

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

Truckee, California

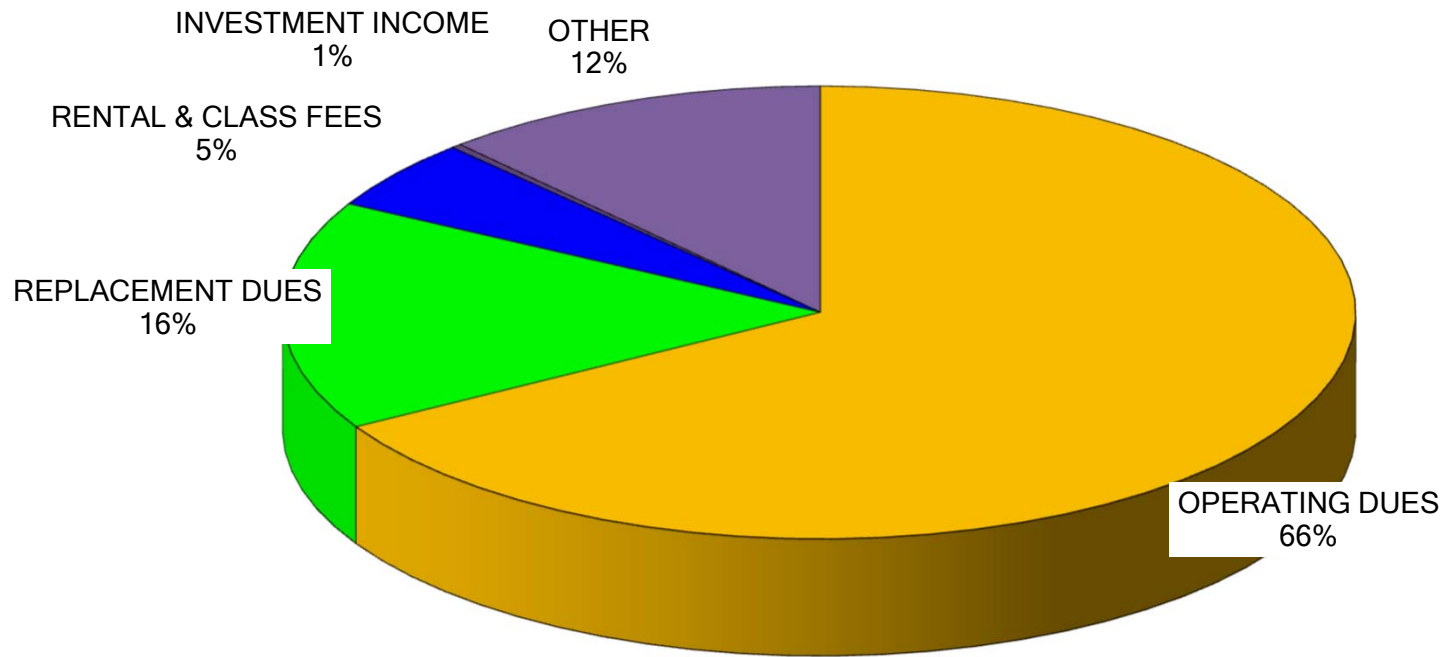
FINANCIAL STATEMENTS

AND

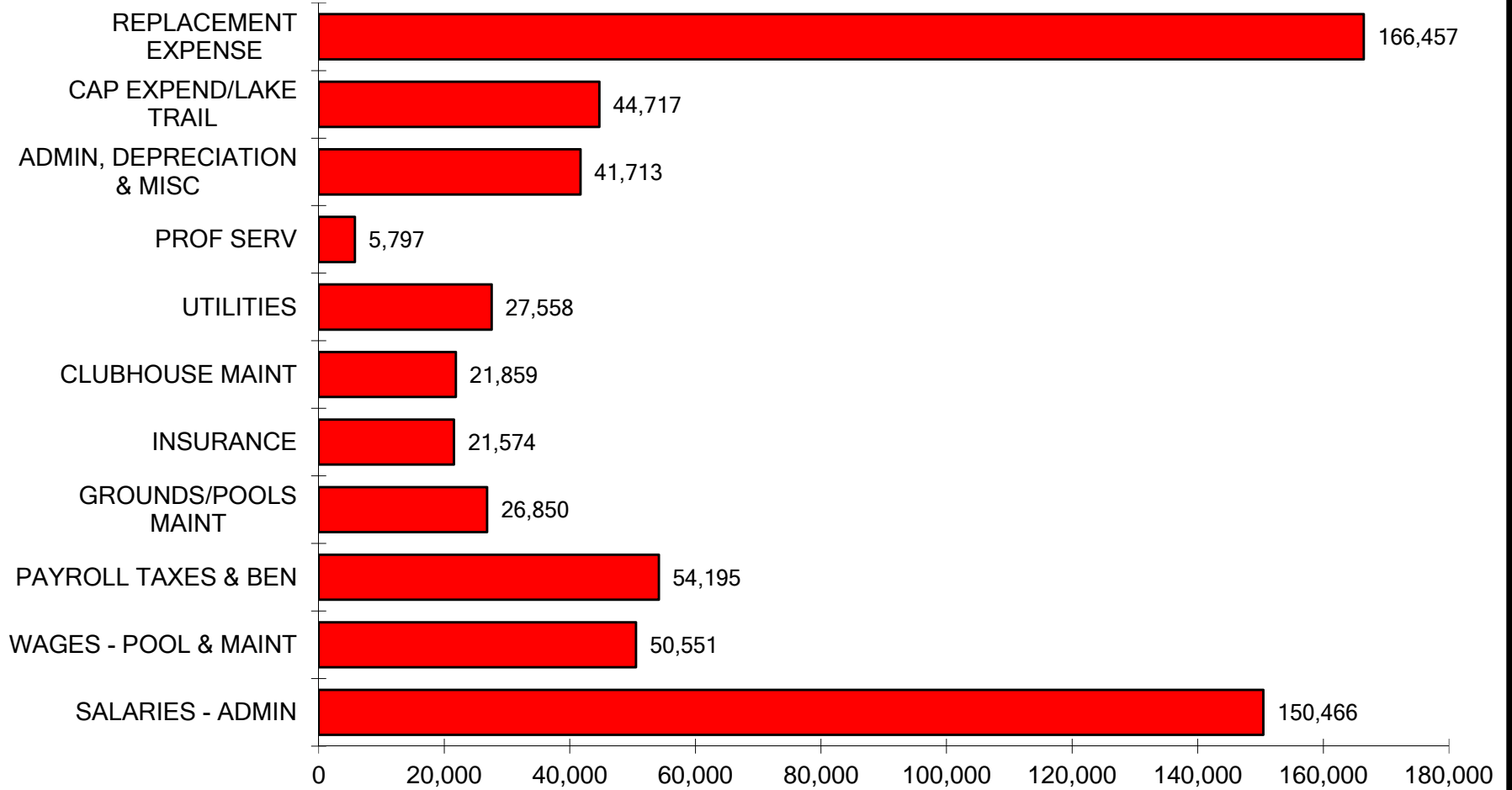
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 31, 2017 and 2016

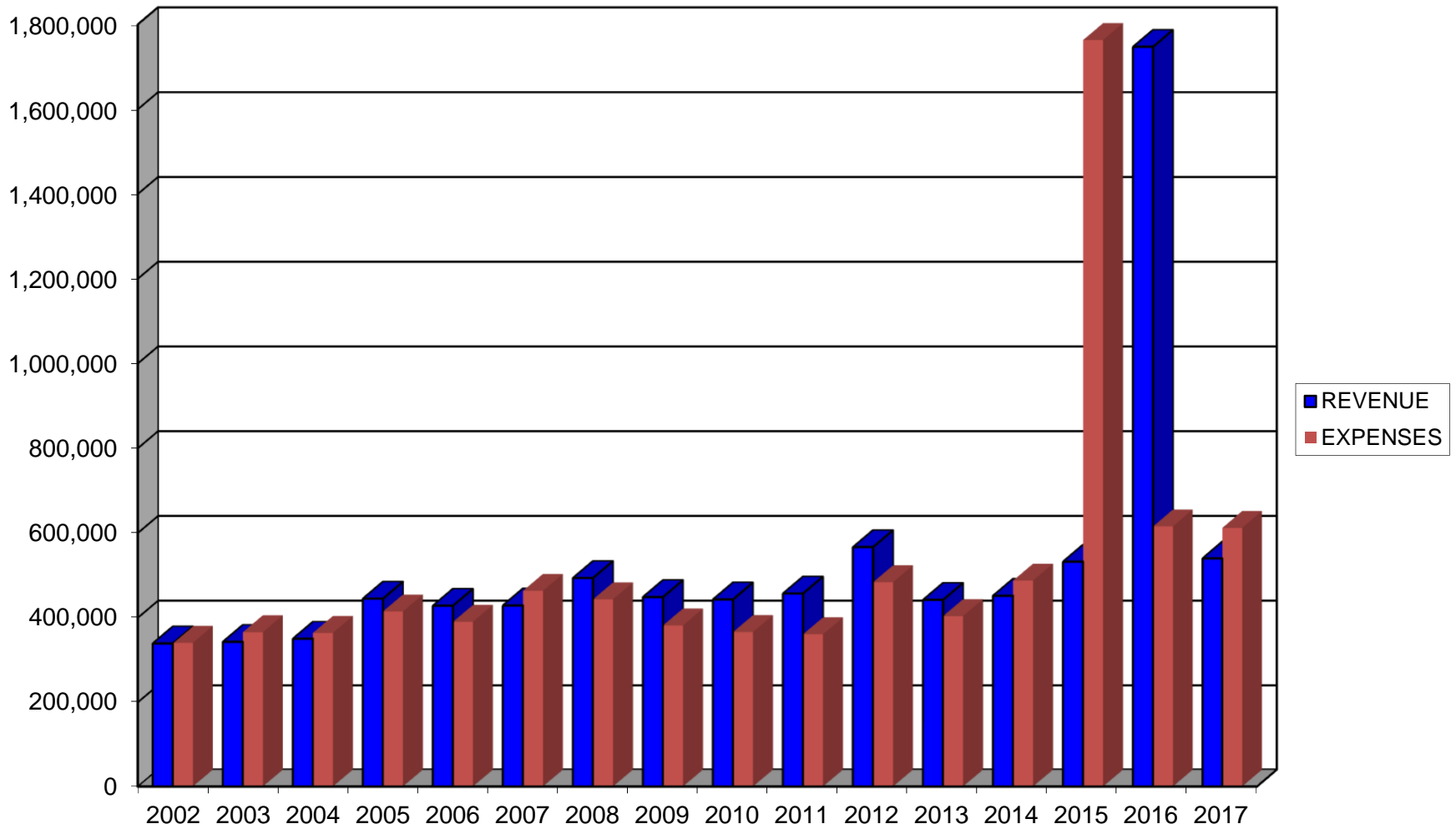
GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION  
2017 TOTAL REVENUE \$539,787 (\$1,747,133 in prior year)



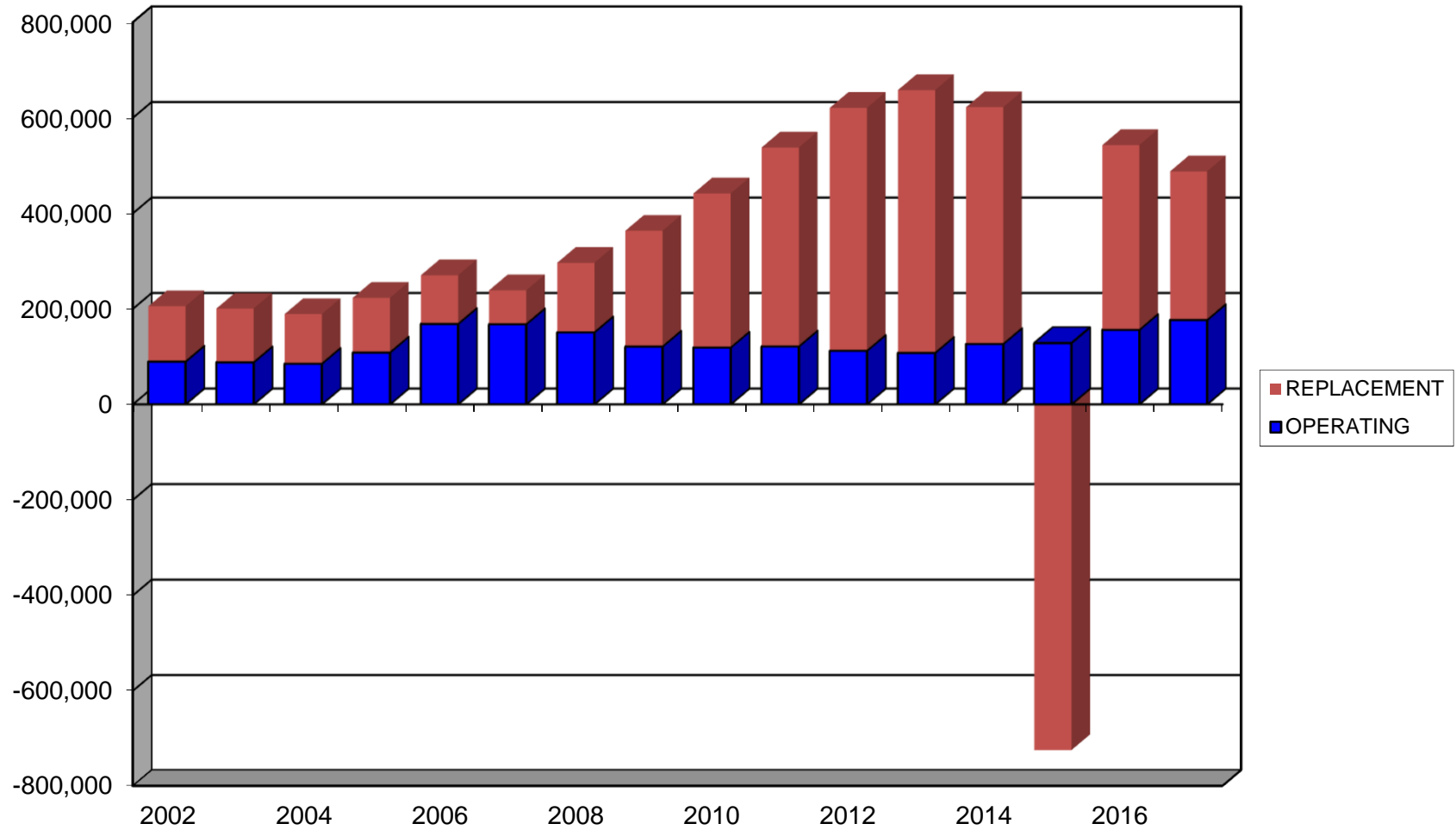
**GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION  
2017 EXPENSES \$611,737 (\$615,291 in prior year)**



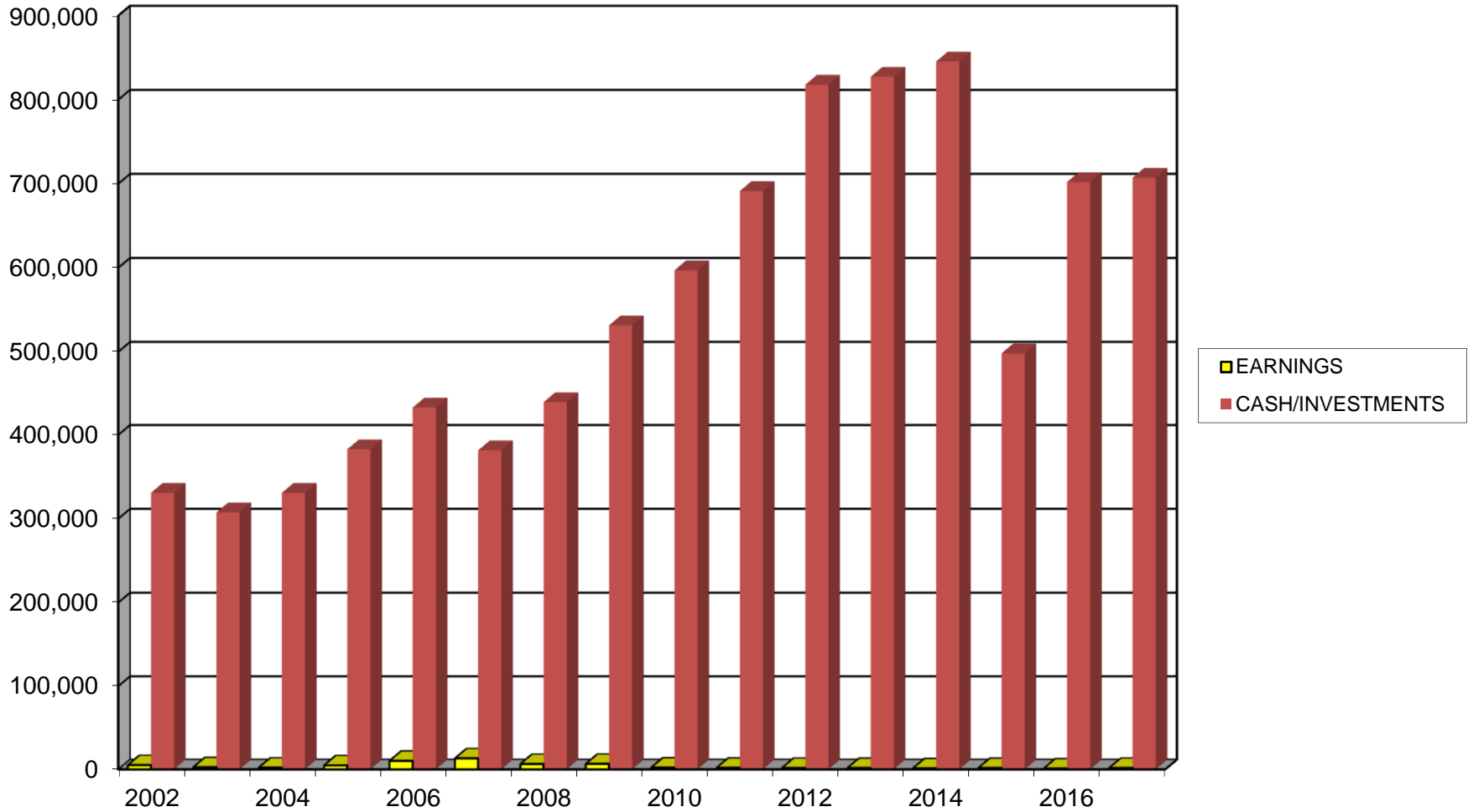
### GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION REVENUE AND EXPENSES - ALL FUNDS



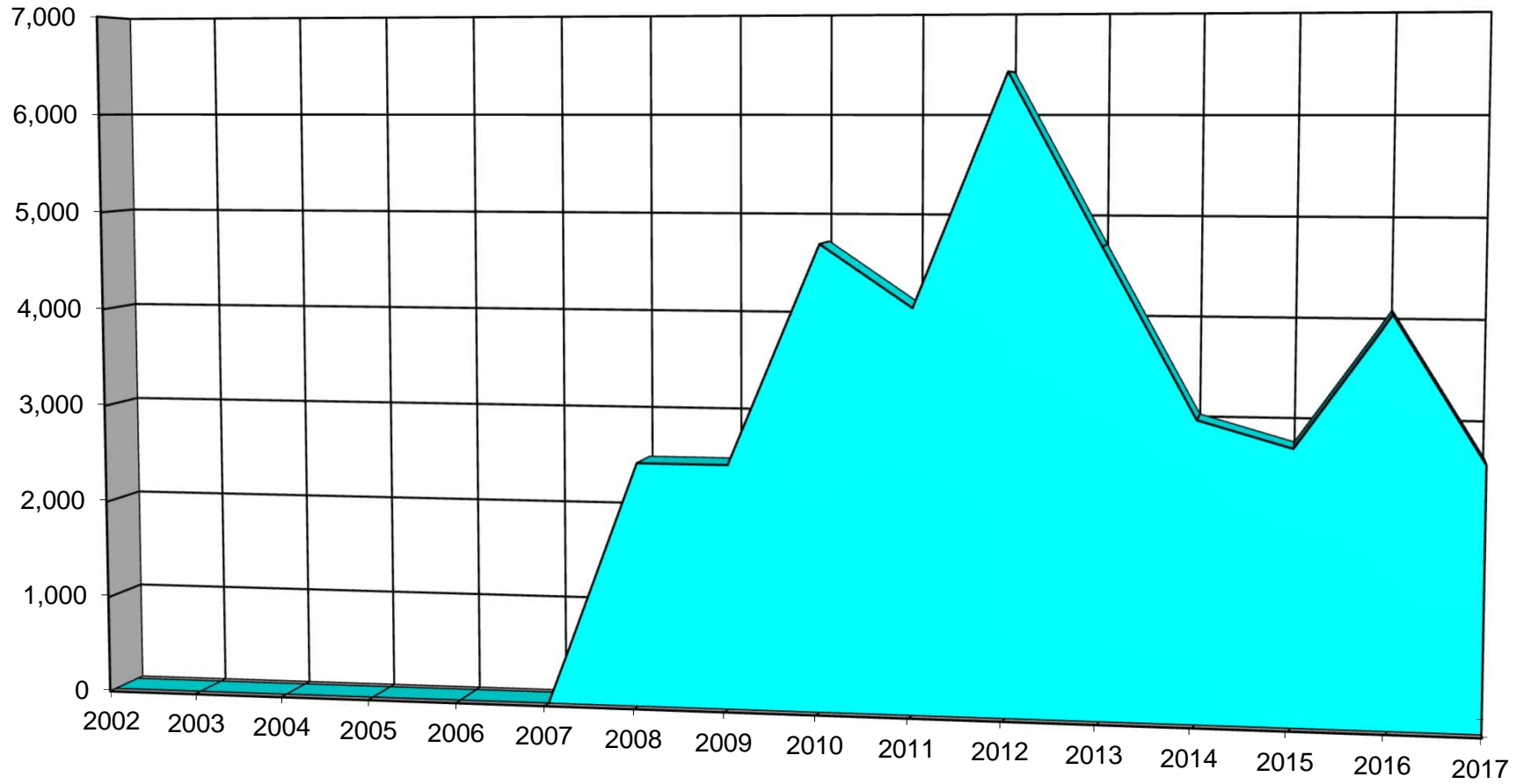
### GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION MEMBERS' EQUITY



### GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION EARNINGS AND CASH/INVESTMENTS



**GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION  
ALLOWANCE FOR DELINQUENT MEMBER ACCOUNTS**



GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

TABLE OF CONTENTS

		Page
	INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1-2
Exhibit A	BALANCE SHEETS	3
Exhibit B	STATEMENTS OF OPERATING REVENUE, EXPENSES AND CHANGES IN FUND BALANCE	4
Exhibit C	STATEMENTS OF REPLACEMENT REVENUE, EXPENSES AND CHANGES IN FUND BALANCE	5
Exhibit D	STATEMENTS OF CASH FLOWS	6
	NOTES TO FINANCIAL STATEMENTS	7-11
Schedule 1	REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS	12



# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors  
Glenshire/Devonshire Residents Association, Inc.

We have reviewed the accompanying financial statements of Glenshire/Devonshire Residents Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of operating revenue, expenses and changes in fund balance, replacement revenue, expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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.

### **Association'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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement whether due to fraud or error.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. 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 a reasonable basis for our conclusion.

### **Accountants' 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 accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on Future Major Repairs and Replacements on page 12 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. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, we do not express an opinion or provide any assurance on such required supplementary information.

### **Summarized Comparative Information**

We previously reviewed Glenshire/Devonshire Residents Association, Inc.'s 2016 financial statements and in our conclusion dated March 1, 2017, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
February 28, 2018

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

Exhibit A

BALANCE SHEETS

December 31, 2017 (with comparative totals for 2016)

(See Independent Accountants' Review Report)

	2017			2016
	Operating Fund	Replacement Fund	Total	Total
<b>ASSETS</b>				
Cash and equivalents including certificates of deposit, including \$53,311 and \$54,499 held as security deposits in 2017 and 2016 (Note 5)	\$ 444,149	\$ -0-	\$ 444,149	\$ 310,937
Cash equivalents including certificates of deposit, designated for future major repairs and replacements (Note 6)	-0-	262,922	262,922	390,913
Dues receivable, less allowance for doubtful accounts of \$1,452 in 2017 and \$2,124 in 2016	296,572	-0-	296,572	278,036
Special assessment receivable, less allowance for doubtful accounts of \$1,197 in 2017 and \$1,964 in 2016	-0-	348,031	348,031	489,346
Due (to) / from other funds (Note 8)	(17,362)	17,362	-0-	-0-
Prepaid expenses and other assets, net	17,065	6,395	23,460	11,313
	<u>740,424</u>	<u>634,710</u>	<u>1,375,134</u>	<u>1,480,545</u>
Property and equipment	93,927	-0-	93,927	85,394
Less: accumulated depreciation	(55,985)	-0-	(55,985)	(56,782)
Net property and equipment	<u>37,942</u>	<u>-0-</u>	<u>37,942</u>	<u>28,612</u>
Total Assets	<u>\$ 778,366</u>	<u>\$ 634,710</u>	<u>\$ 1,413,076</u>	<u>\$ 1,509,157</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 11,055	\$ 1,322	\$ 12,377	\$ 16,681
Accrued liabilities	33,758	-0-	33,758	27,063
Note payable (Note 9)	-0-	322,293	322,293	422,530
Design review committee and other deposits (Note 5)	52,220	-0-	52,220	50,845
Deferred income	504,680	-0-	504,680	449,208
Total Liabilities	<u>601,713</u>	<u>323,615</u>	<u>925,328</u>	<u>966,327</u>
<b>Fund Balances</b>				
Operating fund	176,653	-0-	176,653	156,070
Replacement fund	-0-	311,095	311,095	386,760
Total Fund Balances	<u>176,653</u>	<u>311,095</u>	<u>487,748</u>	<u>542,830</u>
Total Liabilities and Fund Balances	<u>\$ 778,366</u>	<u>\$ 634,710</u>	<u>\$ 1,413,076</u>	<u>\$ 1,509,157</u>

STATEMENTS OF OPERATING REVENUE, EXPENSES  
AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2017 and 2016

(See Independent Accountants' Review Report)

	2017	2016
Revenue		
Members' dues	\$ 447,810	\$ 447,810
Less: dues allocated to replacement fund	(88,500)	(110,000)
	<u>359,310</u>	<u>337,810</u>
Design review committee fees	3,450	4,450
Transfer fees	18,250	18,500
Late charges	4,603	4,766
Rental and class fees	27,141	27,060
Concessions sales, net of costs of goods sold of \$3,856 and \$3,467 in 2017 and 2016	986	735
Interest income	455	326
Non-compliance fees	900	600
Miscellaneous revenue	33,900	41,546
	<u>448,995</u>	<u>435,793</u>
Expenses		
Salaries - admin/pool/maintenance	201,017	201,100
Benefits, payroll taxes and workers compensation	54,195	53,055
Grounds/pools maintenance and supplies	26,850	25,755
Insurance	21,574	22,698
Clubhouse maintenance and supplies	21,859	17,768
Utilities	27,558	28,097
Professional services	5,797	12,911
Administrative services and supplies	26,790	27,065
Miscellaneous	3,377	1,908
Capital expenditures	44,717	17,071
Bad debt expense	1,043	(565)
Depreciation expense	10,126	8,493
Provision (benefit) for income taxes (Note 4)	377	(47)
	<u>445,280</u>	<u>415,309</u>
Revenue Over Expenses	3,715	20,484
Equity transfer - capitalized equipment	16,868	7,319
Fund Balance, Beginning of Year	156,070	128,267
Fund Balance, End of Year	<u>\$ 176,653</u>	<u>\$ 156,070</u>

The accompanying notes are an integral part of these statements.

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

Exhibit C

STATEMENTS OF REPLACEMENT REVENUE,  
EXPENSES AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2017 and 2016

(See Independent Accountants' Review Report)

	<u>2017</u>	<u>2016</u>
Revenue		
Members' dues	\$ 88,500	\$ 110,000
Special assessment, net of \$66,641 discount in 2016	-0-	1,199,440
Late charges	1,080	1,253
Interest income	1,212	647
	<u>90,792</u>	<u>1,311,340</u>
Expenses		
Interest	17,806	20,053
Replacement fund expenses (Note 7)	148,651	179,930
	<u>166,457</u>	<u>199,982</u>
Revenue Over (Under) Expenses	(75,665)	1,111,358
Fund Balance, Beginning of Year	<u>386,760</u>	<u>(724,598)</u>
Fund Balance, End of Year	<u>\$ 311,095</u>	<u>\$ 386,760</u>

The accompanying notes are an integral part of these statements.

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

Exhibit D

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2017 (with comparative totals for 2016)

(See Independent Accountants' Review Report)

	2017			2016
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Revenue Over (Under) Expenses	\$ 3,715	\$ (75,665)	\$ (71,950)	\$ 1,131,842
Adjustments:				
Capitalized replacement fund expenditures	16,868	-0-	16,868	7,319
Depreciation	10,126	-0-	10,126	8,493
Gain on disposal of property	(355)	-0-	(355)	-0-
Bad debt expense	1,043	(171)	872	-0-
Change in due (to) / from other funds	91,249	(91,249)	-0-	-0-
Change in assets other than cash and property & equipment	(33,983)	143,744	109,761	(464,611)
Change in payables and other liabilities	63,649	(4,413)	59,236	(447,719)
Total adjustments	148,597	47,911	196,508	(896,518)
Net Cash Provided (Used) by Operating Activities	152,312	(27,754)	124,558	235,324
Cash Flows from Investing Activities:				
Acquisition of equipment	(19,100)	-0-	(19,100)	(12,264)
Net Cash Used for Investing Activities	(19,100)	-0-	(19,100)	(12,264)
Cash Flows from Financing Activities:				
Retirement of note payable	-0-	(100,237)	(100,237)	(702,468)
Issuance of note payable	-0-	-0-	-0-	683,182
Net Cash Used by Financing Activities	-0-	(100,237)	(100,237)	(19,286)
Net Increase (Decrease) in Cash and Equivalents	133,212	(127,991)	5,221	203,774
Cash and equivalents - Beginning of Year	310,937	390,913	701,850	498,076
Cash and equivalents - End of Year	\$ 444,149	\$ 262,922	\$ 707,071	\$ 701,850
Supplementary Cash Flow Information:				
Income taxes paid	\$ 300	\$ -0-	\$ 300	\$ 300
Interest paid	\$ -0-	\$ 18,217	\$ 18,217	\$ 18,318

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(See Independent Accountants' Review Report)

1. Form and Nature of Organization

Glenshire/Devonshire Residents Association, Inc. is a non-stock, non-profit corporation organized in February 1969 under the laws of the State of California. The Association is a homeowners association supported by annual assessments of the 1,357 lots within the Glenshire/Devonshire subdivisions in Truckee, California. The Association was organized to provide the management services and maintenance of certain common use areas within the subdivision. The Association derives a significant portion of its revenue from dues assessments that are levied annually against each lot within the development.

2. Summary of Significant Accounting Policies

A. The Association's governing documents provide certain guidelines for controlling its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts on the fund accounting basis. 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.

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

B. Real property and other common property acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. This property includes tennis courts, swimming pool, clubhouse and approximately 200 acres of common land. The Association capitalizes personal property at cost and depreciates it using the straight-line method over its estimated useful life of 3 to 15 years.

C. Deferred income represents dues billed in the current period applicable to the following period.

D. Association members are subject to annual dues to provide funds for the Association's operating expenses and major repairs and replacements. Dues receivable at the balance sheet date represents fees due from property owners. The Association's policy includes, among other things, assessing a late charge on delinquent payments and placing liens on the property of homeowners whose assessments are delinquent, with the right to proceed with non-judicial foreclosure proceedings if necessary. An allowance for doubtful accounts is created when an account's collectability is uncertain. Accounts are written off when the Association

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(See Independent Accountants' Review Report)

is notified that it is a bad debt, such as after a bankruptcy or foreclosure proceedings. Fine income is recognized as revenue when collected due to the uncertainty surrounding the collection of those amounts.

- E. Interest earned on replacement fund investments is recorded as income in that fund. Any related income tax is recorded as an expense of the operating fund.
- F. The Association has elected to be taxed on net operating income as a regular corporation. However, certain elections are made to substantially reduce or eliminate income taxes on net member income. In general, dues allocated for future major repairs and replacements can be set-aside on a tax-free basis if applicable guidelines are followed. Additionally, all other amounts received by the Association, such as bank interest income, are taxed, net of related expenses, for federal and state purposes. The Association's three previous federal tax returns and four previous state tax returns are available for examination by the taxing authorities.
- G. For purposes of the Statements of Cash Flows, cash and cash equivalents are defined as all cash in checking and money market accounts and short-term (six months or less) or highly liquid certificates of deposit.
- H. The carrying amounts of financial instruments, including cash, certificates of deposit, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.
- I. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- J. The certificate of deposit held is classified as held-to-maturity investments as the Association's management has no intention to sell investments before their maturity date. The investments are valued at their amortized cost basis, which approximates their fair value due to the short term maturities of these instruments (which is one year or less).

3. Concentration of Credit Risk

The Association maintains demand and certificate of deposit accounts at various local banks. The aggregate balance of these accounts exceeded the federally insured limits by \$41,087 and \$-0- at December 31, 2017 and 2016, respectively. Amounts exceeding the



GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(See Independent Accountants' Review Report)

federally insured limits were transferred to the Association's money market mutual fund holdings account in January of 2018.

The Association invests a portion of its cash in a money market mutual fund that holds primarily commercial paper, certificates of deposit, and U.S. government backed securities. Money market mutual fund holdings are not federally insured but are subject to SIPC insurance.

Financial instruments that potentially subject the Association to credit risk consist principally of members' dues receivable. Dues receivable at December 31, 2017 and 2016 were primarily from members who live in the Glenshire/Devonshire subdivision or whose primary residence is within the State of California.

4. Income Taxes

The provision (benefit) for income taxes is as follows:

	2017	2016
Federal	\$ -0-	\$ -0-
State	377	(47)
	<u>\$ 377</u>	<u>\$ (47)</u>

Certain projects undertaken in 2016 and previous years were eligible for a federal disabled access tax credit. The expenditures for these projects are subject to maximum annual limits. As of December 31, 2017, and 2016, approximately \$13,077 and \$13,416, respectively of cumulative unused tax credits are available for use in future years to offset federal tax expense, subject to expiration if not used within certain time frames.

5. Design Review Committee Deposits

Members are required to advance security deposits for construction and pay a fee to the Association to ensure that construction is completed in accordance with the guidelines established by the Association's Design Review Committee. The security deposits are refundable upon satisfactory completion of construction. In addition, the Association retains deposits for clubhouse rentals.

6. Future Major Repairs and Replacements of Common Area

The Association's CC&Rs provide for the Association to assess members for the acquisition, improvement and maintenance of common properties, primarily the clubhouse, tennis courts, swimming pool and surrounding parking area.

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(See Independent Accountants' Review Report)

The amount of dues allocated to the replacement fund is based on a reserve study prepared by management and approved by the Board of Directors. The Association's policy is to fund for replacements over the estimated lives of the respective assets. Actual replacement costs and timing may vary from these estimates and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular dues or levy special assessments. It may also delay major repairs and replacements until funds are available.

7. Replacement Fund Expenses

Replacement fund expenses for the year ending December 31, 2017 and 2016 are as follows:

	2017	2016
Pool project	\$ -0-	\$ 170,209
Pool furniture	14,624	-0-
N.E. Deck replacement	28,879	-0-
Tennis court	96,800	-0-
Office computers	2,243	-0-
Snow blower	-0-	3,684
Stove	-0-	1,543
Desks	-0-	2,092
Other	6,105	2,402
	\$ 148,651	\$ 179,930

8. Interfund Activity

The Association maintains an operating fund and replacement fund. At various times during the year, there is a receivable/(payable) between the funds. At December 31, 2017, the operating fund owed the replacement fund \$17,362. At December 31, 2016, the replacement fund owed the operating fund \$73,887.

During 2016, the Board approved a loan of \$100,000 from the operating fund to the reserve fund. The loan balance was repaid in 2017.

9. Note Payable

In October of 2015, the Association entered into a secured agreement with a bank to fund a pool repair and renovation project which began in 2015. Borrowed funds could not

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(See Independent Accountants' Review Report)

exceed \$1,125,000 and were available to be drawn as a non-revolving line of credit for nine months. In September of 2016, the non-revolving line of credit was converted to a loan for \$447,070 at an interest rate of 4.765% and fully amortizing monthly payments of \$9,871. The loan is to be paid in full no later than November 1, 2020. The note is secured by the assets and future assessments of the Association and is subject to various routine covenants.

Future principal payments are as follows:

2018	\$	105,388
2019		110,521
2020		106,384
		<u>322,293</u>

10. Commitment

During 2017, the Association entered into agreement for replacement of the North East deck and reconstruction of the tennis court. As of December 31, 2017, \$13,369 and \$29,915 remains to be expended on these contracts, respectively.

11. Special Assessment

In September of 2015, the Board approved an emergency special assessment of \$1,265,961 to fund the pool repair and renovation project. The assessment is \$933 per lot to be paid over five years in equal installments of \$187 beginning in 2016. An early one-time payment option was available for \$830 and required to be paid by March 1, 2016. The special assessment was fully recognized in 2016.

12. Subsequent Events

Subsequent events have been evaluated by management through February 28, 2018, the date that the statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS

December 31, 2017

(Unaudited)

(See Independent Accountants' Review Report)

The Association obtained a study in 2017 to estimate the remaining useful lives, the lives after replacement and the replacement costs of the components of common property. The estimates were based on management's and contractors' estimates and historical costs. Estimate replacement costs have been adjusted to reflect a 2.5% inflation factor between the date of the study and the date that the components will require repair and replacement

The Association does not designate the balance in the replacement fund by component. The total cash available for major repairs and replacements is \$262,922 at December 31, 2017. The 2018 budget includes \$90,538 of dues to be allocated to the replacement fund.

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

Component	Remaining Life (Years)	Life After Replacement (Years)	Current Replacement Cost
Paving	2-8	6-25	\$ 89,374
Concrete	2-29	5-30	74,762
Structural repairs	1-29	3-30	135,313
Decking/balconies	0-36	40	188,484
Roofing	6-24	10-30	78,874
Rehab	2-24	15-25	34,712
Pool	3-39	5-40	178,889
Tennis court	0-1	7-21	88,222
Basketball/sport court	9	15	1,538
Landscaping	0-9	2-20	25,625
Lakes/ponds	2	30	3,587
Fencing	0-29	18-30	78,060
Lighting	7-14	15	1,717
Signage	3-7	15	15,480
Office equipment	0-5	4-10	20,456
Mechanical equipment	5	10-15	15,580
Furnishings	2-19	5-20	16,552
Audio/visual	4	10	1,230
Flooring	2-19	12-22	41,296
Wallcoverings	24	25	1,406
Outdoor equipment	0-19	5-25	62,092
Appliances	3-11	10-12	7,515
Infrastructure	28	30	5,125
Miscellaneous	3-9	10-15	15,659
			<u>\$ 1,181,548</u>