

MOUNTAIN PARK HOME OWNERS ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

Mountain Park Home Owners Association

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Mountain Park Home Owners Association
Lake Oswego, Oregon

We have audited the accompanying financial statements of Mountain Park Home Owners Association, which comprise the balance sheet as of December 31, 2017, and the related statements of revenues and expenses, changes in fund balance, and cash flows for the year then ended, and the related notes to the 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

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 from 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 Mountain Park Home Owners Association as of December 31, 2017, 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.

Prior Period Financial Statements

The financial statements of Mountain Park Home Owners Association as of December 31, 2016, were audited by other auditors whose report, dated June 12, 2017, expressed an unmodified opinion on those statements.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on pages 11 through 14 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.

Portland, Oregon
March 12, 2018

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Mountain Park Home Owners Association
Balance Sheets
December 31, 2017 and 2016

	2017				2016
	Operating Fund	Capital Reserves Fund	Maintenance Reserves Fund	Total	Total
ASSETS					
Current Assets					
Cash, including interest bearing deposits	\$ 152,231	\$ 463,877	\$ -	\$ 616,108	\$ 719,027
Investments	-	300,995	-	300,995	300,694
Accounts receivable, net of allowance for doubtful accounts of \$70,000 and \$77,000	49,842	-	-	49,842	62,682
Prepaid insurance	21,871	-	-	21,871	11,752
Other prepaid expenses	12,796	-	-	12,796	17,716
Total current assets	236,740	764,872	-	1,001,612	1,111,871
Property and equipment, net of accumulated depreciation of \$349,205 and \$287,544	598,623	-	-	598,623	144,699
Interfund balance	267	(20,405)	20,138	-	-
Total assets	<u>\$ 835,630</u>	<u>\$ 744,467</u>	<u>\$ 20,138</u>	<u>\$ 1,600,235</u>	<u>\$ 1,256,570</u>
LIABILITIES AND FUND BALANCE					
Current Liabilities					
Accounts payable	\$ 25,637	\$ -	\$ -	\$ 25,637	\$ 41,188
Accrued wages and payroll taxes	70,031	-	-	70,031	59,656
Accrued compensated absences	42,860	-	-	42,860	26,857
Deposits	19,233	-	-	19,233	14,364
Unearned revenue	23,769	-	-	23,769	277
Income taxes payable	19,161	-	-	19,161	118,823
Assessments received in advance	61,586	-	-	61,586	25,125
Long-term lease liability, current portion	8,889	-	-	8,889	-
Long-term debt, current portion	-	235,572	-	235,572	226,339
Total current liabilities	271,166	235,572	-	506,738	512,629
Long-term lease liability	33,785	-	-	33,785	-
Long-term debt, net of unamortized loan fees	-	3,429,903	-	3,429,903	3,661,947
Total liabilities	304,951	3,665,475	-	3,970,426	4,174,576
Fund balance	530,679	(2,921,008)	20,138	(2,370,191)	(2,918,006)
Total liabilities and fund balance	<u>\$ 835,630</u>	<u>\$ 744,467</u>	<u>\$ 20,138</u>	<u>\$ 1,600,235</u>	<u>\$ 1,256,570</u>

The accompanying notes are an integral part of these financial statements.

Mountain Park Home Owners Association
Statements of Revenues and Expenses
For the Years Ended December 31, 2017 and 2016

	2017				2016
	Operating Fund	Capital Reserves Fund	Maintenance Reserves Fund	Total	Total
REVENUES					
Regular assessments	\$ 1,616,310	\$ 826,531	\$ 35,850	\$ 2,478,691	\$ 2,436,660
Interest	175	301	-	476	475
Late fees	4,558	-	-	4,558	5,881
Other income	1,183,550	-	-	1,183,550	1,209,964
Total revenues	<u>2,804,593</u>	<u>826,832</u>	<u>35,850</u>	<u>3,667,275</u>	<u>3,652,980</u>
EXPENSES					
Repairs and Maintenance					
Property maintenance and replacements	54,074	14,291	15,712	84,077	86,328
Landscape maintenance and improvements	275,108	-	-	275,108	426,999
Total repairs and maintenance	<u>329,182</u>	<u>14,291</u>	<u>15,712</u>	<u>359,185</u>	<u>513,327</u>
Operating Expenses					
Salaries and wages	1,475,375	-	-	1,475,375	1,459,275
Payroll taxes	156,236	-	-	156,236	144,582
Employee benefits and expenses	152,288	-	-	152,288	221,806
Utilities	203,721	-	-	203,721	187,546
Marketing and member relations	43,917	-	-	43,917	17,153
Licenses and fees	8,928	-	-	8,928	4,730
Loss on disposal of assets	-	-	-	-	1,337
Automobile expenses	8,871	-	-	8,871	15,031
Loan fees and interest expense	-	157,091	-	157,091	166,014
Services	160,419	-	-	160,419	90,313
Depreciation	63,650	-	-	63,650	55,892
Professional fees	30,313	-	-	30,313	39,630
Office expenses	17,177	-	-	17,177	23,329
Office supplies	140,625	-	-	140,625	179,341
Insurance	88,844	-	-	88,844	117,163
Income taxes	19,161	-	-	19,161	118,823
Bank charges	24,096	-	-	24,096	25,819
Rent expense	7,231	-	-	7,231	11,531
Bad debt expense	2,332	-	-	2,332	21,300
Total operating expenses	<u>2,603,184</u>	<u>157,091</u>	<u>-</u>	<u>2,760,275</u>	<u>2,900,615</u>
Total expenses	<u>2,932,366</u>	<u>171,382</u>	<u>15,712</u>	<u>3,119,460</u>	<u>3,413,942</u>
Excess of revenues over (under) expenses	<u>\$ (127,773)</u>	<u>\$ 655,450</u>	<u>\$ 20,138</u>	<u>\$ 547,815</u>	<u>\$ 239,038</u>

The accompanying notes are an integral part of these financial statements.

Mountain Park Home Owners Association
Statement of Changes in Fund Balance
For the Years Ended December 31, 2017 and 2016

	Operating Fund	Capital Reserves Fund	Maintenance Reserves Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance, as of December 31, 2015	\$ 122,751	\$ (3,286,103)	\$ -	\$ (3,163,352)
Excess of revenues over (under) expenses	(141,855)	380,893	-	239,038
Interfund transfers	<u>201,984</u>	<u>(201,984)</u>	<u>-</u>	<u>-</u>
Fund balance, as of December 31, 2016, as previously stated	182,880	(3,107,194)	-	(2,924,314)
Prior period adjustment	<u>6,308</u>	<u>-</u>	<u>-</u>	<u>6,308</u>
Fund balance, as of December 31, 2016, as restated	189,188	(3,107,194)	-	(2,918,006)
Excess of revenues over (under) expenses	(127,773)	655,450	20,138	547,815
Transfer of fixed assets	<u>469,264</u>	<u>(469,264)</u>	<u>-</u>	<u>-</u>
Fund balance, as of December 31, 2017	<u>\$ 530,679</u>	<u>\$ (2,921,008)</u>	<u>\$ 20,138</u>	<u>\$ (2,370,191)</u>

The accompanying notes are an integral part of these financial statements.

Mountain Park Home Owners Association
Statements of Cash Flows
For the Year Ended December 31, 2017

	2017				2016
	Operating Fund	Capital Reserves Fund	Maintenance Reserves Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess of revenues over (under) expenses	\$ (127,773)	\$ 655,450	\$ 20,138	\$ 547,815	\$ 239,038
Prior period adjustment	-	-	-	-	6,308
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided (used) by operating activities:					
Depreciation expense	63,650	-	-	63,650	55,892
Interest earned on investments	-	(301)	-	(301)	(278)
Loan fees amortization	-	3,527	-	3,527	3,137
Loss on sale of assets	-	-	-	-	1,337
Decrease (Increase) in assets:					
Assessments receivable	12,840	-	-	12,840	(33,901)
Prepaid insurance	(10,119)	-	-	(10,119)	4,886
Other prepaid expenses	4,920	-	-	4,920	(9,155)
Increase (Decrease) in liabilities:					
Accounts payable	(15,551)	-	-	(15,551)	2,691
Accrued wages and payroll taxes	10,375	-	-	10,375	(5,536)
Accrued compensated absences	16,003	-	-	16,003	(18,662)
Deposits	4,869	-	-	4,869	(3,925)
Unearned revenue	23,492	-	-	23,492	277
Income taxes payable	(99,662)	-	-	(99,662)	118,823
Assessments received in advance	36,461	-	-	36,461	(41,096)
Net cash provided (used) by operating activities	(80,495)	658,676	20,138	598,319	319,836
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	(469,264)	-	-	(469,264)	(34,695)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interfund balance	(267)	20,405	(20,138)	-	-
Transfer of fixed assets	469,264	(469,264)	-	-	-
Payments on long-term debt	-	(226,338)	-	(226,338)	(216,759)
Payments on lease principal	(5,636)	-	-	(5,636)	-
Net cash provided (used) by financing activities	463,361	(675,197)	(20,138)	(231,974)	(216,759)
NET INCREASE (DECREASE) IN CASH	(86,398)	(16,521)	-	(102,919)	68,382
CASH AND CASH EQUIVALENTS, BEGINNING	238,629	480,398	-	719,027	650,645
CASH AND CASH EQUIVALENTS, ENDING	\$ 152,231	\$ 463,877	\$ -	\$ 616,108	\$ 719,027

	2017	2016
Income taxes paid amounted to:	\$ 118,967	\$ -
Loan interest paid amounted to:	\$ 153,564	\$ 166,014
Lease interest paid amounted to:	\$ 1,836	\$ -

The accompanying notes are an integral part of these financial statements.

Mountain Park Home Owners Association
Notes to Financial Statements
December 31, 2017

Note 1 - Nature of Organization

Mountain Park Home Owners Association is a nonprofit Oregon corporation organized on August 5, 1968 as a planned unit development for the purpose of providing managerial and operation services on behalf of the homeowners. The Association is responsible for the operation and maintenance of the common property within the development including, but not limited to items detailed in the supplementary information. The development is located on 700 acres between Portland and Lake Oswego, Oregon and consists of 3,716 residential units.

The Association also provides early education classes for children of members and other individuals for profit. These services are provided using Association facilities.

Note 2 - Summary of Significant Accounting Policies

Accounting Method

The Association prepares its year-end financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned, and expenses are recognized when goods or services are received, whether paid or not.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Capital Reserves Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements as well as for loan and contingency reserves.

Maintenance Reserves Fund - This fund is used to accumulate financial resources designated for significant purchases of non-capital components in the reserve study and other major maintenance expenses.

Member Assessments

Association members are subject to semi-annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to assess a \$50 late fee for assessments 30 days or more delinquent. Accounts that are 60 days or more delinquent are turned over to the Association's collection attorney, who may place a lien on the properties of delinquent homeowners if the account is not paid in full within thirty days. Any excess assessments at year-end are retained by the Association for use in future years.

Allowance for Doubtful Accounts

The Association has provided for an allowance for doubtful accounts as of December 31, 2017 and 2016. The Association generally considers assessments receivable collectible until the unit has been foreclosed or the unit owner has filed for bankruptcy.

Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Mountain Park Home Owners Association
Notes to Financial Statements – Continued
December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization and Depreciation

The Association records capitalized assets at cost and depreciation on the straight-line basis over the estimated useful life of the asset.

Accrued Compensated Absences

Eligible employees can carry-forward a maximum of 80 personal time off hours (PTO) to each new calendar year. Length of service determines the rate at which the employee accrues PTO, with rate increases following year 4 and year 10 of employment. Upon employment ending, the accrued PTO is paid-out up to the 80 hours maximum.

Note 3 - Income Taxes

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the years ended December 31, 2017 and 2016, the Association elected to be taxed as a homeowner association. Under that election, the Association generally is taxed only on non-exempt income, such as interest earnings, at applicable federal and state tax rates. The Association files returns in the U.S. federal jurisdiction as well as the state of Oregon jurisdiction. Tax filings are subject to federal and state examination for three years after they are filed. The returns filed for periods ended December 31, 2014 and prior are generally no longer subject to examination by tax authorities.

Note 4 - Common Property

Real property and common areas acquired by the original homeowners from the developer are not capitalized on the Association's financial statements. Although these properties are owned by the Association, the assets are not recognized under generally accepted accounting principles, due to the fact that the Association will not, in the ordinary course of business, dispose of the property. Common real property not capitalized consists of walking trails, a recreation center, tennis courts, maintenance facility, pool and related equipment, greenbelt areas and any real property directly associated with the residential units. Common areas are restricted to use by Association members, their tenants, and guests. The Association's policy is to expense all personal property acquisitions of less than \$5,000. Property and equipment consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Clubhouse	\$ 261,041	\$ 61,653
Landscape	231,006	92,322
Playschool	455,781	278,268
Total property and equipment	<u>947,828</u>	<u>432,243</u>
Less: Accumulated depreciation	<u>(349,205)</u>	<u>(287,544)</u>
Net property and equipment	<u>\$ 598,623</u>	<u>\$ 144,699</u>

**Mountain Park Home Owners Association
Notes to Financial Statements – Continued
December 31, 2017 and 2016**

Note 5 - Future Major Repairs and Replacements

The Association’s governing documents require funds to be accumulated for future major repairs and replacements. Accumulated capital reserves funds, which had an aggregated deficit of \$(2,921,008) at December 31, 2017 and \$(3,107,194) at December 31, 2016, are generally not available for operating purposes.

The Association’s Board of Directors conducted a study in January 2018 to estimate the remaining useful lives and the replacement costs of the common property components. The excerpt included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the study.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study’s estimates of current replacement costs, considering amounts previously accumulated in the capital reserves fund.

Funds are being accumulated in the capital reserves fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the capital reserves fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 6 - Concentrations of Credit Risk

The Association maintains its cash and certificate of deposit balances in two financial institutions located in the Portland, Oregon area. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. As of December 31, 2017 and 2016, the Association's cash balances not federally insured totaled \$372,104 and \$418,582, respectively.

Note 7 - Investments

The Association’s investments consist of certificates of deposit. The Association has the positive intent and ability to hold investments to maturity. At December 31, 2017 and 2016, the fair market value of the investments approximated the carrying value. The investments are carried on the Association’s financial statements at cost plus interest earned.

Investments consisted of the following as of December 31, 2017:

<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
52-Week CD	September 6, 2018	0.10%	\$ 243,578
52-Week CD	September 6, 2018	0.10%	\$ 57,417

Investments consisted of the following as of December 31, 2016:

<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
52-Week CD	September 7, 2017	0.10%	\$ 246,077
52-Week CD	September 7, 2017	0.10%	\$ 54,617

Note 8 - Interfund Balance

At December 31, 2017, \$267 of operating fund cash and \$20,138 of maintenance reserves fund cash was held in the capital reserves fund cash accounts.

**Mountain Park Home Owners Association
Notes to Financial Statements – Continued
December 31, 2017 and 2016**

Note 9 - Capital Lease Liability

During 2017, the Association cancelled its existing copier lease contract and signed a five-year non-cancellable copier equipment lease with a term ending in April 2022. The Association pays \$934 per month and a contingent rental fee of \$0.01 for each black and white copy in excess of 9,000 copies each month and an additional \$0.055 for each color copy. Each monthly payment will reduce the capital lease liability and record lease interest expense. Total payments made on the current photocopier lease during 2017 amounted to \$7,547. As of December 31, 2017, the future minimum lease payments are as follows:

	Interest Expense	Present Value of Lease Payments	Total
2018	\$ 2,319	\$ 8,889	\$ 11,208
2019	1,770	9,438	11,208
2020	1,188	10,020	11,208
2021	570	10,638	11,208
2022	46	3,689	3,735
	\$ 5,893	\$ 42,674	\$ 48,567

Note 10 - Long-Term Debt

In November 2008, the Association entered into an agreement with a bank to provide funds to finance renovation costs to the clubhouse, common areas and equipment. On August 5, 2015, the loan was renegotiated which resulted in a reduction of the interest rate from 4.95% to 3.95% and a reduction in monthly payments from \$33,700 to \$31,659. The interest rate can change on the 10th day of December 2016 and on that day every three years thereafter (Change Date), based on the weekly average of United States Treasury securities adjusted to a constant maturity of three years plus 2.5%. The loan will mature on June 10, 2030. The interest rate starting December 10, 2016 is at a rate of 3.95% through the next Change Date, unless a default rate occurs. This commitment is collateralized by all of the Association's personal property and proceeds from the annual members' assessments.

The loan balance at December 31, 2017 is as follows:

Long-term debt \$ 3,711,322
Less unamortized loan fees \$45,847
Less current maturities in 2018 \$235,572
Long-term debt, net of unamortized loan fees \$3,429,903

Maturities due over the subsequent five-year period are estimated as follows:

2018	\$ 235,572
2019	\$ 245,181
2020	\$ 254,822
2021	\$ 265,577
2022	\$ 276,411
Thereafter	\$ 2,433,759

Note 11 - Other Income

Other income includes amounts charged to residents and non-residents for preschool income, fitness activities, event rental, RV income, guest fees, clubhouse memberships, and amounts billed to owners for transfer fees, compliance violations and late fees.

Mountain Park Home Owners Association
Notes to Financial Statements – Continued
December 31, 2017 and 2016

Note 12 - Interfund Transfers

During 2017 and 2016, the Association recoded an interfund transfer from the capital reserves funds to the operating fund for fixed assets that were purchased with capital reserves funds during the year and capitalized in the operating fund. Additionally, the Association recorded an interfund transfer in 2016 from the capital reserves funds to the operating fund for loan interest expense that was reported in the operating fund.

Note 13 - Prior Period Adjustment

A prior period adjustment has been reported to restate the opening fund balance for 2017 expenses prepaid in 2016, and for 2016 expenses recorded when paid in 2017. The net effect of reclassifying this activity is a \$6,308 increase to the opening operating fund balance.

Note 14 - Retirement Plan

The Association established a 401(k) plan on January 1, 1991. All employees who worked at least 1,000 hours during the plan year are eligible to participate in the plan. Participating employees are eligible to contribute a portion of their wages to the plan. The Association pays a matching contribution on employee contributions up to 3% of the participants' compensation for the plan year. The Association's contribution for the year ended December 31, 2017 was \$9,969 and \$12,310 in 2016.

Note 15 - Internet Provider Service Contract

In November 2013, the Association entered into a service agreement with Windstream for internet provider (IP) services. The contract term is for 5 years at a monthly charge of \$629. This agreement is non-cancellable and will remain in effect throughout the term. It will automatically renew for successive one-year terms unless notified in writing thirty days prior to its expiration. Future minimum payments for the IP services are:

January 1, 2018 – December 31, 2018	\$ 6,920
January 1, 2019 – July 31, 2019	\$ 5,200

Note 16 - Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2016, from which the summarized information was derived. Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation.

Note 17 - Date of Board of Directors' Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 12, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Mountain Park Home Owners Association
Supplementary Information on Future Major Repairs
And Replacements (Unaudited)
December 31, 2017 and 2016**

The Association's Board of Directors conducted a reserve study update in January 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from a previous reserve study (adjusted for inflation), and vendor and manufacturer recommendations. Replacement costs were based on the estimated costs to repair or replace the common property components on the date of the study assuming an annual inflation rate of 2.5% and without a provision for rate of return on investments or income taxes. The study used the threshold funding method with a threshold amount of \$632,132.

The attached excerpt on pages 12 to 14 includes significant information about the components of common property. The reserve study should be read in its entirety.

Reserves Funding Summary for the Years Ended December 31, 2017 and 2016:

Capital reserves assessments	<u>2017</u>	<u>2016</u>
Reserve assessments	\$ 826,531	\$ 662,381
Amount recommended by reserve study	<u>246,895</u>	<u>282,745</u>
Difference	\$ <u>579,636</u>	\$ <u>379,636</u>
Capital reserves fund balance at end of year	\$ <u>(2,921,008)</u>	\$ <u>(3,107,194)</u>
Maintenance reserves assessments	<u>2017</u>	<u>2016</u>
Reserve assessments	\$ 35,850	\$ -
Budgeted assessments	<u>35,850</u>	<u>-</u>
Difference	\$ <u>-</u>	\$ <u>-</u>
Maintenance reserves fund balance at end of year	\$ <u>20,138</u>	\$ <u>-</u>

See Independent Auditor's Report

Mountain Park Homeowners Association

Membership Disclosure Summary

Sorted by Category

Major Reserve Components	Current Cost	Assigned Reserves	Remaining Life Range	Useful Life Range
02500 Irrigation	\$199,699	\$71,234	0-59	20-60
02700 Pavements	\$756,553	\$261,293	0-42	23-51
02790 Athletic (Tennis) Surface	\$20,800	\$0	5	10
02820 Fences and Gates	\$100,350	\$19,775	1-30	10-80
02850 Prefabricated Bridge	\$250,000	\$0	57	80
02880 Play Structure	\$38,244	\$9,333	2-17	20-35
03300 Cast in Place Concrete	\$34,500	\$0	22-34	30-40
04900 Masonry Restoration	\$48,500	\$16,000	2-47	10-50
05500 Metal Fabrication	\$18,852	\$0	22-68	30-75
06100 Beams	\$0	\$0	n.a.	n.a.
06200 Finish Carpentry	\$17,500	\$0	17	25
06410 Custom Cabinets	\$98,030	\$0	3-22	20-25
06415 Countertops	\$55,546	\$0	15-20	20-25
07210 Insulation	\$0	\$0	n.a.	n.a.
07400 Roofing and Siding	\$685,900	\$0	4-48	25-98
08100 Metal Doors, Frames and Hardware	\$154,850	\$0	10-30	35-60
08200 Wood Doors, Frames and Hardware	\$106,429	\$12,704	2-39	40-52
08330 Coiling Doors	\$1,500	\$0	17	25
08350 Access Doors	\$3,489	\$0	16	20
08500 Windows	\$384,440	\$0	7-35	35-100
08600 Skylights	\$15,643	\$0	4-15	20-32
08700 Door Hardware	\$23,500	\$8,000	2-7	10-15
08800 Mirrors	\$30,000	\$0	17	25
09200 Metal Lath, Drywall, and Plaster	\$17,500	\$0	22	30-100
09300 Tile	\$124,621	\$8,709	1-32	30-36
09510 Acoustical Ceiling Systems	\$13,500	\$0	13-15	23
09620 Athletic Flooring	\$42,500	\$0	17	25
09640 Wood Flooring	\$81,652	\$0	0-37	2-45
09650 Resilient Flooring	\$40,573	\$12,030	2-48	20-55
09670 Fluid Applied Flooring	\$51,000	\$0	32	40
09680 Carpet	\$52,759	\$900	2-12	10-20
09840 Acoustic Wall Treatment	\$37,000	\$0	32	40

Mountain Park Homeowners Association

Membership Disclosure Summary

Sorted by Category

Major Reserve Components	Current Cost	Assigned Reserves	Remaining Life Range	Useful Life Range
09900 Painting & Coatings	\$137,055	\$27,774	0-14	7-54
09960 High Performance Coatings	\$27,500	\$0	8-17	16-25
10160 Toilet Partitions	\$14,250	\$0	27-30	35
10400 Monuments	\$27,203	\$0	35	40
10430 Signage	\$0	\$0	n.a.	n.a.
10500 Lockers & Benches	\$65,750	\$0	5-18	16-55
10520 Fire Extinguishers & Cabinets	\$4,000	\$3,200	2	10
11010 Maintenance Equipment	\$105,872	\$81,853	0-27	6-100
11140 Vehicles	\$112,500	\$30,000	0-5	8-11
11400 Food Service Equipment	\$21,303	\$7,542	1-19	10-24
11480 Athletic Equipment	\$52,490	\$16,500	0-13	1-21
11680 Office Equipment	\$10,468	\$0	0-6	1-10
11990 Misc Equipment	\$41,951	\$30,200	0-8	5-18
12100 Office Furniture	\$0	\$0	0-1	1-2
12500 Rental Furniture/Chairs, Tables	\$22,000	\$0	8-11	15
13051 Steam Room Equipment	\$20,000	\$0	13	21
13060 Sauna	\$36,000	\$0	13-32	21-40
13150 Pool & Spas	\$380,000	\$0	42	50
13151 Pool & Spa Equipment	\$347,623	\$49,275	0-27	7-100
13152 Pool & Spa Piping	\$312,500	\$0	22-42	30-50
13153 Pool & Spa Finishes	\$70,000	\$0	22	30
13155 Water Slide Equipment	\$127,500	\$0	7-42	15-50
14200 Elevators	\$55,000	\$0	7-18	15-26
15300 Fire Protection	\$173,250	\$0	5-52	55-60
15400 Plumbing	\$318,414	\$0	6-46	15-50
15500 HVAC Equipment & Distribution	\$239,053	\$9,491	2-31	5-81
15510 Hydronic Piping Systems	\$15,750	\$0	8	16
15540 HVAC Pumps	\$30,450	\$0	8	16
15560 Boilers & Accessories	\$120,750	\$0	15	23
15700 Heating Equipment	\$4,000	\$3,200	2	10
15950 HVAC Controls	\$0	\$0	n.a.	100
16400 Electrical Service Distribution	\$78,750	\$0	10	60

Mountain Park Homeowners Association

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Major Reserve Components	Current Cost	Assigned Reserves	Remaining Life Range	Useful Life Range
16500 Lighting	\$448,659	\$44,118	1-32	10-51
16600 Emergency Systems	\$6,994	\$0	4	6
16720 Fire Alarm	\$90,922	\$0	7-9	15
16730 Security	\$775	\$0	0-4	6-7
16800 Sound & Video	\$28,500	\$0	7	15
16900 Lighting Controls	\$28,500	\$0	7	15
Contingency	n.a.	\$21,694	n.a.	n.a.
Total	\$7,081,162	\$744,824	0-68	1-100