

**PINE MOUNTAIN CLUB PROPERTY
OWNERS ASSOCIATION, INCORPORATED**

**Audit Report, Financial Statements
and Supplementary Information
June 30, 2016
With Comparative Totals for 2015**

Prepared by:

POINDEXTER AND COMPANY

Certified Public Accountant

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POINDEXTER & COMPANY

Certified Public Accountant

To the Board of Directors and Members
Pine Mountain Club Property Owners Association, Incorporated
Pine Mountain Club, California

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

I have audited the accompanying financial statements of Pine Mountain Club Property Owners Association, Incorporated, which comprises the balance sheet as of June 30, 2016, and the related statements of changes in fund balance, revenues and expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Pine Mountain Club Property Owners Association, Incorporated's 2015 financial statements and, in my report dated October 17, 2015; I expressed an unqualified opinion on those financial statements.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considered internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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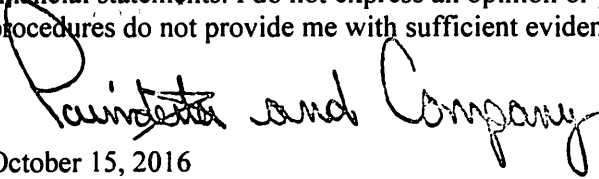
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Mountain Club Property Owners Association, Incorporated as of June 30, 2016, 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 of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Rainetta and Company

October 15, 2016

Pine Mountain Club Property Owners Association, Incorporated

Balance Sheet

June 30, 2016

With Comparative Totals for 2015

	2016			2015	
	Operating Fund	Property Fund	Replacement Fund	Total Funds	Total Funds
ASSETS					
Cash and Cash Equivalents (Note 3 & 6)	\$ 2,265,816		\$ 2,409,498	\$ 4,675,314	\$ 4,425,885
Assessments Receivable (Note 3)	140,299			140,299	141,469
Allowance for Doubtful Accounts (Note 3)	(70,751)			(70,751)	(50,062)
Interest Receivable	4		4,312	4,316	4,356
Other Receivables	20,548			20,548	75,439
Inventory (Note 3 & 7)	38,709			38,709	56,767
Prepaid Insurance	90,935			90,935	77,615
Prepaid Taxes (Note 5)	7,538			7,538	7,346
Prepaid Expenses	45,924			45,924	24,197
Deposits					5,888
Due From/To Other Fund	7,437		(7,437)	0	0
Investment in Lots					13,500
Property and Equipment (Note 3 & 8)		\$ 5,186,806		5,186,806	5,202,126
Accumulated Depreciation (Note 3 & 8)		(3,897,641)		(3,897,641)	(3,916,614)
Liquor License		23,830		23,830	23,830
Accumulated Amortization		(3,684)		(3,684)	(2,959)
TOTAL ASSETS	\$ 2,546,459	\$ 1,309,311	\$ 2,406,373	\$ 6,262,143	\$ 6,088,783
LIABILITIES AND FUND BALANCES					
Accounts Payable	\$ 122,853			\$ 122,853	\$ 173,136
Accrued Payroll and Related Liabilities	113,303			113,303	96,007
Other Accrued Expenses	1,965			1,965	5,789
Prepaid Assessments	1,407,458			1,407,458	1,317,826
Deposits	3,573			3,573	11,348
Deferred Revenue	13,697			13,697	11,804
Refundable Deposits	48,375			48,375	45,175
Trust Accounts	4,220			4,220	4,236
Total Liabilities	1,715,444			1,715,444	1,665,321
Fund Balances (Note 3, 4 & 12)	831,015	\$ 1,309,311	\$ 2,406,373	4,546,699	4,423,462
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,546,459	\$ 1,309,311	\$ 2,406,373	\$ 6,262,143	\$ 6,088,783

See Accountant's Audit Report

The Notes to Financial Statements Are An Integral Part of This Statement

Pine Mountain Club Property Owners Association, Incorporated

Statement of Changes in Fund Balances

For the Year Ended June 30, 2016

With Comparative Totals for 2015

	2016			2015	
	Operating Fund	Property Fund	Replacement Fund	Total Funds	Total Funds
FUND BALANCES AT BEGINNING OF YEAR	\$ 758,880	\$ 1,306,383	\$ 2,358,199	\$ 4,423,462	\$ 4,200,869
Prior Period Adjustment					<u>47,238</u>
FUND BALANCES AT BEGINNING OF YEAR - RESTATED	758,880	1,306,383	2,358,199	4,423,462	4,248,107
Interfund Transfers Excess/(Deficiency) of Revenues Over Expenses	(23,728)	164,799	(141,071)	0	0
	<u>95,863</u>	<u>(161,871)</u>	<u>189,245</u>	<u>123,237</u>	<u>175,355</u>
FUND BALANCES AT END OF YEAR	<u>\$ 831,015</u>	<u>\$ 1,309,311</u>	<u>\$ 2,406,373</u>	<u>\$ 4,546,699</u>	<u>\$ 4,423,462</u>

Pine Mountain Club Property Owners Association, Incorporated

Statement of Revenues and Expenses

For the Year Ended June 30, 2016

With Comparative Totals for 2015

	2016			2015	
	Operating Fund	Property Fund	Replacement Fund	Total Funds	Total Funds
REVENUES					
Assessment Income	\$ 3,738,393		\$ 300,000	\$ 4,038,393	\$ 4,037,129
Green Fees, Cart Rental, Etc.	47,370			47,370	57,449
RV and Campground	16,208			16,208	17,595
Bistro	249,021			249,021	315,588
Recreation Activities	36,558			36,558	24,111
Equestrian	47,591			47,591	61,891
Lounge	118,697			118,697	154,217
Pro Shop	37,169			37,169	46,528
Interest Income	2,027		10,647	12,674	9,702
Gain/(Loss) on Sale of Investments			1,274	1,274	
Gain on Sale of Property and Equipment	17,229			17,229	
Gain on Sale of Lots	1,383			1,383	
Other Income	<u>166,703</u>			<u>166,703</u>	<u>158,204</u>
Total Revenues	<u>4,478,349</u>		<u>311,921</u>	<u>4,790,270</u>	<u>4,882,414</u>
EXPENSES					
Major Repairs and Replacements			122,676	122,676	42,278
Amortization		\$ 725		725	725
Bad Debt	75,496			75,496	172,933
Depreciation		161,146		161,146	153,890
Association Business	84,635			84,635	99,008
General and Administrative	779,783			779,783	748,857
Office	423,892			423,892	422,544
Patrol	307,704			307,704	303,056
Clubhouse Maintenance	179,103			179,103	199,141
General Maintenance	499,205			499,205	385,681
Road Program	306,649			306,649	364,635
Environmental Enhancement	92,901			92,901	94,268
RV and Campground	6,346			6,346	3,319
Parks and Grounds	11,731			11,731	23,068
Refuse and Recycling	142,715			142,715	139,509
Stables and Equestrian Center	182,870			182,870	196,786
Pro Shop	116,138			116,138	102,688
Golf Course Maintenance	283,670			283,670	253,335
Lounge	143,052			143,052	168,382
Bistro	480,316			480,316	508,714
Events	34,275			34,275	33,563
Recreation Department	87,430			87,430	74,072
Swimming Pool	26,780			26,780	41,915
Fitness	6,752			6,752	7,498
Operating Projects	102,091			102,091	160,148
Committee	<u>8,952</u>			<u>8,952</u>	<u>7,046</u>
Total Expenses	<u>4,382,486</u>	<u>161,871</u>	<u>122,676</u>	<u>4,667,033</u>	<u>4,707,059</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 95,863</u>	<u>\$ (161,871)</u>	<u>\$ 189,245</u>	<u>\$ 123,237</u>	<u>\$ 175,355</u>

See Accountant's Audit Report

The Notes to Financial Statements Are An Integral Part of This Statement

Pine Mountain Club Property Owners Association, Incorporated

Statement of Cash Flows

For Year Ended June 30, 2016

With Comparative Totals for 2015

	2016			2015	
	Operating Fund	Property Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess/(Deficiency) of Revenues Over Expenses	\$ 95,863	\$ (161,871)	\$ 189,245	\$ 123,237	\$ 175,355
Adjustments to Reconcile Excess/(Deficiency) of Revenues Over Expenses to Net Cash Provided/(Used) by Operating Activities:					
Proceeds from Sale of Property and Equipment		(17,229)		(17,229)	
Amortization		725		725	725
Bad Debt	75,496			75,496	172,933
Depreciation		161,146		161,146	153,890
(Increase)/Decrease in Assets:					
Assessments Receivable	(53,637)			(53,637)	(17,048)
Interest Receivable	22		18	40	(2,926)
Other Receivables	54,891			54,891	(34,643)
Inventory	18,058			18,058	5,373
Prepaid Insurance	(13,320)			(13,320)	3,756
Prepaid Taxes	(192)			(192)	(737)
Prepaid Expenses	(21,727)			(21,727)	8,482
Deposits	3,315		2,573	5,888	71,997
Investment in Lots	13,500			13,500	
Increase/(Decrease) in Liabilities:					
Accounts Payable	(50,283)			(50,283)	73,497
Accrued Payroll and Related Liabilities	17,296			17,296	(5,912)
Other Accrued Expenses	(3,824)			(3,824)	3,375
Prepaid Assessments	89,632			89,632	8,692
Deferred Revenue	1,893			1,893	1,597
Deposits	(7,775)			(7,775)	(3,552)
Refundable Deposits	3,200			3,200	4,887
Trust Accounts	(16)			(16)	(23)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES					
	<u>222,392</u>	<u>(17,229)</u>	<u>191,836</u>	<u>396,999</u>	<u>619,718</u>

See Accountant's Audit Report

The Notes to Financial Statements Are An Integral Part of This Statement

Pine Mountain Club Property Owners Association, Incorporated

Statement of Cash Flows

For Year Ended June 30, 2016

With Comparative Totals for 2015

	2016			2015	
	Operating Fund	Property Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Equipment		<u>(147,570)</u>		<u>(147,570)</u>	<u>(534,485)</u>
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES		<u>(147,570)</u>		<u>(147,570)</u>	<u>(534,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Due From/To Other Fund	(4,024)		4,024	0	0
Interfund Transfers	<u>(23,728)</u>	<u>164,799</u>	<u>(141,071)</u>	<u>0</u>	<u>0</u>
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	<u>(27,752)</u>	<u>164,799</u>	<u>(137,047)</u>	<u>0</u>	<u>0</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	194,640	0	54,789	249,429	85,233
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,071,176</u>	<u>0</u>	<u>2,354,709</u>	<u>4,425,885</u>	<u>4,340,652</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	<u>\$ 2,265,816</u>	<u>\$ 0</u>	<u>\$ 2,409,498</u>	<u>\$ 4,675,314</u>	<u>\$ 4,425,885</u>
SUPPLEMENTARY INFORMATION					
Cash Paid for Income Taxes	<u>\$ 1,255</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,255</u>	<u>\$ 1,255</u>

See Accountant's Audit Report

The Notes to Financial Statements Are An Integral Part of This Statement

Pine Mountain Club Property Owners Association, Incorporated

Notes to Financial Statements

June 30, 2016

Note 1 - NATURE OF ORGANIZATION

Pine Mountain Club Property Owners Association, Incorporated was incorporated October 22, 1975. The Association is responsible for the maintenance and operation of the common areas of a 2,970-lot planned unit development located in the Los Padres National Forest near Frazier Park in the County of Kern, California.

The Association derives its authority and responsibility from its Declaration of Covenants, Conditions, and Restrictions. An elected board of directors makes policy decisions and oversees daily operations, but decisions are deferred to the general association membership if required by the governing documents.

Membership in the Association is mandatory for lot owners. Members are entitled to one vote for each lot owned. Each owner is obligated to pay annual assessments to the Association to support its operations and purposes.

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 October 15, 2016, the date that the financial statements were available to be issued.

Note 3 - SIGNIFICANT ACCOUNTING POLICIES

Total Funds Column on Prior Year Financial Statements

The total funds column for prior year financial statements is captioned with comparative totals to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles as each individual fund is not presented.

Accounting Method

The Association maintains its books of account on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, or billed, and expenses are recognized when goods or services are received, whether paid or not.

Fund Accounting

In accordance with generally accepted accounting principles, the Association has segregated its activities into three funds, the operating fund, property fund and the replacement fund. The operating fund accounts for all current operating transactions of the Association. The property fund accounts for all capital fixed assets purchased for current operations. The replacement fund accounts for member capital contributions, which are accumulated in separate bank accounts to provide for the future repair and replacement of the Association's common areas.

Pine Mountain Club Property Owners Association, Incorporated

Notes to Financial Statements

June 30, 2016

Note 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less. The Association maintains bank accounts at financial institutions within the Counties of Kern and Ventura.

Assessments Receivable

The Association uses the allowance method, and a provision has been made for bad debts. Members are required to pay assessments annually. The Association has the right to levy liens on a member's property to insure payment of an assessment due the Association. The Association has written off \$162,115 of receivables from 38 lots, which were foreclosed upon by the Association and owned by the Association. Assessments receivable as reflected in the financial statements are from members whose units are located within the Los Padres National Forest near Frazier Park, California.

Inventories

Inventories consist of food, beverages and liquor, as well as the pro shop supplies, which are stated at the lower of cost of market.

Property, Equipment and Depreciation

Real property common areas transferred to the Association from the developer are not capitalized on the Association financial statements. They are owned by the Association, but are not severable and saleable at the Board's discretion. Personal property acquired by the Association from the developer is not capitalized on the Association financial statements as the value is not readily determinable. Common areas are restricted to use by Association members, their tenants, and guests. Common areas that are owned by the Association and not capitalized include roads, pool, parking lots, landscaping, and green belt areas in accordance with generally accepted accounting principles for common interest realty associations. The Association is responsible for the preservation and maintenance of the common areas. Replacement and improvements to the real property and common areas are also not capitalized.

Pine Mountain Club Property Owners Association, Incorporated

Notes to Financial Statements

June 30, 2016

Note 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation (Continued)

Real and personal property purchased with Association funds, to which the Association holds title, is capitalized at cost and depreciated over the estimated useful lives of the items purchased, using straight-line depreciation. Depreciable lives for fixed assets are as follows:

	<u>Years</u>
Buildings	30-50
Equestrian Center	5-40
Golf Course	5-40
Furniture, Fixtures and Equipment	5-20
Tennis Courts	7
Pool and Equipment	5-10
Vehicles	5

Refundable Deposits

The Association requires deposits from members applying for construction permits. A portion of the deposit is non-refundable and is recognized as environmental control fee revenue when received. The remaining portion is recorded as refundable, non-interest bearing deposits.

When construction is complete, the member submits a request for reimbursement to the Association's Environmental Control department. After the Environmental Control department determines that the member is in compliance with the Association's construction requirements, the member is refunded their deposit. The refundable portion of the deposit is forfeited if construction is not completed within a three-year time frame.

Revenue Recognition

The Association records revenue when it is earned. Members are billed in advance for assessments for the upcoming fiscal year. Assessments are due July 1 each year and become delinquent on September 15 of each year. Members may begin to pay their assessments in January. This results in the recording of prepaid assessments, which are recognized as revenue in the following fiscal year.

Food and beverage sales and sales from golf and other recreational activities are recognized as revenue at the time the product is provided or the service is rendered.

Note 4 - REPLACEMENT FUND AND RESTRICTED CASH

The Pine Mountain Club Property Owners Association, Incorporated governing documents require funds to be accumulated for the replacement of its common areas and for general operations. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed.

Pine Mountain Club Property Owners Association, Incorporated

Notes to Financial Statements

June 30, 2016

Note 4 - REPLACEMENT FUND AND RESTRICTED CASH (Continued)

It is the Association's policy to fund its replacement fund on an annual basis. The Association annually reviews its replacement funding program. The last review was performed as part of this budget process for the current year. The Association funded its replacement fund \$48,000 less than the minimum reserve contribution recommended in the replacement fund study. California Civil Code Section 5300, 5500 and 5565 mandates certain requirements for disclosure of the replacement funding program by the Association to its members. The Association represents that it has complied in all material respects with these requirements.

Funding is based on estimated current costs and actual expenditures may vary from estimated amounts and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. Additionally the Association has excluded roads as a component of the current replacement fund study. The Association updates cost data annually.

Cash balances in amounts equal to the designated capital replacement fund represent cash restricted for this purpose only.

Based on the current replacement fund study prepared in April 2016, the Association is underfunded by approximately \$514,564 or 17.6% as to the ideal balance.

Note 5 - INCOME TAXES

The Pine Mountain Club Property Owners Association, Incorporated is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(7) of the Internal Revenue Code from federal income taxes on all income other than net income derived from nonmember activities. For California franchise tax purposes, the Association, under Section 23701g of the California Code, is an exempt, nonprofit corporation and is required to pay franchise taxes only on net income from nonmember activities.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2012, 2013 and 2014 remain open to examination by the Internal Revenue Service; state income returns for 2011, 2012, 2013 and 2014 are open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Note 6 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

The Association maintains bank accounts at financial institutions, whose balances exceed the federally insured amount of \$250,000 by \$807,546.

Pine Mountain Club Property Owners Association, Incorporated

Notes to Financial Statements

June 30, 2016

Note 7 - INVENTORIES

Inventories consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Fuel	\$ 2,529	\$ 11,010
Pro Shop	16,299	19,459
Lounge	8,918	9,799
Bistro	<u>10,963</u>	<u>16,499</u>
Total	<u>\$ 38,709</u>	<u>\$ 56,767</u>

Note 8 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 240,795	\$ 240,795
Buildings	1,097,871	1,097,871
Equipment	1,780,111	1,728,303
Golf Course	646,858	661,683
Pool Area	31,857	31,857
Tennis Courts	236,073	236,073
Equestrian Center	176,303	188,729
Furniture and Fixtures	144,711	144,711
Cafe-Bistro on the Green	150,795	150,795
Vehicles	681,432	694,559
Construction in Progress	<u>0</u>	<u>26,750</u>
	5,186,806	5,202,126
Less Accumulated Depreciation	<u>(3,897,461)</u>	<u>(3,916,614)</u>
Total	<u>\$ 1,289,345</u>	<u>\$ 1,285,512</u>

Note 9 - ASSESSMENTS

The Board of Directors annually establishes the rate to be assessed to members, based on projected operating needs of the Association. Annual assessments were \$1,392 and \$1,389 per lot and assessment revenue totaled \$4,083,393 and \$4,037,129 for the years ended June 30, 2016 and 2015 respectively. The amount of assessment revenue deposited into the replacement fund was \$300,000 and \$416,416 for the years ended June 30, 2016 and 2015, respectively.

Pine Mountain Club Property Owners Association, Incorporated
Statement of Revenues and Expenses
For the Year Ended June 30, 2016
With Comparative Totals for 2015

Note 10 - RETIREMENT PLAN

The Association maintains a 401(Mk) retirement plan for the benefit of its employees. Employees may contribute amounts up to 3% of compensation, with employer matching at the discretion of the Association up to 2.5% of compensation. Employer contributions and fees to the 401(Mk) plan totaled \$9,015 and \$8,497 for the years ended June 30, 2016 and 2015, respectively.

The vesting schedule for the employer contribution is 0% for 0-1 years of service, 33% for 1 year of service, 66% for 2 years of service and 100% for 3 years of service.

Note 11 - COMMITMENTS AND CONTINGENCIES

The Association may participate, from time to time, in federal and state grant programs which are subject to audit. The amount of any disallowed expenditures by grantor agencies, if any, as a result of audit cannot be determined at this time. Management of the Association believes that such disallowance, if any, would not have a material effect on the financial statements.

The Association is involved in various litigation and subject to claims in the normal course of business. While it is not feasible to determine the outcome of any of these uncertainties, it is the opinion of management that their outcomes will not have a material adverse effect on the financial position, results of operations, or cash flow of the Association.

Note 12 - DESIGNATED FUND BALANCE

The board has designated \$55,008 of the operating fund balance for the Glacier Creek Remediation project, \$11,150 of the operating fund balance for golf course renovation and \$3,089 of the operating fund balance for future projects with the Department of Fish and Game, leaving \$69,247 as investigated.

Note 13 - RELATED PARTY TRANSACTIONS

The Association's general manager and director of finance are employees and members of the Association and have potential influence over management decisions. The general manager and director of finance were paid payroll related benefits and reimbursement for expenses during the fiscal year under audit, and are due payroll of \$6,125 and vacation of \$13,440 as of June 30, 2016.

Pine Mountain Club Property Owners Association, Incorporated
SUPPLEMENTARY INFORMATION
June 30, 2016

Pine Mountain Club Property Owners Association, Incorporated
 Supplementary Information on Replacement Fund Balances
 For the Year Ended June 30, 2016
 (Unaudited)

The board hired a consultant who conducted a study in April 2016 to establish the remaining useful lives and the replacement costs of the components of common property. The Association has assessed the present condition of all common area components; estimated replacement costs relying upon published data, contractor's or engineer's estimates, and previously paid amounts; and estimated remaining lives, relying upon consultants or published data. Funding has been provided using a straight-line calculation with provisions for inflation of 3.00% and interest earnings, net of taxes.75%.

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

<u>Component</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>Balance 06/30/16</u>	<u>2016/2017 Required Annual Funding</u>
Bistro	0-12 yrs.	\$ 103,275		\$ 10,644
Campground	0-4 yrs.	133,188		8,160
Clubhouse/Main Rec.	0-24 yrs.	860,175		63,492
Clubhouse Bar	0-29 yrs.	97,675		9,108
Golf Course	0-23 yrs.	903,588		52,620
Golf Pro-Shop	0-7 yrs.	99,350		9,552
Lampkin Park	2-18 yrs.	171,163		11,664
Maintenance Building	0-8 yrs.	147,800		8,328
Maintenance Equipment	0-28 yrs.	2,656,100		245,976
Miscellaneous	0-9 yrs.	21,500		3,828
Pool & Spa	0-8 yrs.	95,775		8,340
Pool Pavilion	0-19 yrs.	64,300		6,216
Stables	0-15 yrs.	<u>207,103</u>		<u>12,096</u>
Total		<u>\$ 5,560,992</u>	<u>\$ 2,406,373</u>	<u>\$ 450,024</u>