

GOLD RIDGE FOREST  
PROPERTY OWNER'S ASSOCIATION

FINANCIAL STATEMENTS,  
ACCOUNTANT'S REVIEW REPORT  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014

# Roberts & Company, Inc.

C E R T I F I E D P U B L I C A C C O U N T A N T

---

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of  
Gold Ridge Forest Property Owners Association  
Pollock Pines, California

I have reviewed the accompanying balance sheet of Gold Ridge Forest Property Owners Association (a corporation) as of December 31, 2014 and the related statements of revenues, expenses, changes in fund balances and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company 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, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

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 accounting principles generally accepted in the United States of America.

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 schedule of future major repairs and replacements is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of the Board of Directors, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

*Roberts & Company, Inc*  
CERTIFIED PUBLIC ACCOUNTANT

March 23, 2015

---

3182 CEDAR RAVINE, PLACERVILLE, CALIFORNIA 95667  
Telephone: (530) 622-5445, Fax number: (530)622-8238

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2014

	Operating Fund	Reserve Fund	Total Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Assets			
Cash and cash equivalents - NOTE 1	\$ 48,810	\$259,298	\$308,108
Assessments receivable - NOTE 1	6,142		6,142
Prepaid expenses	9,066		9,066
Building and equipment net of \$347,595 accumulated depreciation	0		0
Land - NOTE 1	51,400		51,400
Total assets	<u>\$115,418</u>	<u>\$259,298</u>	<u>\$374,716</u>
Liabilities			
Accounts payable	\$ 1,131	\$	\$ 1,131
Deferred income - NOTE 3	25,227		25,227
Taxes payable	1,263		1,263
Total liabilities	<u>\$ 27,621</u>	<u>\$ 0</u>	<u>\$ 27,621</u>
Fund balances			
Operating	\$ 87,797	\$	\$ 87,797
Reserve - NOTE 4		259,298	259,298
Total fund balances	<u>\$ 87,797</u>	<u>\$259,298</u>	<u>\$347,095</u>
Total liabilities and fund balances	<u>\$115,418</u>	<u>\$259,298</u>	<u>\$374,716</u>

See the accompanying notes  
and the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Operating Funds</u>	<u>Reserve Funds</u>	<u>Total Funds</u>
<b>Revenues</b>			
Assessment dues	\$ 210,717	\$	\$ 210,717
Late fees/interest	3,300		3,300
Interest income	15	435	450
Transfer escrow fees	4,100		4,100
Rental income	1,580		1,580
Miscellaneous income	10,564		10,564
Total revenues	<u>\$ 230,276</u>	<u>\$ 435</u>	<u>\$ 230,711</u>
<b>Expenses</b>			
Administrative expense	\$ 51,239	\$	\$ 51,239
Employee expense	65,358		65,358
Greenbelt expense	27,620		27,620
Repairs and replacements		46,269	46,269
Recreation expense	16,630		16,630
Total expenses	<u>\$ 160,847</u>	<u>\$ 46,269</u>	<u>\$ 207,116</u>
Excess of revenue over expenses	\$ 69,429	\$ (45,834)	\$ 23,595
Interfund transfers	(57,000)	57,000	0
Beginning fund balances	75,368	248,132	323,500
Ending fund balances	<u>\$ 87,797</u>	<u>\$ 259,298</u>	<u>\$ 347,095</u>

See the accompanying notes and  
the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
Cash Flows from Operating Activities			
Cash received from members	\$ 226,885	\$	\$ 226,885
Cash paid to vendors and employees	(164,405)	(46,269)	(210,674)
Interest income	15	435	450
Net cash from operating activities	<u>\$ 62,495</u>	<u>\$ (45,834)</u>	<u>\$ 16,661</u>
 Cash Flows from Financing Activities			
Interfund transfers	\$ (57,000)	\$ 57,000	\$ 0
Net cash from financing activities:	<u>\$ (57,000)</u>	<u>\$ 57,000</u>	<u>\$ 0</u>
Net increase in cash	\$ 5,495	\$ 11,166	\$ 16,661
 Cash - January 1	43,315	248,132	291,447
Cash - December 31	<u>\$ 48,810</u>	<u>\$ 259,298</u>	<u>\$ 308,108</u>

Summary of non-cash transactions: None

	Operating Fund	Reserve Fund	Total Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Excess of revenue over expenses	\$ 69,429	\$ (45,834)	\$ 23,595
Adjustments			
Bad debt expense	1,219		1,219
Changes in assets and liabilities:			
(Increase) in assessments receivable	(5,564)		(5,564)
(Decrease) in accounts payable	(3,092)		(3,092)
Increase in deferred income	2,188		2,188
(Increase) in income taxes payable	160		160
(Increase) in prepaid expenses	(1,845)		(1,845)
Net cash from operating activities	<u>\$ 62,495</u>	<u>\$ (45,834)</u>	<u>\$ 16,661</u>

See accompanying notes and  
the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
OPERATING FUND ACTIVITY  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue			
Assessment dues	\$ 210,717	\$ 210,672	\$ 45
Rental income	1,580	1,500	80
Late fees	3,300	2,000	1,300
Interest income	15	0	15
Transfer escrow fees	4,100	5,000	(900)
Key fob deposit	700	1,000	(300)
Building permit deposit	100	0	100
Other income	9,764	600	9,164
Total revenue	<u>\$ 230,276</u>	<u>\$ 220,772</u>	<u>\$ 9,504</u>

See the accompanying notes and  
the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
OPERATING FUND ACTIVITY  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Administrative Expense			
Accounting	\$ 8,545	\$ 10,000	\$ (1,455)
Legal	646	1,495	(849)
Insurance	19,359	19,979	(620)
Bad debt expense	1,219	1,000	219
Advertising		100	(100)
Collection fee expense	5,528	1,500	4,028
Telephone and fax	2,088	2,200	(112)
Supplies	1,171	1,200	(29)
Postage	2,404	3,000	(596)
Mileage	634	400	234
Electricity - Lodge	1,565	1,500	65
Garbage disposal	1,553	1,200	353
Water	295	350	(55)
Snow removal		800	(800)
Propane	1,091	1,600	(509)
Security	916	800	116
Outside services	2,671	2,000	671
Election expense	500	900	(400)
Office repairs and maintenance	989	1,200	(211)
Dues & subscriptions	65	100	(35)
Total administrative expense	<u>\$ 51,239</u>	<u>\$ 51,324</u>	<u>\$ (85)</u>

See the accompanying notes and  
the Independent Accountant's Review Report



GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
OPERATING FUND ACTIVITY  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Employee expense			
Employee salaries	\$ 55,826	\$ 56,983	\$ (1,157)
Payroll taxes	6,366	6,700	(334)
Workers compensation	3,166	3,400	(234)
Total employee expense	<u>\$ 65,358</u>	<u>\$ 67,083</u>	<u>\$ (1,725)</u>
 Greenbelt Expense			
Greenbelt fuel modification	\$ 24,720	\$ 26,000	\$ (1,280)
Greenbelt tree removal	2,900	2,000	900
Total greenbelt expense	<u>\$ 27,620</u>	<u>\$ 28,000</u>	<u>\$ (380)</u>
 Recreation Expense			
Grounds and park maintenance	\$ 1,080	\$ 1,300	\$ (220)
Pool main - outside services	672	1,700	(1,028)
Pool supplies	175	300	(125)
Pool chemicals	5,131	5,000	131
Permits/licenses	848	975	(127)
Janitorial supplies	478	350	128
Electricity	4,711	5,000	(289)
Water	2,242	2,100	142
Propane	42	40	2
Tennis court repair	248	200	48
Keys & re-keying	627	400	227
Pool repairs	376	500	(124)
Total recreation expense	<u>\$ 16,630</u>	<u>\$ 17,865</u>	<u>\$ (1,235)</u>
Total expense	<u>\$ 160,847</u>		
Excess revenue over expenses	<u><u>\$ 69,429</u></u>		

See the accompanying notes and  
the Independent Accountant's Review Report

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Gold Ridge Property Owners Association, which was incorporated November 15, 1971, is formed as a mutual benefit non-profit corporation. The Association is organized to provide for the management, maintenance and preservation of the property and improvements for the benefit of the owners. The property maintained by the Association includes the clubhouse, swimming pools, tennis courts and similar properties. The development consists of 627 lots located in Pollock Pines, California.

Accounting method The Association prepares its financial statements on the accrual basis of accounting whereby income and expenses are recognized when earned and incurred. Fund accounting is employed by the Association which requires that funds, such as operating funds and reserve funds, be classified separately for accounting and reporting purposes. The operating fund is used to account for the financial resources available for the Association's general operations, such as maintenance, recreation and administration. The Reserve Fund has been established to meet the replacement and major repair obligations of the Association with regard to the common area components.

Assessments Receivable The Association members are subject to quarterly assessments to provide funds for the Associations operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens and foreclosing on the property of the unit owner. Some assessments are not subject to these collection remedies. The Directors believe that any uncollectible assessments are immaterial, therefore an allowance for doubtful accounts has not been established.

Accounts are considered delinquent if not paid by the 15<sup>th</sup> day of the billing quarter.

Property and Equipment Land and buildings are recorded at their contributed value. Equipment is recorded at cost.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES ( Continued)

Depreciation is computed on the straight-line basis over the following useful lives:

Equipment	5 - 10 years
Lodge	30 years

New replacements and improvements to real property are not capitalized on the books of the Association because the Association does not have the authority to sell the assets and keep the proceeds.

Cash - Cash consists of checking and savings account balances and cash equivalents that are limited to short-term highly liquid investments that are readily convertible to cash and have an original maturity of three months or less.

Use of estimates Generally accepted accounting principles require management to make assumptions in estimates that affect the amount reported in the financial statements for assets, liabilities, revenues and expenses. In addition, assumptions and estimates are used to determine disclosure for contingencies, commitments and other matters discussed in the notes to the financial statements. Actual results could differ from those estimates.

NOTE 2: INCOME TAXES

Homeowner associations may be taxed either as a homeowner association or as a regular corporation. For the year ended December 31, 2014, the Association was taxed as a regular corporation. The federal tax rate was 15% and the state tax rate was 8.84%. The Association is exempt with regards to the state minimum franchise fee. The association is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. The association tax returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed. The tax returns subject to examination would be for the periods ending December 31, 2010, 2011, 2012, 2013 and 2014.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 3: DEFERRED INCOME

Deferred income consists of prepaid assessments from members.

NOTE 4: REPLACEMENT FUNDING PROGRAM

The Association is funding replacement reserve accounts for the future repair and replacement of Association common areas as disclosed in NOTE 1. These funds are held in separate interest bearing accounts and certificates of deposit to be used exclusively for the future major repair or replacement of these common area facilities. Funds are being accumulated based on estimated future costs; however, actual expenditures may vary from these estimates and the variations may be material.

A study of the replacement fund components, their replacement cost, remaining lives, and method of funding was prepared by a licensed appraiser for 2014, updated October 10, 2014. The Board has decided to fund reserves based upon the estimates in this study. According to association bylaws and California Civil Code, a new study of replacement fund components and reserve account requirements is due to be conducted every three years.

If additional funds are needed, the Association has the right, subject to certain limitations, to increase quarterly assessments, pass special assessments or delay replacement of property if these funds are found to be inadequate for all future costs.

NOTE 5: DISPOSITION OF ASSOCIATION PROPERTY

Without the vote or written assent of a majority of the voting power of the Association, the Board of Directors cannot sell or dispose of any property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that fiscal year. This limitation does not apply to the sale or disposition of lots acquired by the Association in foreclosure proceedings.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 6: EVALUATION OF SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 23, 2015 the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION  
FUTURE MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2014

A reserve study was prepared by Browning Reserve Group for 2014 published October 10, 2014, to estimate the remaining useful lives and the replacement costs of the components of the Association's common property. This study was designed to forecast reserve funding requirements for the fiscal year 2015 and subsequent fiscal years. The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method". This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. The study assumes interest and inflation rates of 2.5%.

The Reserve Study is not an engineering report. The costs outlined in the study are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report. It should be noted that no destructive testing was performed.

For 2014, the addition to the reserve was \$57,435.00 representing \$57,000.00 transferred from the operating fund, and \$435.00 of interest earned on reserve cash balances.

See accompanying notes and  
the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION  
FUTURE MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2014

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

Reserve Component	Current Replacement Cost	Current Remaining Life	2014 Fully Funded Balance	Cash Reserve at <u>12/31/14</u>
Paving	\$ 105,759	2-25	\$ 72,991	\$ 36,218
Concrete	52,268	10-35	37,794	17,900
Painting: Exterior	22,400	2-10	18,098	7,685
Painting: Interior	7,665	10-10	2,558	2,625
Structural repairs	44,072	1-25	19,876	15,093
Roofing	51,350	25-25	32,734	17,585
Rehab	67,663	20-30	62,162	23,172
Pool	146,340	2-24	56,262	50,116
Recreation	5,675	12-20	4,225	1,943
Tennis court	49,680	7-21	33,051	17,013
Fencing	48,859	1-30	25,866	16,732
Lighting	2,583	5-5	1,550	885
Signage	10,575	1-15	4,813	3,622
Office equipment	5,340	6-7	4,827	1,829
Mechanical equipment	15,758	10-20	6,963	5,396
Furnishings	12,562	1-20	7,394	4,302
Flooring	16,926	8-20	5,598	5,796
Outdoor equipment	54,740	3-20	35,421	18,746
Appliances	8,500	15-15	7,733	2,911
Miscellaneous	25,334	2-15	10,878	8,676
Reserve study	2,000	3-3	2,000	685
Undesignated	1,075	1-1	1,075	368
<b>Totals</b>	<b>\$ 757,164</b>		<b>\$ 453,859</b>	<b>\$ 259,298</b>
Percent funded				57.13%
2015 Board proposed funding				\$ 58,767
Reserve Study funding recommendations				
2015				\$ 58,767
2016				\$ 60,589
2017				\$ 62,467
2018				\$ 64,403

See accompanying notes and the Independent Accountant's Review Report.