

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC.
BALANCE SHEET
March 31, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$ 65,123
Accounts Receivable - Members, net of \$1,420 allowance	5,858
Total Current Assets	<u>70,981</u>

Property and Equipment, net of accumulated depreciation of \$400,710	782,933
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Amortized Organization Costs	3,394
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TOTAL ASSETS	<u>\$ 857,308</u>
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LIABILITIES AND FUND BALANCE

Current Liabilities:

Payroll Taxes Payable	\$ 670
Deferred Income	135
Current portion of long-term debt	5,061
Total Current Liabilities	<u>5,866</u>

Long-term Debt, less current portion	189,496 (5,061)
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Total Liabilities	<u>190,301</u>
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Fund Balance	<u>667,007</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 857,308</u>
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See accompanying notes and independent accountants' review report.

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2013

REVENUES

Association Dues	\$ 68,580
Late Fee Income	850
Cell Tower Income	20,110
Sale of Conduit	24,000
TOTAL REVENUES	<u>113,540</u>

EXPENSES

Town Services (Schedule 1)	70,951
Other Expenses (Schedule 2)	42,076
Building Expense (Schedule 3)	4,935
Administrative Expenses (Schedule 4)	12,963
TOTAL EXPENSES	<u>130,925</u>
EXCESS OF REVENUES OVER EXPENSES	(17,385)
BEGINNING FUND BALANCE	684,392
ENDING FUND BALANCE	<u><u>\$ 667,007</u></u>

See accompanying notes and independent accountants' review report.

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC
STATEMENT OF CASH FLOWS
Year Ended March 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess Revenues over Expenses	\$ (17,385)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation	32,378
Amortization	154
(Increase) Decrease in:	
Accounts Receivable, net	173
Increase (Decrease) in:	
Accounts Payable	495
Deferred Income	135
Net Cash Provided (Used) by Operating Activities	15,950
CASH FLOWS FROM INVESTING ACTIVITIES	
Engineering costs for system improvements	(4,202)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principle payment on loan	(5,464)
Net Increase (Decrease) in Cash and Cash Equivalents	6,284
Cash and cash equivalents - Beginning of Year	58,839
Cash and cash equivalents - End of Year	\$ 65,123
SUPPLEMENTAL DISCLOSURES:	
Interest paid	\$ 8,124

See accompanying notes and independent accountants' review report.

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 1: NATURE OF ORGANIZATION

Floriston Property Owners Association, Inc. (the Association) was incorporated on December 10, 1973 under the general non-profit corporation law of the State of California. The specific and primary purpose for which this organization was formed is to provide for maintenance and preservation of the water and sewer system, roads, and certain common areas of the community, which is comprised currently of 42 parcels located in the town site of Floriston, in the county of Nevada, state of California.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

The Association capitalizes personal property, and infrastructure improvements for acquisitions over \$1,000, at cost and depreciates it using the straight-line method over five to forty years.

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 reporting period. Actual results could differ from those estimates.

Property Owner Service Fees

Association members are subject to monthly charges for such services as water distribution, sewer, and road maintenance. A member's service is subject to disconnection if a charge is unpaid for 90 days. The Association reserves the right to levy assessments against members. Assessments are intended to cover unanticipated or unusual expenses for specific projects. Any excess assessments at year end may be retained by the Association for use in the succeeding year. Accounts receivable at the balance sheet date represent service fees due from property owners. The Association may initiate procedures to terminate membership for nonpayment of dues, assessments, or monthly service charges and place a lien on the member's property.

Income Taxes

As the Association is a non-profit corporation, it is exempt from Federal and California income taxes under IRS section 501(C)(4), as a social welfare organization providing water, sewer and road services. The Association has no investment income so it is not required to file corporate income tax returns.

The Association's tax forms 990, U.S. Exempt Income Tax Returns for 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they are filed.

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with an initial maturity date of less than twelve months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments.

NOTE 3: CASH, INCLUDING INTEREST-BEARING DEPOSITS

Cash is deposited in the following federally insured financial institutions:

<u>DEPOSITORY</u>	<u>MAR 31, 2013</u>
Wells Fargo Bank	\$ 65,185

Account balances are insured by the FDIC up to \$250,000 per customer.

NOTE 4: FIXED ASSETS:

Property and equipment is recorded at cost and consist of the following:

Land Improvements-Infrastructure	\$ 1,173,075
Buildings	7,948
Fixtures and Office Equipment	2,620
Less Accumulated Depreciation	<u>(400,710)</u>
	<u>\$ 782,933</u>

Intangible Property:

Organization Costs	\$ 6,153
Less Accumulated Amortization	<u>(2,759)</u>
	<u>\$ 3,394</u>

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Corporation has not updated the 2009 study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the board of directors developed a plan to fund those needs. In the past, large capital improvements of infrastructure has been funded by grants and government subsidized loans. When funds are required for major repairs and replacements, the Association plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 6: INSURANCE

The Association's insurance coverage at March 31, 2013 was as follows:

<u>COVERAGE</u>	<u>INSURANCE LIMIT</u>
Property	\$ 590,780
General Liability	1,000,000
Blanket Tools	25,000
Rented/Borrowed Equipment	100,000
Crime-Theft/Forgery	100,000
Fraud	50,000
Directors and Officers	1,000,000

NOTE 7: ALLOWANCE FOR BAD DEBT

At year-end, \$4,331 of members' receivables were more than 90 days past due, of which \$1,420 was included in the allowance for doubtful accounts as the property is in foreclosure. Delinquent assessments are normally expected to be collected in escrow at the transaction closing of a sold parcel.

NOTE 8: CELL TOWER LEASE

The Association has a lease agreement with AT&T for an easement which allows AT&T to maintain and access their cell tower on the Association's land. The Association is also reimbursed each month for utility consumption. Terms of the lease and future minimum rentals are not disclosed here as a copy of the lease agreement is not readily available by the Association's current Board Officers. Past annual rents have ranged from \$13,000 to \$15,500 plus approximately \$3,500 a year for electricity.

NOTE 9: MORTGAGE NOTE PAYABLE

The financial statements include a 4.5% mortgage note payable in annual installments of \$13,588 including interest, for a financing agreement with the U.S. Department of Agriculture - Rural Development through the Community and Business Loan Program dated July 9, 1996. The final payment is due February, 2036. The note is collateralized by all currently owned and hereafter acquired property including roads and easements, all present and future contract rights, accounts receivable, and general intangibles arising in connections with the facilities.

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 9: MORTGAGE NOTE PAYABLE (CON'T)

Principal maturities of the mortgage note for each of the next five years are as follows:

Year Ending March 31:	
2014	5,061
2015	5,288
2016	5,526
2017	5,775
2018	6,035

Interest expense was \$8,124 for the year ended March 31, 2013

NOTE 10: REPLACEMENT FUND STUDY

The Association has not conducted a study to determine the remaining useful lives of the components of the common property and current estimates of major repairs and replacements that may be required in the future. Funds from borrowing, grants, and special assessments are used to finance all on-going replacements, repairs, and improvements of fixtures and facilities.

NOTE 11: SUBSEQUENT EVENTS

The Association has evaluated subsequent events through January 30, 2014, the date which the financial statements were available to be issued.

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - EXPENSES
Year Ended March 31, 2013

SCHEDULE 1 - TOWN SERVICES

Electricity & Gas	\$ 3,780
Equipment Rental	510
Fire Protection	127
Labor	17,163
Payroll Taxes	2,452
Road Repairs & Maintenance	3,950
Sewer Repair & Maintenance	4,488
Sewer Testing	1,044
Snow Removal	8,000
Town Clean-up	930
Water Lines Repair & Maintenance	12,657
Water Testing	903
Water Treatment Plant Repair & Maintenance	12,627
Workmans Comp Insurance	2,320
Total	<u>\$ 70,951</u>

SCHEDULE 2- OTHER EXPENSES

Amortization	\$ 154
Depreciation	32,378
Interest	8,124
Bad Debt allowance	1,420
Total	<u>\$ 42,076</u>

See independent accountants' review report.

FLORISTON PROPERTY OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - EXPENSES
Year Ended March 31, 2013

SCHEDULE 3 - BUILDING EXPENSE

Building repairs	\$ 4,214
Property Taxes	721
Total	<u>\$ 4,935</u>

SCHEDULE 4 - ADMINISTRATIVE EXPENSES

Accounting Fees	\$ 1,500
Insurance	2,665
Licenses & Permits	1,045
Management & Bookkeeping	5,521
Miscellaneous	1,432
Office	800
Reserve Study	-
Travel	-
Total	<u>\$ 12,963</u>

See independent accountants' review report.