



# **OAK SHORES COMMUNITY ASSOCIATION**

**Audit Report  
Financial Statements  
and  
Supplemental Information  
*December 31, 2016***

**HINRICHER DOUGLAS & PORTER LLP**  
*Certified Public Accountants*

## **Hinricher, Douglas & Porter LLP**

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### **Board of Directors and Members**

Oak Shores Community Association  
Bradley, CA

## **Independent Auditors' Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Oak Shores Community Association, a non-profit corporation, which comprise the balance sheet as of December 31, 2016, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to 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.

### **Auditors' Responsibility**

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

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 considers 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, we 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oak Shores Community Association as of December 31, 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 the supplementary information regarding replacement fund balances on page 10 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Report on Supplementary Information**

The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Revenues and Expenses – Budget and Actual on page 11 and the Summarized Schedule of Operating Fund Activity on page 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. It has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we express no opinion on it.

*Hinricher, Douglas & Porter*

April 7, 2017

Thousand Oaks, California

# Oak Shores Community Association

## Balance Sheet

As of December 31, 2016

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total Funds</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 698,253	\$ 549,115	\$ 1,247,368
Investments	-	1,982,565	1,982,565
Assessments Receivable, Net of Allowance for			
Bad Debts of \$20,039	23,239	-	23,239
Private Marina Receivable	89,600	-	89,600
Accrued Interest Receivable	-	6,756	6,756
Prepaid Insurance	33,819	-	33,819
Other Prepaid Expenses	97,351	-	97,351
Inventory	8,958	-	8,958
Property and Equipment, Net of Accumulated			
Depreciation of \$342,052	79,506	-	79,506
Due To / From Other Fund	3,222	(3,222)	-
Total Assets	<u>\$ 1,033,948</u>	<u>\$ 2,535,214</u>	<u>\$ 3,569,162</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 14,342	\$ -	\$ 14,342
Accrued Payroll and Related Items	34,744	-	34,744
Income Taxes Payable	6,427	-	6,427
Prepaid Assessments	382,278	-	382,278
Other Liabilities	31,519	1,500	33,019
Total Liabilities	<u>469,310</u>	<u>1,500</u>	<u>470,810</u>
<b><u>FUND BALANCES</u></b>			
Capital Contributions - Committee	13,747	-	13,747
Committee	43,260	-	43,260
Private Marina	208,614	-	208,614
Operating Fund Balance	299,017	-	299,017
Reserve Fund Balance	-	2,533,714	2,533,714
Total Fund Balance	<u>564,638</u>	<u>2,533,714</u>	<u>3,098,352</u>
Total Liabilities and Fund Balances	<u>\$ 1,033,948</u>	<u>\$ 2,535,214</u>	<u>\$ 3,569,162</u>

See Auditors' Report

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

# Oak Shores Community Association

## Statement of Revenues and Expenses and Changes in Fund Balances

For the Year Ended December 31, 2016

	Operating Fund	Replacement Fund	Total Funds
<b><u>REVENUES</u></b>			
Assessments	\$ 1,076,801	\$ 395,800	\$ 1,472,601
Interest Income	86	27,319	27,405
Rubbish Fee Income	191,105	-	191,105
Owner Rental Fees	24,050	-	24,050
Watercraft Fees	25,940	-	25,940
Owner Fee Income	12,016	-	12,016
Committee Revenues	26,789	-	26,789
Lease Fees from Private Marina	282,944	-	282,944
Grant Revenues	35,000	-	35,000
Other Income	36,283	14,020	50,303
Total Revenues	1,711,014	437,139	2,148,153
<b><u>EXPENSES</u></b>			
<b><u>General and Administrative Expenses</u></b>			
Insurance	72,179	-	72,179
Legal Fees	21,222	-	21,222
Outside Services	27,443	-	27,443
Audit and Accounting	7,200	-	7,200
Income Taxes	7,705	5,922	13,627
Printing and Reproduction	15,115	-	15,115
Other General and Administrative	59,121	-	59,121
<b><u>Payroll and Related Costs</u></b>			
Salaries	514,359	-	514,359
Payroll Taxes	46,860	-	46,860
Insurance and Other Costs	90,408	-	90,408
<b><u>Utilities</u></b>			
Rubbish Service	195,591	-	195,591
Water and Fire Hydrants	169,299	-	169,299
Electricity and Propane	31,628	-	31,628
Telephone and Other	16,717	-	16,717
Depreciation	18,723	-	18,723
Committee Expenses	16,404	-	16,404
Private Marina Expenses	85,134	-	85,134
Transportation Costs	27,959	-	27,959
Maintenance and Repairs	83,648	-	83,648
West Ramp Option	12,143	-	12,143
<b><u>Capital Expenditures</u></b>			
Major Repairs and Replacements	-	24,516	24,516
Total Expenses	1,518,858	30,438	1,549,296
Excess of Revenues Over Expenses	192,156	406,701	598,857
Fund Balances, Beginning of Year	358,735	2,127,013	2,485,748
Contributed Capital - Committee	13,747	-	13,747
Fund Balances, End of Year	\$ 564,638	\$ 2,533,714	\$ 3,098,352

See Auditors' Report

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

# Oak Shores Community Association

## Statement of Cash Flows

For the Year Ended December 31, 2016

	Operating Fund	Replacement Fund	Total Funds
<b><u>Cash Flows From Operating Activities:</u></b>			
Excess of Revenues Over Expenses	\$ 192,156	\$ 406,701	\$ 598,857
<b><u>Adjustments to Reconcile Net Income to Net Cash and Cash Equivalents Provided by Operating Activities:</u></b>			
Depreciation	18,723	-	18,723
<b><u>Change in Assets and Liabilities:</u></b>			
(Increase) in Assessments Receivable	(3,292)	-	(3,292)
(Increase) in Private Marina Receivable	(89,600)	-	(89,600)
(Increase) in Accrued Interest Receivables	-	(4,020)	(4,020)
Decrease in Prepaid Insurance	5,755	-	5,755
(Increase) in Other Prepaid Expense	(79,338)	-	(79,338)
(Increase) in Inventory	(4,606)	-	(4,606)
Increase in Accounts Payable	1,781	-	1,781
(Decrease) in Accrued Payroll	(1,155)	-	(1,155)
Increase in Income Taxes Payable	2,481	-	2,481
(Decrease) in Prepaid Assessments	(39,017)	-	(39,017)
(Decrease) Increase in Due to/from Other Fund	(3,222)	3,222	-
Increase in Other Liabilities	8,609	-	8,609
Total Adjustments	(182,881)	(798)	(183,679)
Net Cash and Cash Equivalents Provided By Operations	9,275	405,903	415,178
<b><u>Cash Flows from Investing Activities:</u></b>			
Purchase of Equipment	(4,084)	-	(4,084)
Purchase of Investments	-	(697,348)	(697,348)
Maturity of Investments	-	255,988	255,988
Net Cash and Cash Equivalents (Used) By Investing Activities	(4,084)	(441,360)	(445,444)
<b><u>Cash Flows from Financing Activities:</u></b>			
Capital Contributions to Committees	13,747	-	13,747
Cash and Cash Equivalents Provided (Used) By Financing Activities	13,747	-	13,747
Net Increase (Decrease) In Cash and Cash Equivalents	18,938	(35,457)	(16,519)
Cash and Cash Equivalents, Beginning of Year	679,315	584,572	1,263,887
Cash and Cash Equivalents, End of Year	\$ 698,253	\$ 549,115	\$ 1,247,368
<b><u>Supplemental Information:</u></b>			
Cash Paid for Income Taxes	\$ 10,573	\$ -	\$ 10,573

See Auditors' Report

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

# Oak Shores Community Association

## Notes to Financial Statements

For the Year Ended December 31, 2016

### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:**

#### **Organizational Data**

The Oak Shores Community Association (the Association) was incorporated in May 1970. The Association is a common interest realty association and is responsible for the maintenance and operation of the common areas of an 851 lot planned development located on Lake Nacimiento in an unincorporated area of San Luis Obispo County near the town of Bradley, California. Assessments are levied annually against each lot in the development.

The Association's Board of Directors is comprised of seven members elected by the membership. The Board of Directors, among other things, establishes assessments on members of the Association and establishes user fees for Association amenities.

#### **Accounting Method**

The Association maintains its books of account on the accrual basis of accounting for external financial reporting purposes. 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**

The Association has segregated its activities into two funds: the operating fund, and the replacement fund. The operating fund accounts for all current operating transactions of the Association, including those of the committees and private marina. 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 property, equipment and common areas.

#### **Committees**

The combined financial statements include the accounts of the Association and the accounts of controlled committees and private marina that operate within the community. The controlled committees that operate within the community are:

**Recreation Committee** – The Recreation Committee is an organized group of volunteers who sponsor a number of community events each year including the Fireman's Ball, the July 4<sup>th</sup> pancake breakfast, the Labor Day Barbeque, the Memorial Day Celebration, the Halloween Party, the Christmas Party, and the New Year's Eve Party. Funds are raised in these events from admissions, food and drink sales, and donations. The Recreation Committee also operates soda and ice vending machines at the clubhouse. Funds in excess of expenses from the community events and operation of the vending machines are accumulated and at the discretion of Recreation Committee funds are used to purchase furniture and equipment for the community or to make improvements to community property.

**Logos** – Logos is a volunteer managed retail gift store operating at the back of the clubhouse. Logos sells Lake Nacimiento themed shirts/sweats, hats, stickers and other merchandise. Funds in excess of operating expenses are combined with and are used similar to Recreation Committee funds.

**Fishing Derby** – The Fishing Derby is an annual event sponsored every May by the Association. Funds in excess of entry fees and donations are used to purchase gift prizes and certificates for participants. Generally, the Fishing Derby does not accumulate funds in excess of expenses with the intent to donate such funds to the Association. To date funds in excess of current spending have been carried over and spent on the Fishing Derby expenses and prizes for the following year.

**Fire Wise Committee** – The Fire Wise Committee is a volunteer group assembled to raise wild fire safety awareness in the Community through the development and use of educational programs and materials. The Fire Wise Committee may co-sponsor events with the Recreation Committee and share the funds raised.

#### **Private Marina**

The Private Marina refers to a group of Association members that lease slips in the portion of the marina designated as "Private Marina". The Private Marina consists of 169 leased slips. The docks are located on Association common area, and the docks located in the Private Marina area are owned by the Association.

Under the slip lease agreements, access to the docks is restricted to lessees.

The Private Marina is a financially self-sustaining operation, meaning it operates without any financial assistance from the Association. Slip lease revenues are used to pay for all costs related to dock operations, including ongoing maintenance, repair, and eventual replacement of the private docks and slips, and certain administrative services and insurance costs paid to the Association, including an additional 10% to cover overhead related costs. Therefore, the Private Marina docks and slips have been purchased and built using lease revenues from the members of the Private Marina. The Private Marina is accumulating a reserve fund for future major repairs or replacement of the docks and slips. The docks and slips in the Private Marina are not funded by the Association's assessments nor are they included in the Association's reserve study.

During the year, Private Marina charged an additional \$1,400 to each of its owners. The money is to be used to build new docks in 2017 and 2018. As of December 31, 2016, the total receivable expected to be collected for the Private Marina was \$89,600.

# Oak Shores Community Association

## Notes to Financial Statements

For the Year Ended December 31, 2016

### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES** *(continued):*

#### **Private Marina**

The separate summarized balance sheets and statements of revenues and expenses included in the Operating Fund for the Committees, Private Marina Operations, and the Private Marina Replacement Account, as of and for the year ended December 31, 2016, are presented in the Unaudited Summarized Schedule of Operating Fund Activity on page 12 of this report.

#### **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. Operating Fund cash and cash equivalents at December 31, 2016, includes \$47,816 of cash held by the controlled committees and the Private Marina.

The Association maintains bank accounts at various financial institutions. Balances in these accounts may occasionally exceed the FDIC federally insured amount of \$250,000. Funds maintained in brokerage accounts are privately insured by the SIPC (Securities Investors Protection Corporation) up to \$250,000 and amounts in excess of \$250,000 are privately insured by Lexington Insurance Company (an AIG Company). See Note 4.

#### **Investments**

The Association has various certificates of deposit maturing from March 2017 through June 2021. The certificates of deposit are classified as a held to maturity investments and accordingly they are recorded at amortized cost. Unrealized gains on the certificates of deposit as of December 31, 2016 were \$4,566.

The Association's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

#### **Assessments Receivable and Prepaid Assessments**

Association members are subject to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. The Association derives the majority of its revenue from dues assessments that are levied against each lot within the development. Assessments receivable at December 31, 2016 represent amounts due from members whose property maybe subject to lien and foreclosure. The Association's collection policy includes, among other things, assessing a late charge and interest, and filing a lien and assessing a lien fee on payments not received within the allowable time periods.

The Association has the right to suspend certain membership rights and pursue collection through foreclosure action. An allowance for doubtful accounts is created when an account's collectability is uncertain. Accounts are written off when the Association determines that an account is uncollectible, such as after bankruptcy or foreclosure proceedings.

The allowance for bad debt is an estimate based on an analysis of delinquent assessments receivable, historical collection activities, and existing economic conditions.

At December 31, 2016, assessments receivable consisted of:

Assessments Receivable	\$ 43,278
Allowance for Bad Debts	<u>(20,039)</u>
Net Assessments Receivable	<u>\$ 23,239</u>

Prepaid assessments represent amounts for the 2017 annual assessment paid in advance by members of the Association.

#### **Property and Equipment**

Real property common areas and improvements are not capitalized on the Association's financial statements. Although such property is owned by the Association, it is not severable and saleable at the Board's discretion without member approval.

It is the Association's policy that personal property is capitalized at cost and depreciated over the estimated useful lives of the items purchased using straight line or accelerated methods of depreciation.

Property and equipment capitalized on the financial statements consists of:

Furniture and Fixtures	\$ 4,538
Machinery and Equipment	63,882
Docks	228,959
Vehicles	<u>124,179</u>
Total Cost	421,558
Less: Accumulated Depreciation	<u>(342,052)</u>
Net Property and Equipment	<u>\$ 79,506</u>

Common area property not capitalized on the financial statements includes of roads and parking lots, green belt areas, the clubhouse, marina, and swimming pool.

Common areas are restricted to use by Association members, their tenants, and guests. The Association is responsible for the preservation and maintenance of the common areas.

# Oak Shores Community Association

## Notes to Financial Statements

For the Year Ended December 31, 2016

### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES** *(continued):*

The Private Marina docks and slips are leased to the members of the Private Marina. The cost of the Private Marina docks and slips, totaling \$690,403, is excluded from the Association's property and equipment due to the nature of the lease agreements with the members of the Private Marina and due to the fact that access to the Private Marina docks is restricted to the lessees.

#### **Committee Expenses**

Included in payroll and related costs in the accompanying Statement of Revenues and Expenses is \$6,150 for maintenance and administrative staff costs incurred in support of the community events sponsored by the committees and other groups.

#### **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. Estimates included in the preparation of these financial statements include estimated bad debts, and estimates of replacement fund components relating to useful life, replacement cost, inflation rates, and tax rates. Actual results could differ from those estimates.

#### **Interest Income**

The Association records interest income and related income tax liability in the respective fund holding the investments.

#### **Lines of Business**

The Association conducts only one line of business, which is providing management services to its members. This consists primarily of maintenance of the common areas and related administrative functions.

### **NOTE 2 - REPLACEMENT FUND:**

The Association's governing documents require funds to be accumulated for the major repair, maintenance and replacement of its common areas. Funds accumulated are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such expenditures are necessary.

The Association commissioned a reserve study in 2016 to estimate these future funding requirements. The study used a pooled funding method that included an inflation factor of 2.23% to estimate future expenditures. However, actual expenditures

may vary from the estimated amounts and the variations may be material. In addition, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, to borrow the necessary funds, or to delay major repairs and replacements until the funds are available.

The Association annually reviews its reserve funding program as part of the budget process and funds its reserves on a quarterly basis. Cash and investment balances accumulated for the Replacement Fund represent cash restricted for this purpose only.

Replacement Fund expenditures during 2016 were:

<u>Component Category</u>	<u>Cost</u>
Roads	\$ 7,500
Clubhouse	6,855
Vehicles and Watercrafts	10,161
Total	<u>\$ 24,516</u>

### **NOTE 3 - INCOME TAXES:**

The Association qualifies as a tax exempt Homeowners Association for all income and expenses related to its exempt function purpose of the acquisition, construction, management, maintenance and care of Association property. The net nonexempt income from earned interest is taxed at 30% by the Federal Government based upon the Association's election to file Form 1120-H.

For California State income tax purposes, the Association is taxed on all net income from nonmember activities. Net member income or losses are not subject to taxation. The tax rate for Association net taxable income is 8.84%.

The Association's policy is to record tax interest expense or penalties in operating expenses. For the year ended December 31, 2016 tax penalties of \$64 were paid and no amount of interest or penalties were accrued.

Oak Shores Community Association's federal and state tax returns are open for examination for the years 2014, 2015, and 2016.

The total tax provision for the year ended December 31, 2016 was \$13,627.

# Oak Shores Community Association

## Notes to Financial Statements

For the Year Ended December 31, 2016

### **NOTE 4 – WEST RAMP OPTION AGREEMENT:**

During 2016, the Association entered into an option agreement for the exclusive right to purchase the West Ramp property, located at the end of Saddle Way, for \$250,000. The West Ramp agreement has three consecutive option purchase periods, each lasting 12 months. The first option purchase period requires a non-refundable payment of \$85,000 to be made prior to January 31, 2017. The Association can extend its right to purchase the West Ramp by 12 months with a second non-refundable option payment of \$85,000, which is due in 2017, and for an additional 12 months with a third non-refundable option payment of \$80,000 due in 2018. The Association made the first non-refundable option payment of \$85,000 in December 2016. At any time during the three option periods the Association may exercise its right to purchase the West Ramp property for \$250,000 less option payments made to date.

Contingent upon closing escrow for the purchase of the West Ramp, the Association also has the exclusive right to purchase a second property known as the Maintenance Yard, which is located on Ridge Rider Road. The total purchase price is \$150,000. The exclusive right to purchase the Maintenance Yard has two consecutive option purchase periods, each lasting 12 months, and a non-refundable payment of \$75,000, which is required for each option purchase period. At any time during the two consecutive option purchase periods, the Association may purchase the Maintenance Yard for \$150,000 less option payments made to date.

### **NOTE 5 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK:**

The Association maintains its cash deposits in three banks and one securities institution. Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Deposits in the securities institution are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000. Amounts on deposit at the securities institution in excess of \$250,000 are insured by Lexington Insurance Company, an AIG company, (Lexington) up to an additional \$1,900,000. At December 31, 2016, the Association had deposits in three banks totaling \$417,941. Such deposits exceeded the FDIC insurance coverage limits at the banks by a combined \$145,961. At December 31, 2016, the Association had deposits at the securities institution totaling \$762,163. Such deposits exceed the SIPC coverage of \$250,000 but are within the coverage limits provided by Lexington.

### **NOTE 6 – CONTINGENCIES:**

The Association is subject to legal proceedings in the normal course of operations. None of the pending actions are expected to have a material adverse effect on the financial position of the Association.

### **NOTE 7 – SUBSEQUENT EVENTS:**

The financial statements were issued on and subsequent events were evaluated through April 7, 2017.

**Oak Shores Community Association**  
**Supplemental Information on Replacement Fund Balances**  
For the Year Ended December 31, 2016  
(unaudited)

The Association's governing documents require funds to be accumulated for the maintenance and future repair and replacement of its common areas. Once every three years the Board of Directors and management engage a consultant to perform a formal study to observe and assess the condition of all common area components and determine current replacement costs and useful lives of assets based on published data, contractor or engineering estimates, and prior experience. In addition, the consultant updates estimates for projected inflation and interest rates earned on investments and cash and cash equivalents used to determine the funding status. The most recent formal study without site visit was completed on November 14, 2016 for the year ended December 31, 2016.

The following table presents the significant components of common property and the funding status as estimated at the date of the most recent formal study.

<b>Component</b>	<b>Estimated Remaining Useful Lives</b>	<b>Estimated Current Replacement Cost</b>
Roofing	2-20 years	\$ 46,577
Painting	2 years	29,022
Roads	1-15 years	3,707,474
Security - Fencing	3-18 years	81,331
Clubhouse	1-11 years	170,045
Pool Area	2-24 years	85,777
Community Entrance	3-20 years	44,198
Campground - Golf	2-4 years	52,770
Maintenance Shop	3-8 years	42,066
Vehicles	2-10 years	210,260
Marina	1-16 years	624,519
<b>Totals</b>		<b>\$ 5,094,039</b>
Reserve Fund Balance at December 31, 2016		<u>\$ 2,533,714</u>
Calculated Ideal Reserve Balance at December 31, 2016		<u>\$ 3,363,579</u>
2017 Annual Funding on a Straight-Line Basis		<u>\$ 373,345</u>
2017 Annual Funding recommended by Consultant		<u>\$ 436,522</u>
2017 Annual Funding per Adopted Budget		<u>\$ 389,740</u>

Replacement costs for the Private Marina docks and slips are exclusively funded by lease fees from members of the Private Marina and are not included in the information above.

**Oak Shores Community Association**  
Schedule of Revenues and Expenses - Budget And Actual  
For the Year Ended December, 31, 2016  
(Unaudited)

OPERATING FUND	Actual	Unaudited	
		Budget	Variance
<b><u>REVENUES</u></b>			
Assessments	\$ 1,076,801	\$ 991,790	\$ 85,011
Interest Income	86	180	(94)
Rubbish Fees	191,105	190,000	1,105
Owner Rental Fees	24,050	30,000	(5,950)
Watercraft Fees	25,940	63,000	(37,060)
Owner Fee Income	12,016	13,000	(984)
Committee Revenues	26,789	-	26,789
Lease Fees from Private Marina	282,944	-	282,944
Grant Income	35,000	-	35,000
Other Income	36,283	42,100	(5,817)
Total Revenues	<u>1,711,014</u>	<u>1,330,070</u>	<u>380,944</u>
<b><u>EXPENSES</u></b>			
<b><u>General and Administrative Expenses</u></b>			
Insurance	72,179	78,000	5,821
Legal Fees	21,222	50,000	28,778
Outside Services	27,443	36,900	9,457
Auditing and Accounting	7,200	7,200	-
Income Taxes	7,705	6,000	(1,705)
Printing and Reproduction	15,115	13,500	(1,615)
Other General and Administrative	59,121	74,420	15,299
<b><u>Payroll and Related Costs</u></b>			
Salaries	514,359	518,000	3,641
Payroll Taxes	46,860	51,800	4,940
Insurance and Other Costs	90,408	90,500	92
<b><u>Utilities</u></b>			
Rubbish Service	195,591	193,500	(2,091)
Water and Fire Hydrants	169,299	94,000	(75,299)
Electricity and Propane	31,628	29,000	(2,628)
Telephone and Other	16,717	15,050	(1,667)
Depreciation	18,723	-	(18,723)
Committee Expenses	16,404	-	(16,404)
Private Marina Expense	85,134	-	(85,134)
Transportation Costs	27,959	33,750	5,791
Maintenance and Repairs	83,648	53,450	(30,198)
West Ramp Option	12,143	5,000	(7,143)
Total Expenses	<u>1,518,858</u>	<u>1,350,070</u>	<u>(168,788)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 192,156</u>	<u>\$ (20,000)</u>	<u>\$ 212,156</u>
<b>REPLACEMENT FUND</b>			
<b><u>REVENUES</u></b>			
Assessments	\$ 395,800	\$ 480,800	\$ (85,000)
Interest Income	27,319	2,303	25,016
Other Income	14,020	-	14,020
Total Revenues	<u>437,139</u>	<u>483,103</u>	<u>(45,964)</u>
<b><u>EXPENSES</u></b>			
Major Repairs and Replacements	<u>30,438</u>	<u>300,498</u>	<u>270,060</u>
Total Expenses	<u>30,438</u>	<u>300,498</u>	<u>270,060</u>
Excess of Revenues Over Expenses	<u>\$ 406,701</u>	<u>\$ 182,605</u>	<u>\$ 224,096</u>

See Auditors' Report

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

**Oak Shores Community Association**  
Summarized Schedule of Operating Fund Activity  
As of and For the Year Ended December 31, 2016  
(Unaudited)

	Association	Private Marina		Committees	Total Operating Fund
		Operations	Replacements		
<b><u>Balance Sheets</u></b>					
Cash and Cash Equivalents	\$ 536,423	\$ 5,000	\$ 114,014	\$ 42,816	\$ 698,253
Other Assets	231,904	-	89,600	14,191	335,695
Total Assets	<u>\$ 768,327</u>	<u>\$ 5,000</u>	<u>\$ 203,614</u>	<u>\$ 57,007</u>	<u>\$ 1,033,948</u>
Accounts Payable	\$ 14,342	\$ -	\$ -	\$ -	\$ 14,342
Other Liabilities	454,968	-	-	-	454,968
Total Liabilities	<u>469,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,310</u>
Fund Balances	299,017	5,000	203,614	57,007	564,638
Total Liabilities and Fund Balance	<u>\$ 768,327</u>	<u>\$ 5,000</u>	<u>\$ 203,614</u>	<u>\$ 57,007</u>	<u>\$ 1,033,948</u>
<b><u>Revenues and Expenses:</u></b>					
Total Revenues	\$ 1,401,281	\$ 50,944	\$ 232,000	\$ 26,789	\$ 1,711,014
Total Expenses	1,417,320	56,748	28,386	16,404	1,518,858
Excess (Deficiency) of Revenues Over Expenses	<u>(16,039)</u>	<u>(5,804)</u>	<u>203,614</u>	<u>10,385</u>	<u>192,156</u>
Fund Balances, Beginning of Year	315,056	10,804	-	32,875	358,735
Contributed Capital	-	-	-	13,747	13,747
Fund Balances, End of Year	<u>\$ 299,017</u>	<u>\$ 5,000</u>	<u>\$ 203,614</u>	<u>\$ 57,007</u>	<u>\$ 564,638</u>