

GOLD RIDGE FOREST  
PROPERTY OWNER'S ASSOCIATION

FINANCIAL STATEMENTS,  
ACCOUNTANT'S REVIEW REPORT  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

# 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

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## 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 financial statements of Gold Ridge Forest Property Owners Association (a corporation), which comprise the balance sheet as of December 31, 2015 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's Responsibility for the Financial Statements**

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; 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**

My 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

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 accordance with accounting principles generally accepted in the United States of America.

*Roberts & Company, Inc*  
CERTIFIED PUBLIC ACCOUNTANT

March 25, 2016

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GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2015

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
<b>Assets</b>			
Cash and cash equivalents - NOTE 1	\$ 77,589	\$259,365	\$336,954
Assessments receivable - NOTE 1	7,071		7,071
Prepaid expenses	9,412		9,412
Building and equipment net of \$347,595 accumulated depreciation	0		0
Land - NOTE 1	51,400		51,400
Total assets	<u>\$145,472</u>	<u>\$259,365</u>	<u>\$404,837</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,108	\$	\$ 1,108
Deferred income - NOTE 3	31,551		31,551
Taxes payable	1,065		1,065
Total liabilities	<u>\$ 33,724</u>	<u>\$ 0</u>	<u>\$ 33,724</u>
<b>Fund balances</b>			
Operating	\$111,748	\$	\$111,748
Reserve - NOTE 4		259,365	259,365
Total fund balances	<u>\$111,748</u>	<u>\$259,365</u>	<u>\$371,113</u>
Total liabilities and fund balances	<u>\$145,472</u>	<u>\$259,365</u>	<u>\$404,837</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, 2015

	Operating Funds	Reserve Funds	Total Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Assessment dues	\$ 219,880	\$	\$ 219,880
Late fees/interest	3,150		3,150
Interest income	11	411	422
Transfer escrow fees	6,800		6,800
Rental income	1,560		1,560
Miscellaneous income	8,069		8,069
Total revenues	<u>\$ 239,470</u>	<u>\$ 411</u>	<u>\$ 239,881</u>
Expenses			
Administrative expense	\$ 46,981	\$	\$ 46,981
Employee expense	63,684		63,684
Greenbelt expense	32,000		32,000
Repairs and replacements		59,112	59,112
Recreation expense	14,086		14,086
Total expenses	<u>\$ 156,751</u>	<u>\$ 59,112</u>	<u>\$ 215,863</u>
Excess of revenue over expenses	\$ 82,719	\$ (58,701)	\$ 24,018
Interfund transfers	(58,768)	58,768	0
Beginning fund balances	87,797	259,298	347,095
Ending fund balances	<u>\$ 111,748</u>	<u>\$ 259,365</u>	<u>\$ 371,113</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, 2015

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
Cash Flows from Operating Activities			
Cash received from members	\$ 243,234	\$	\$ 243,234
Cash paid to vendors and employees	(155,698)	(59,112)	(214,810)
Interest income	11	411	422
Net cash from operating activities	<u>\$ 87,547</u>	<u>\$ (58,701)</u>	<u>\$ 28,846</u>
 Cash Flows from Financing Activities			
Interfund transfers	\$ (58,768)	\$ 58,768	\$ 0
Net cash from financing activities:	<u>\$ (58,768)</u>	<u>\$ 58,768</u>	<u>\$ 0</u>
Net increase in cash	<u>\$ 28,779</u>	<u>\$ 67</u>	<u>\$ 28,846</u>
 Cash - January 1	48,810	259,298	308,108
Cash - December 31	<u><u>\$ 77,589</u></u>	<u><u>\$ 259,365</u></u>	<u><u>\$ 336,954</u></u>

Summary of non-cash transactions: None

	Operating Fund	Reserve Fund	Total Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Excess of revenue over expenses	\$ 82,719	\$ (58,701)	\$ 24,018
Adjustments			
Bad debt expense	1,620		1,620
Changes in assets and liabilities:			
(Increase) in assessments receivable	(2,549)		(2,549)
(Decrease) in accounts payable	(23)		(23)
Increase in deferred income	6,324		6,324
(Decrease) in payroll taxes payable	(198)		(198)
(Increase) in prepaid expenses	(346)		(346)
Net cash from operating activities	<u>\$ 87,547</u>	<u>\$ (58,701)</u>	<u>\$ 28,846</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, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue			
Assessment dues	\$ 219,880	\$ 221,331	\$ (1,451)
Rental income	1,560	1,500	60
Late fees	3,150	1,500	1,650
Interest income	11	0	11
Transfer escrow fees	6,800	4,000	2,800
Key fob deposit	550	600	(50)
Other income	7,519	800	6,719
Total revenue	<u>\$ 239,470</u>	<u>\$ 229,731</u>	<u>\$ 9,739</u>

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the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
OPERATING FUND ACTIVITY  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Administrative Expense			
Accounting	\$ 7,730	\$ 10,000	\$ (2,270)
Legal	210	1,400	(1,190)
Insurance	17,520	20,700	(3,180)
Bad debt expense	1,620	3,000	(1,380)
Advertising	0	100	(100)
Collection fee expense	1,497	0	1,497
Telephone and fax	2,829	2,287	542
Supplies	1,453	1,200	253
Postage	2,841	2,500	341
Mileage	434	500	(66)
Electricity - Lodge	1,463	1,625	(162)
Garbage disposal	1,632	1,293	339
Water	397	450	(53)
Snow removal	175	800	(625)
Propane	874	1,400	(526)
Security	697	800	(103)
Outside services	4,449	3,000	1,449
Election expense	500	500	0
Office repairs and maintenance	560	700	(140)
Dues & subscriptions	55	100	(45)
Bank service fees	10	0	10
Permits & licenses	35	0	35
Total administrative expense	<u>\$ 46,981</u>	<u>\$ 52,355</u>	<u>\$ (5,374)</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, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Employee expense			
Employee salaries	\$ 54,999	\$ 56,983	\$ (1,984)
Payroll taxes	5,589	6,700	(1,111)
Workers compensation	3,096	3,500	(404)
Total employee expense	<u>\$ 63,684</u>	<u>\$ 67,183</u>	<u>\$ (3,499)</u>
 Greenbelt Expense			
Greenbelt fuel modification	\$ 29,500	\$ 29,206	\$ 294
Greenbelt tree removal	2,500	4,000	(1,500)
Total greenbelt expense	<u>\$ 32,000</u>	<u>\$ 33,206</u>	<u>\$ (1,206)</u>
 Recreation Expense			
Grounds and park maintenance	\$ 1,010	\$ 1,000	\$ 10
Pool main - outside services	104	1,700	(1,596)
Pool supplies	437	150	287
Pool chemicals	4,058	5,400	(1,342)
Permits/licenses	862	850	12
Janitorial supplies	586	375	211
Electricity	4,494	5,300	(806)
Water	1,918	2,200	(282)
Propane	12	45	(33)
Tennis court repair	0	150	(150)
Keys & re-keying	50	200	(150)
Pool repairs	397	350	47
Even expense	158	500	(342)
Total recreation expense	<u>\$ 14,086</u>	<u>\$ 18,220</u>	<u>\$ (4,134)</u>
Total expense	<u>\$ 156,751</u>	<u>\$ 170,964</u>	<u>\$ (14,213)</u>
Excess revenue over expenses	<u>\$ 82,719</u>	<u>\$ 58,767</u>	<u>\$ 23,952</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, 2015

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, 2015

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, 2011, 2012, 2013, 2014 and 2015.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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 November 02, 2015. 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, 2015

NOTE 6: EVALUATION OF SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 25, 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, 2015

A reserve study was prepared by Browning Reserve Group for 2015 published November 2, 2015, 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 2016 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 2015, the addition to the reserve was \$59,179.00 representing \$58,768.00 transferred from the operating fund, and \$411.00 of interest earned on reserve cash balances.

See accompanying notes and  
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GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION  
FUTURE MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2015

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	2015 Fully Funded Balance	Cash Reserve at <u>12/31/15</u>
Paving	\$ 108,123	2-25	\$ 82,770	\$ 36,612
Concrete	53,168	10-35	40,385	18,003
Painting: Exterior	25,887	2-10	18,472	8,766
Painting: Interior	7,850	10-10	2,665	2,658
Structural repairs	46,774	1-25	20,585	15,838
Roofing	51,350	25-25	38,532	17,388
Rehab	62,460	20-30	35,600	21,150
Pool	149,461	2-24	64,748	50,609
Recreation	5,825	12-20	4,648	1,972
Tennis court	50,400	7-21	36,960	17,066
Basketball/Sports Court	1,000	2	500	339
Fencing	46,325	1-30	24,320	15,686
Lighting	2,650	5-5	2,120	897
Signage	7,680	1-15	2,608	2,601
Office equipment	4,800	6-7	1,376	1,625
Mechanical equipment	15,986	10-20	7,431	5,413
Furnishings	12,552	1-20	5,119	4,250
Flooring	17,286	8-20	6,614	5,853
Outdoor equipment	60,525	3-20	41,756	20,495
Appliances	6,651	15-15	6,451	2,252
Miscellaneous	26,163	2-15	12,121	8,859
Reserve study	2,000	3-3	667	677
Undesignated	1,046	1-1	1,046	354
<b>Totals</b>	<b>\$ 765,962</b>		<b>\$ 457,494</b>	<b>\$ 259,365</b>
Percent funded				56.69%
2016 Board proposed funding				\$ 60,589
Reserve Study funding recommendations				
2016				\$ 60,589
2017				\$ 62,467
2018				\$ 64,403
2019				\$ 66,399

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