



**Independent Accountant's Review Report**

Board of Directors  
The Glen of Pacific Grove Homeowners' Association, Inc.  
Pacific Grove, Ca.

We have reviewed the accompanying balance sheet of as of The Glen of Pacific Grove Homeowners' Association, Inc. December 31, 2015, and the related statements of revenue, expenses, and changes in fund balances and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

**Accountant's Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide reasonable basis for our report.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on pages 10 and 11 are 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed, or compiled the required supplementary information, and, accordingly, we do not assume any responsibility for it.

Stennes & Sabath  
Gilroy, California

February 22, 2016

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THE GLEN OF PACIFIC GROVE HOMEOWNERS'  
ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.**  
**Balance Sheet**  
**December 31, 2015**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total 2015</b>
<b>ASSETS</b>			
Cash, including interest-bearing deposits	\$ 44,896	\$ 87,922	\$ 132,818
Certificates of deposit		300,000	300,000
Accounts receivable	1,300		1,300
Interest receivable		793	793
Prepaid income tax	95		95
Prepaid insurance	3,192		3,192
	<b>\$ 49,483</b>	<b>\$ 388,715</b>	<b>\$ 438,198</b>
<b>TOTAL ASSETS</b>	<b>\$ 49,483</b>	<b>\$ 388,715</b>	<b>\$ 438,198</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ 11,728	\$ 3,420	\$ 15,148
Prepaid assessments	3,813		3,813
Income taxes payable	118		118
	<b>\$ 15,659</b>	<b>\$ 3,420</b>	<b>\$ 19,079</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 15,659</b>	<b>\$ 3,420</b>	<b>\$ 19,079</b>
Fund Balances	33,824	385,295	419,119
	<b>\$ 49,483</b>	<b>\$ 388,715</b>	<b>\$ 438,198</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 49,483</b>	<b>\$ 388,715</b>	<b>\$ 438,198</b>

See accompanying notes and accountant's review report

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**THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.**  
**Statement of Revenues, Expenses, And Changes in Fund Balances**  
**Year Ended December 31, 2015**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total 2015</b>
<b>REVENUES</b>			
Regular assessments	\$ 153,360	\$ 69,840	\$ 223,200
Late charges	155		155
Other income	237		237
Interest income		1,320	1,320
TOTAL REVENUES	\$ 153,752	\$ 71,160	\$ 224,912
<b>EXPENSES</b>			
Administration	\$ 3,233		\$ 3,233
Insurance	26,280		26,280
Landscape	42,749		42,749
Management	18,000		18,000
Repairs and Maintenance	32,267		32,267
Reserve expenditures		127,649	127,649
Reserve study	1,000		1,000
Taxes	118		118
Utilities	21,327		21,327
TOTAL EXPENSES	\$ 144,974	\$ 127,649	\$ 272,623
Excess (deficiency) of revenues over expenses	\$ 8,778	\$ (56,489)	\$ (47,711)
<b>BEGINNING FUND BALANCES</b>	25,046	441,784	466,830
<b>ENDING FUND BALANCES</b>	\$ 33,824	\$ 385,295	\$ 419,119

See accompanying notes and accountant's review report

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**THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2015**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficiency) of revenues over expenses	\$ 8,778	\$ (56,489)	\$ (47,711)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Accounts receivable	(958)		(958)
Interest receivable		(379)	(379)
Prepaid insurance	(114)		(114)
Due from operating fund		12,857	12,857
Increase (decrease) in:			
Income taxes payable	118		118
Accounts payable	(885)	(603)	(1,488)
Prepaid assessments	(2,666)		(2,666)
Due to replacement fund	(12,857)		(12,857)
	(12,857)		(12,857)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ (8,584)	\$ (44,614)	\$ (53,198)
<b>CASH AT BEGINNING OF YEAR</b>	53,480	132,536	186,016
<b>CASH AT END OF YEAR</b>	\$ 44,896	\$ 87,922	\$ 132,818

Income taxes paid	\$	10	
Interest expense	\$	-	

See accompanying notes and accountant's review report

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THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE A-NATURE OF ORGANIZATION

The Glen of Pacific Grove Homeowners' Association, Inc. was incorporated on June 22, 1982, in the State of California. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 60 residential units located in Monterey County, California.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Replacement Fund - This fund is used to accumulate financial resources designated for the future major repairs and replacements.

Member Assessments

Association members are subject to monthly assessments of \$310.00 per month of which \$97.00 has been allocated to reserves to provide funds for the Association's major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to place liens on the properties of homeowners whose assessments are 45 days or more delinquent. Any excess assessments at yearend are retained by the Association for use in the succeeding year.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Income Taxes

Homeowners' Associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2015, the Association was taxed as a homeowners' association. The Association is taxed only on its nonmembership income, such as interest earnings, at federal tax rates for homeowners' associations and state corporate rates.

The tax provisions for the year ended December 31, 2015, are as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Provision for tax	\$ 0	\$ 118	\$ 118
Prepayment	(-0-)	( 95)	( 95)
Tax Due	\$ (-0-)	\$ <u>23</u>	\$ <u>23</u>

Property and Equipment

The Association does not capitalize the real and personal property acquired from the developer by the original homeowners, as they are owned by the individual owners and not the Association.

Replacements and improvements to the real property are not capitalized, as the improvements would also belong to the individual owners and not the Association. They are instead charged directly either to operating or replacement funds in the period they are incurred.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

As of December 31, 2015, the Association has one interest bearing savings account totaling \$87,922 earning 0.10% interest. In addition, the Association has invested \$300,000 in various certificate of deposits earning interest at rates from .39% to .45%

Uninsured Cash Balances

The Association maintains its cash at one institution. The FDIC insures deposits of up to \$250,000 at each institution. The total deposits at December 31, 2015, do not exceed the FDIC limit.

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 1365), require that the Board of Directors provide for the repair and replacement of common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of everyday operating expenses.

The Association has completed a study of its common area major components sufficient to assist the board in planning for future major repairs and replacements. The reasonableness of the resulting funding plan is a function of the completeness of the major component list, and the accuracy of the estimated quantity, useful and remaining lives, and replacement cost of those components.



THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONT'D)

Funds are being accumulated in the replacement fund based on estimated future costs for the repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs.

The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that the funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement until funds are available.

Based upon the current reserve study, the replacement fund should have a balance of \$319,568 to be fully funded. Currently, the fund balance is \$387,922.

The Glen of Pacific Grove Homeowners'  
Association, Inc.  
December 31, 2015

**Accountant's Report on Supplementary Information**

The supplementary information in the schedule of operating fund revenues expenses-budget and actual is presented only for purposes of additional analysis. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or provide any assurance on such information.

Gilroy, California  
February 22, 2016

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**THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.**  
**Schedule of Fund Revenues and Expenses-Budget and Actual**  
**Year Ended December 31, 2015**

REVENUES	2015		(Compiled) Variance- Favorable (Unfavorable)
	(Compiled) Budget	Actual	
Regular assessments	\$ 223,186	\$ 223,200	\$ 14
Late fees	1,030	155	(875)
Other	-	237	237
<b>TOTAL REVENUES</b>	<b>\$ 224,216</b>	<b>\$ 223,592</b>	<b>\$ (624)</b>
<b>EXPENSES</b>			
Accounting and legal fees	\$ 1,750	\$ 1,028	\$ 722
Education & seminars	300	-	300
Gas and electric	4,920	4,539	381
Gate maintenance	580	1,299	(719)
General maintenance	19,800	22,337	(2,537)
General office	1,020	1,200	(180)
Income taxes	182	118	64
Insurance	26,185	26,280	(95)
Irrigation	1,200	1,806	(606)
Lakes & waterways	8,000	5,706	2,294
Landscape	41,304	41,304	-
Landscape other	3,600	1,445	2,155
Management	18,000	18,000	-
Reserve study	720	1,000	(280)
Resident services	120	16	104
Social	625	792	(167)
Transfer to reserve	69,840	69,840	-
Telephone	700	868	(168)
Trees	5,000	1,120	3,880
Water	20,280	15,920	4,360
Website	90	196	(106)
<b>TOTAL EXPENSES</b>	<b>\$ 224,216</b>	<b>\$ 214,814</b>	<b>\$ 9,402</b>
Excess (Deficiency) of Operating Fund			
Revenues Over Operating Fund Expenses	<b>\$ -</b>	<b>\$ 8,778</b>	<b>\$ 8,778</b>

See accountant's report

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THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.  
 SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2015

**3- Minute Executive Summary**

Association: The Glen of Pacific Grove HOA      Assoc. #: 7492-3  
 Location: Pacific Grove, CA  
 # of Units: 60  
 Report Period: January 1, 2016 through December 31, 2016

**Results as-of 1/1/2016:**

Projected Starting Reserve Balance: .....	\$334,191
Fully Funded Reserve Balance: .....	\$319,568
Average Reserve Deficit (Surplus) Per Unit:.....	\$(244)
Percent Funded: .....	104.6%
Recommended 2016 monthly Reserve Contribution: .....	\$6,126
Recommended 2016 Special Assessment for Reserves: .....	\$0
Most Recent Reserve Contribution Rate:.....	\$5,820

**Economic Assumptions:**

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%  
 Annual Inflation Rate..... 3.00%

- This is an "Update With-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves for your 2015 Fiscal Year. The information in this Reserve Study is based on our site inspection on August 14, 2016.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is at 104.6% Funded, this means the association's special assessment & deferred maintenance risk is currently low.
- The objective of your multi-year Funding Plan is to Fully Fund your Reserves, where associations enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point, your anticipated future expenses and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions.
- No assets appropriate for Reserve designation were excluded.

See accountant's report

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THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.  
 SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2015

**Table 4: 30-Year Reserve Plan Summary Recommended by Association Reserves** **7492-3**

Fiscal Year Beginning: 01/01/18

Interest: 1.00%	Inflation: 3.0%
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Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	% Increase In Annual Reserve Contribs.	Annual Reserve Contribs.	Loans or Special Assmts	Projected Interest Income	Projected Reserve Expenses	
									Rating
2016	\$334,191	\$319,568	104.6%	Strong	5.25%	\$73,507	\$0	\$3,702	\$4,950
2017	\$408,449	\$389,063	104.5%	Strong	5.25%	\$77,366	\$0	\$4,452	\$4,017
2018	\$484,249	\$463,554	104.5%	Strong	3.00%	\$79,687	\$0	\$5,152	\$22,438
2019	\$546,650	\$523,315	104.5%	Strong	3.00%	\$82,077	\$0	\$5,904	\$0
2020	\$634,631	\$610,049	104.0%	Strong	3.00%	\$84,540	\$0	\$6,669	\$28,168
2021	\$699,672	\$674,563	103.7%	Strong	3.00%	\$87,076	\$0	\$7,437	\$5,796
2022	\$788,388	\$764,190	103.2%	Strong	3.00%	\$89,688	\$0	\$7,973	\$79,106
2023	\$806,943	\$783,258	103.0%	Strong	3.00%	\$92,379	\$0	\$8,096	\$94,454
2024	\$812,964	\$789,418	103.0%	Strong	3.00%	\$95,150	\$0	\$8,645	\$0
2025	\$916,759	\$895,449	102.4%	Strong	3.00%	\$98,005	\$0	\$8,562	\$227,031
2026	\$796,294	\$773,290	103.0%	Strong	3.00%	\$100,945	\$0	\$8,084	\$84,196
2027	\$821,126	\$797,129	103.0%	Strong	3.00%	\$103,973	\$0	\$8,744	\$5,399
2028	\$928,445	\$905,467	102.5%	Strong	3.00%	\$107,092	\$0	\$9,714	\$30,155
2029	\$1,015,096	\$994,256	102.1%	Strong	3.00%	\$110,305	\$0	\$10,383	\$73,427
2030	\$1,062,357	\$1,043,918	101.8%	Strong	3.00%	\$113,614	\$0	\$10,752	\$97,713
2031	\$1,089,010	\$1,072,919	101.5%	Strong	3.00%	\$117,023	\$0	\$11,450	\$15,502
2032	\$1,201,981	\$1,190,418	101.0%	Strong	3.00%	\$120,533	\$0	\$12,649	\$6,258
2033	\$1,328,905	\$1,324,001	100.4%	Strong	3.00%	\$124,149	\$0	\$13,452	\$103,881
2034	\$1,362,625	\$1,364,169	99.9%	Strong	3.00%	\$127,874	\$0	\$14,184	\$29,282
2035	\$1,475,401	\$1,485,603	99.3%	Strong	3.00%	\$131,710	\$0	\$13,667	\$361,661
2036	\$1,259,117	\$1,271,650	99.0%	Strong	3.00%	\$135,661	\$0	\$12,877	\$90,306
2037	\$1,317,349	\$1,334,194	98.7%	Strong	3.00%	\$139,731	\$0	\$13,899	\$7,255
2038	\$1,463,725	\$1,487,679	98.4%	Strong	3.00%	\$143,923	\$0	\$15,224	\$40,526
2039	\$1,582,346	\$1,615,127	98.0%	Strong	3.00%	\$148,241	\$0	\$12,130	\$897,982
2040	\$844,735	\$866,956	97.4%	Strong	3.00%	\$152,686	\$0	\$9,253	\$0
2041	\$1,006,676	\$1,025,109	98.2%	Strong	3.00%	\$157,269	\$0	\$10,850	\$10,469
2042	\$1,164,326	\$1,181,189	98.6%	Strong	3.00%	\$161,987	\$0	\$12,235	\$54,777
2043	\$1,283,771	\$1,300,397	98.7%	Strong	3.00%	\$166,846	\$0	\$10,875	\$569,427
2044	\$892,064	\$897,297	99.4%	Strong	3.00%	\$171,852	\$0	\$9,825	\$0
2045	\$1,073,740	\$1,072,946	100.1%	Strong	3.00%	\$177,007	\$0	\$9,341	\$464,833

See accountant's report

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