

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016 AND 2015**

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Northstar Property Owners Association

I have audited the accompanying financial statements of the Northstar Property Owners Association, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the years 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*

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 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, 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 presentation of the financial statements.

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

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northstar Property Owners Association as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Opinion on Supplementary Information***

My audit was made primarily for the purpose of expressing an opinion on the basic financial statements taken as a whole. The information included in the accompanying Schedules of Operating Expenses - Budget (Compiled) and Actual by Department, is presented only for purposes of additional analysis and is not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Report on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on pages 15 and 16 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, which 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. 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 financials statements, and other knowledge I obtained during the 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.

*Michael T. Doody, CPA*

Sacramento, California  
February 26, 2017

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Balance Sheets

December 31, 2016

(With Summarized Totals for 2015)

	2016			2015
	Operating Fund	Replacement Fund	Total	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 995,700	\$ 416,807	\$ 1,412,507	\$ 1,920,330
Assessments receivable	2,918	-	2,918	2,991
Accrued interest receivable	791	3,129	3,920	4,379
Prepaid expenses	7,830	-	7,830	8,510
Investments (Note 2)	677,000	1,305,000	1,982,000	1,220,000
Restricted assets for design review:				
Cash and cash equivalents	50,001	-	50,001	25,891
Investments	-	-	-	9,000
Property and equipment (Note 3)	2,975,928	-	2,975,928	3,021,872
Total Assets	\$ 4,710,168	\$ 1,724,936	\$ 6,435,104	\$ 6,212,973
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 19,193	\$ 239	\$ 19,432	\$ 48,389
Income taxes payable	133	-	133	3,166
Accrued wages and payroll taxes	10,067	-	10,067	5,577
Accrued vacation	28,607	-	28,607	22,972
Design review deposits	50,100	-	50,100	34,850
Dues collected in advance	1,134,160	-	1,134,160	1,126,275
Total Liabilities	1,242,260	239	1,242,499	1,241,229
Fund Balances	3,467,908	1,724,697	5,192,605	4,971,744
Total Liabilities and Fund Balances	\$ 4,710,168	\$ 1,724,936	\$ 6,435,104	\$ 6,212,973

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

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Statements of Revenues, Expenses, and  
Changes in Fund Balances  
December 31, 2016  
(With Summarized Totals for 2015)

	2016			2015
	Operating Fund	Replacement Fund	Total	Total
<b>Revenues</b>				
Member assessments	\$ 1,378,000	\$ 250,000	\$ 1,628,000	\$ 1,480,000
Member services	100,537	-	100,537	89,542
Vending machines	25,945	-	25,945	23,294
Transfer fees	24,250	-	24,250	15,000
Design review fees	22,650	-	22,650	15,550
Interest income	4,055	12,409	16,464	16,848
Gain (loss) on sale of asset	-	-	-	(1,744)
Newsletter advertising	9,000	-	9,000	10,000
Snack bar	4,998	-	4,998	3,696
Design review fines	2,000	-	2,000	1,350
Adult center activities	5,115	-	5,115	6,565
Finance and late charges	5,915	-	5,915	4,120
Other	7,816	1,250	9,066	3,690
<b>Total Revenues</b>	<u>1,590,281</u>	<u>263,659</u>	<u>1,853,940</u>	<u>1,667,911</u>
<b>Expenses</b>				
Pool and spa	163,123	-	163,123	149,255
Summer programs	91,206	-	91,206	89,159
Member services	93,935	-	93,935	84,595
General repairs and maintenance	472,954	-	472,954	453,229
Major repairs and replacements	-	-	-	1,589
Administration	561,860	-	561,860	536,198
Depreciation	232,562	-	232,562	232,024
Provision for income taxes	17,439	-	17,439	16,634
<b>Total Expenses</b>	<u>1,633,079</u>	<u>-</u>	<u>1,633,079</u>	<u>1,562,683</u>
Excess (Deficit) of Revenues over Expenses	(42,798)	263,659	220,861	105,228
Fund Balances, Beginning of Year	3,465,427	1,506,317	4,971,744	4,866,516
Capitalized assets funded by the Replacement Fund (Note 6)	145,279	(145,279)	-	-
Permanent transfer (Note 8)	(100,000)	100,000	-	-
<b>Fund Balances, End of Year</b>	<u>\$ 3,467,908</u>	<u>\$ 1,724,697</u>	<u>\$ 5,192,605</u>	<u>\$ 4,971,744</u>

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

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Statements of Cash Flows

For the Year Ended December 31, 2016

(With Summarized Totals for 2015)

	2016			2015
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Cash received from owners and others	\$ 1,609,435	\$ 251,250	\$ 1,860,685	\$ 1,808,197
Cash paid to suppliers and employees	(1,401,601)	239	(1,401,362)	(1,269,981)
Interest received	4,410	12,513	16,923	16,685
Income taxes paid	(20,341)	-	(20,341)	(12,576)
Net Cash Provided by Operating Activities	<u>191,903</u>	<u>264,002</u>	<u>455,905</u>	<u>542,325</u>
Cash Flows from Investing Activities:				
Purchases of property and equipment	(186,618)	-	(186,618)	(188,995)
Purchases of certificate of deposit	(677,000)	(675,000)	(1,352,000)	(345,000)
Proceeds from certificates of deposit	254,000	345,000	599,000	1,188,744
Net Cash Provided By (Used In) Investing Activities	<u>(609,618)</u>	<u>(330,000)</u>	<u>(939,618)</u>	<u>654,749</u>
Cash Flows from Financing Activities:				
Property and equipment funded by the Replacement Fund	145,279	(145,279)	-	-
Permanent transfer to Replacement Fund	(100,000)	100,000	-	-
Temporary borrowing	204	(204)	-	-
Net Cash Provided By (Used In) Financing Activities	<u>45,483</u>	<u>(45,483)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(372,232)	(111,481)	(483,713)	1,197,074
Cash, Beginning of Year	1,417,933	528,288	1,946,221	749,147
Cash, End of Year	<u>\$ 1,045,701</u>	<u>\$ 416,807</u>	<u>\$ 1,462,508</u>	<u>\$ 1,946,221</u>
Analysis of Cash:				
Cash and cash equivalents	\$ 995,700	\$ 416,807	\$ 1,412,507	\$ 1,920,330
Cash and cash equivalents-restricted	50,001	-	50,001	25,891
Total Cash and Cash Equivalents	<u>\$ 1,045,701</u>	<u>\$ 416,807</u>	<u>\$ 1,462,508</u>	<u>\$ 1,946,221</u>
Reconciliation of Revenue Over (Under) Expenses to				
Net Cash Provided by Operating Activities:				
Excess (Deficit) of Revenues over Expenses	\$ (42,798)	\$ 263,659	\$ 220,861	\$ 105,228
Adjustments:				
Depreciation	232,562	-	232,562	232,024
Change in assets other than cash and cash equivalents	1,108	104	1,212	4,437
Change in liabilities	1,031	239	1,270	200,636
Total Adjustments	<u>234,701</u>	<u>343</u>	<u>235,044</u>	<u>437,097</u>
Net Cash Provided by Operating Activities	<u>\$ 191,903</u>	<u>\$ 264,002</u>	<u>\$ 455,905</u>	<u>\$ 542,325</u>
Supplemental Disclosure				
Income taxes paid	<u>\$ 11,900</u>	<u>\$ -</u>	<u>\$ 11,900</u>	<u>\$ 6,800</u>

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

# NORTHSTAR PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements  
December 31, 2016 and 2015

## Note 1: **Organization and Summary of Significant Accounting Policies**

### A. **Organization**

Northstar Property Owners Association (the "Association") is an incorporated association of property owners at Northstar near Truckee, California, organized for the purpose of providing management, administration, maintenance, preservation, repair and operation of the recreational facilities, including tennis courts, pools, spas, recreation center buildings and certain common lands. The Association is supported by annual assessments of the 1,480 units comprising the membership of the Association which is located within the Northstar, California resort.

### B. **Date of Management Review**

In preparing the financial statements, the Association evaluated events and transactions for potential recognition or disclosure through February 26, 2017, the date the financial statements were available to be issued.

### C. **Financial Statement Presentation**

#### **Basis of Accounting**

The Association's policy is to prepare its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses when the related liability is incurred.

#### **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** - Used to account for financial resources available for the general operations of the Association and property and equipment.

**Replacement Fund** - Used to accumulate financial resources designated for future major repairs and replacements.



# NORTHSTAR PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements  
December 31, 2016 and 2015

Note 1: **Organization and Summary of Significant Accounting Policies** (continued)

## D. Capitalization Policy

Real property owned by the Association includes certain land and improvements turned over to the Association by the developer. This primarily includes parcels of land surrounding the recreation center and in the annexed subdivision, as well as buildings, tennis courts, and pool and spas. These items are not reported in the accompanying financial statements.

Subsequent improvements to Association-owned property and acquisition of personal property are capitalized at cost and depreciated using the straight-line method over estimated useful lives of 5 to 10 years for personal property and 15 to 39 years for real property improvements.

## E. Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments are billed annually. Assessments receivable at the balance sheet date represent fees due from owners.

## F. Assessments Receivable

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 retain a collection agency and/or legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The collection policy is explained in greater detail in the annual disclosure document. Because of the collection procedures available to the Board, subject to a reasonable allowance for uncollectible accounts, all assessments are deemed collectible.

## G Design Review Fees

The Association charges a fee to review all single-family home building plans, and a refundable deposit for compliance with construction guidelines. Fees previously accumulated in the design review deposit account may be used to offset charges incurred related to design review guidelines.

## H. Income Taxes

The Association is taxed on net income as a regular corporation. Member revenue can be offset to the extent of member expenses. In general, dues allocated for future major repairs and replacements can be set aside on a tax-free basis if applicable guidelines are followed.

## NORTHSTAR PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements  
December 31, 2016 and 2015

Note 1: **Organization and Summary of Significant Accounting Policies** (continued)

H. **Income Taxes** (continued)

Additionally, other amounts received by the Association, such as investment income, advertising, and certain vending income, are taxed net of related expenses for federal and state purposes.

I. **Interest Income**

Interest income is allocated to the Operating and Replacement Funds in proportion to the interest-bearing deposits of each fund.

J. **Statements of Cash Flows Information**

For purposes of the Statements of Cash Flows, the Association considers all short-term investments with a maturity date, from date of purchase, of three months or less to be cash equivalents.

K. **Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: **Investments**

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are classified into three tiers: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; Level 3, defined as unobservable inputs that reflect the entity's own assumptions. The Association measures fair value under Level 1.

Investments consist solely of certificates of deposit with stated rates ranging from .55% to 2.18% with maturities ranging from three months to five years. Because management intends and has the ability to hold the certificates until maturity, they are stated at cost which approximates market. Each certificate is insured up to \$250,000 by the Federal Deposit Insurance Corporation (the "FDIC"). None of the certificates acquired are above the \$250,000 threshold.

## NORTHSTAR PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements  
December 31, 2016 and 2015

Note 3: **Property and Equipment**

Property and equipment consist of the following:

	2016	2015
Facility improvements	\$ 3,517,195	\$ 3,383,788
Equipment	683,603	653,485
Buildings	1,904,871	1,900,180
Vehicle	32,110	32,110
Land improvements	241,499	223,098
	6,379,279	6,192,661
Less: accumulated depreciation	(3,403,351)	(3,170,789)
Net property and equipment	\$ 2,975,928	\$ 3,021,872

Depreciation expense for the years ended December 31, 2016 and 2015 was \$232,562 and \$232,024, respectively.

Note 4: **Income Taxes**

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the years ended December 31, 2016 and 2015. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership and nonmembership transactions.

For federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income in future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files Federal Form 1120, which has graduated effective tax rates of 15% to 39% that are applied to net taxable income.

For California state income tax purposes, the Association also is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses. Net nonmembership income is taxed at 8.84%.

The Association's federal and state income tax returns are generally subject to examination by taxing authorities for three years (four years for California) after the returns are filed, and the Association's federal and state income tax returns for 2013, 2014 and 2015 remain open to examination.

The provision for income taxes, based on nonmembership income is as follows:

	2016	2015
Federal	\$ 9,720	\$ 9,307
State	7,719	7,327
	\$ 17,439	\$ 16,634

## NORTHSTAR PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements  
December 31, 2016 and 2015

**Note 5: Concentration of Credit Risk**

At December 31, 2016, the Association had demand deposit accounts at financial institutions that exceeded the federally insured limits of \$250,000 per institution, in the aggregate amount of \$251,573. Management believes that the Association is not exposed to any significant credit risk related to cash.

**Note 6. Future Major Repairs and Replacements**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings and institutional brokerage accounts and generally are not available for expenditures for normal operations. At December 31, 2016, these funds aggregated approximately \$1,724,000.

An independent reserve specialist conducted a reserve study update for 2016 in order to estimate the remaining useful lives and the replacement costs of the components of common property. The Association is funding major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs, after considering amounts previously accumulated in the Replacement Fund. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. Should the ultimate amount of required expenditures exceed the amount of funds available, the Association is authorized to levy a special assessment against the homeowners, provided there is a 51% majority vote in favor of the special assessments from all voting members constituting a quorum.

Amounts expended from the Replacement Fund for the years ended December 31, 2016 and 2015 consist of the following:

	2016	2015
Pools and spas	\$ 30,964	\$ 32,473
Building improvements and facilities	35,513	79,752
Vehicle	--	--
Grounds	78,802	64,394
Total expended	145,279	176,619
Transferred to the Operating Fund and capitalized	(145,279)	(175,030)
Reported as expenses in the Replacement Fund	\$ --	\$ 1,589

**Note 7: Commitments**

The Association has various contracts for pool, janitorial and accounting services. Generally, these contracts are renewable and are subject to cancellation upon thirty days notice.

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Notes to Financial Statements  
December 31, 2016 and 2015

Note 8: **Permanent Transfer**

The Board authorized a permanent transfer of excess operating income from 2015 to the Replacement Fund in the amount of \$100,000.

**SUPPLEMENTARY INFORMATION**

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Schedules of Operating Expenses-Budget and Actual  
by Department

For the Year Ended December 31, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Schedule 1- Pool and Spa</u>			
Pool supplies	\$ 9,000	\$ 8,619	\$ 381
Pool repairs and maintenance	13,500	7,973	5,527
Spa supplies	9,000	8,619	381
Spa repairs and maintenance	9,500	11,406	(1,906)
Contract services	26,460	26,355	105
Utilities	82,500	100,151	(17,651)
Total Pool and Spa	<u>\$ 149,960</u>	<u>\$ 163,123</u>	<u>\$ (13,163)</u>
<u>Schedule 2 - Summer Programs</u>			
Tennis Pro contract	\$ 13,200	\$ 13,200	\$ -
Social activity wages	8,162	7,634	528
Swim instructor salaries	5,400	4,105	1,295
Lifeguard salaries	39,390	34,984	4,406
Tennis Host(ess) salary	14,000	11,627	2,373
Payroll taxes	7,294	6,842	452
Health and workmen's compensation insurance	3,588	3,588	-
Tennis supplies/repairs and maintenance	5,000	5,216	(216)
Swim program supplies	1,000	801	199
Other activities	3,500	3,209	291
Total Summer Programs	<u>\$ 100,534</u>	<u>\$ 91,206</u>	<u>\$ 9,328</u>

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

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Schedules of Operating Expenses-Budget and Actual

by Department

For the Year Ended December 31, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Schedule 3 - Member Services</u>			
Entry salaries	\$ 61,780	\$ 56,705	\$ 5,075
Payroll taxes	7,321	6,140	1,181
Retirement	2,400	797	1,603
Health and workmen's compensation insurance	19,362	19,358	4
Towels	6,500	8,592	(2,092)
Massage therapy expense	6,300	2,343	3,957
Total Member Services	<u>\$ 103,663</u>	<u>\$ 93,935</u>	<u>\$ 9,728</u>
 <u>Schedule 4 - General Repairs and Maintenance</u>			
Salaries - maintenance	\$ 229,394	\$ 230,194	\$ (800)
Payroll taxes	27,183	20,044	7,139
Retirement	15,448	15,412	36
Health and workmen's compensation insurance	48,762	48,758	4
Contract services	74,900	68,558	6,342
Water and sewer	44,000	40,075	3,925
Grounds keeping	8,000	7,804	196
Materials and supplies	12,000	11,727	273
Custodial supplies	9,000	8,890	110
Vending machines	4,500	2,952	1,548
Minor improvements	18,000	4,333	13,667
Furniture and equipment	12,000	3,302	8,698
Disposal fees	1,400	1,406	(6)
Equipment repairs	1,350	853	497
Snow removal	1,339	1,093	246
Equipment rental	750	95	655
Tennis court repairs	3,000	-	3,000
Parking lot expenses	4,500	4,435	65
Small tools and equipment	3,000	2,311	689
Signs	1,000	599	401
Game equipment	400	-	400
Travel and meetings	150	113	37
Total General Repairs and Maintenance	<u>\$ 520,076</u>	<u>\$ 472,954</u>	<u>\$ 47,122</u>

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



**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Schedules of Operating Expenses-Budget and Actual  
by Department

For the Year Ended December 31, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Schedule 5 - Administration</u>			
Salaries	\$ 253,339	\$ 268,010	\$ (14,671)
Retirement	23,835	23,655	180
Payroll taxes	30,020	21,721	8,299
Health and workmen's compensation insurance	35,190	14,703	20,487
General insurance	74,620	57,115	17,505
Contract services	52,047	42,204	9,843
Utilities-building	34,020	26,895	7,125
Fuel reduction program	10,000	8,879	1,121
Contingency	56,088	20,754	35,334
Travel and meetings	17,300	18,049	(749)
Telephone	6,000	6,861	(861)
Operating lease	3,500	3,783	(283)
Printing and publications	6,500	6,488	12
Seminars and conferences	3,000	2,025	975
Employee uniforms	5,000	4,839	161
Licenses, fees and permits	6,500	7,306	(806)
Employee relations	5,000	3,710	1,290
Truck repairs	5,000	4,796	204
Postage	7,000	6,902	98
Bad debts expense	3,000	-	3,000
Equipment repairs and maintenance	2,000	95	1,905
Office supplies and printing	3,500	3,857	(357)
Cable TV	2,100	2,801	(701)
Employee development and training	3,500	889	2,611
Employee advertising	750	799	(49)
Service agreements	1,800	2,307	(507)
Dues and subscriptions	3,000	2,131	869
Furniture and equipment	1,300	286	1,014
Total Administration	<u>\$ 654,909</u>	<u>\$ 561,860</u>	<u>\$ 93,049</u>
<u>Schedule 6 - Income Taxes</u>			
Federal income tax	\$ 5,600	\$ 9,720	\$ (4,120)
State income tax	3,000	7,719	(4,719)
Total Income Taxes	<u>\$ 8,600</u>	<u>\$ 17,439</u>	<u>\$ (8,839)</u>

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

## **NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Required Supplementary Information on Future Major  
Repairs and Replacements  
December 31, 2016  
(Unaudited - See Independent Auditor's Report)

In accordance with California Civil Code §5500(a), every three years the Association is required to conduct a comprehensive replacement study of the accessible areas of the major components the Association is obligated to repair, replace, restore, or maintain. In the intervening years, the comprehensive study is required to be updated. In 2016, Hughes Reserve, an independent reserve specialist, conducted an update to the comprehensive replacement study. The update is effective for the 2017 year. The study included estimating the remaining useful lives and the replacement costs of those components of common area identified during a visual inspection of the property. The estimates were based on future estimated replacement costs. The determination of current and future funding requirements includes a compounded annual inflation rate of 3 percent on common area components and interest earnings of .5 percent before tax on amounts invested for future major repairs and replacements.

It should be noted that the reserve study does not contemplate the costs of total reconstruction or redevelopment of the common property at a given point in time. Rather, the focus of the study is on major repairs and replacements of common area components over a thirty-year horizon

The table on the following page presents consolidated information on the major components of common property that the Association is responsible for maintaining and is based on the study. The detailed study is available at the Association office.

**NORTHSTAR PROPERTY OWNERS ASSOCIATION**

Schedule of Supplementary Information on Future Major Repairs  
and Replacements (Compiled)  
As of December 31, 2016

<u>Cost Center/Components</u>	Estimated Current Replacement Cost	Estimated Useful Life (Yrs.)	Estimated Remaining Useful Life (Yrs.)	2017 Annual Contribution
<u>General Common</u>				
Buildings	\$ 565,003	5-30	0-19	\$ 59,972
Grounds	822,225	5-35	0-24	88,385
Pools and spas	698,829	3-30	0-12	62,268
Tennis center	396,300	6-25	0-23	39,375
Total	<u>\$ 2,482,357</u>			<u>\$ 250,000</u>