the Board to act as a liaison with the association's legal counsel. **M/S/C** – Director Nichols made a motion to appoint Director Sapozhnikov and Director Dickson as liaisons with the association's legal counsel. The motion was seconded by Director Vance and carried unanimously.

The Board discussed forming finance and bench mark committees and will be putting the charters for each committee together and forwarding to Director Sapozhnikov and Director Dickson to discuss with the association's legal counsel.



April 25, 2017

NOTICE OF PROPOSED RULES

Dear Homeowners:

The Board of Directors for the Spanish Walk Community Association is proposing the below Rules for the association. By law, the Membership is entitled to a 30 day comment and review period. At the next Board of Directors meeting scheduled for **3:30 p.m. on Thursday, June 8, 2017 at the Spanish Walk Clubhouse**, the Board will have an Open Forum to discuss any concerns with the proposed rules.

“Proposed revised Parking Rules:

NO PARKING ZONES/STREETS: There is **NO PARKING** on the following street:

- ◆ Paseo Divertido

NO PARKING ON ONE (1) SIDE OF STREET W/FIRE HYDRANTS:

- ◆ Paseo Bravo
- ◆ Calle Siempre
- ◆ Calle Vibrante
- ◆ Paseo Animado
- ◆ Paseo Del Corazon
- ◆ Paseo Gregario
- ◆ Paseo Gusto
- ◆ Via De La Paz

ONLY PARKING ON ONE (1) SIDE OF STREET W/FIRE HYDRANTS:

- ◆ Paseo Bravo

RED CURBS/FIRE LANES: All vehicles parked in front of a red curb and/or fire lane will be immediately towed at the vehicle owner’s expense.”

“Proposed revised Fine Schedule:

1. A letter will be sent to the Owner stating the alleged violation.
2. A second letter will be sent to the Owner stating the alleged violation continues and this letter will request the Owner appear before the Board.
3. If the result of the hearing is a monetary fine, a fine of \$100 for first thirty (30) days will be applied to the Owner’s account.



Spanish Walk

4. If the violation continues past thirty (30) days, the fines will be doubled every thirty (30) days until the Owner is once again in compliance with the guidelines. Any fines not paid may result in legal action in accordance with California law.
5. The Board may determine to use Alternative Dispute Resolution or cause correction of the violation to effect a cure and the Owner may be responsible for legal fees and/or reimbursement of costs to the Spanish Walk Community Association.
6. The Board of Directors reserves the right to skip steps one (1) and two (2) and go directly to step three (3) or five (5), when the Board of Directors believes circumstances warrant such action.

Depending on the severity and frequency of the violation and violator, the choice of the enforcement procedure(s) and/or the enforcement remedy utilized may vary. Fines will usually vary from \$100.00 to \$500.00 (in extreme cases, the fines may be substantially higher).

NOTE: Should a violation occur which imposes a financial obligation on the Spanish Walk Community Association; the party responsible for said violation shall reimburse, by way of a Special Assessment, the Spanish Walk Community Association for this financial obligation. If, for example, a party damages a fence, tree or any other Common Property, repair and replacement costs will be charged to that party.”

If you can't attend the meeting, but would like to comment, you may send a letter to the Association by **June 1, 2017** to your Community Manager, Crystal Griffin, at 760.360.5588 or via email to CrystalGriffin@theprimeas.com.

Sincerely,

By direction of the Board of Directors
Spanish Walk Community Association