

PINNE MOUNTAIN LAKE ASSOCIATION

2018 ANNUAL REPORT

**AUDIT REPORT, FINANCIAL STATEMENTS,
AND SUPPLEMENTAL INFORMATION**

December 31, 2018

PORTER & LASIEWICZ
Certified Public Accountants

MESSAGE FROM THE BOARD PRESIDENT

TO OUR PROPERTY OWNERS,

The accompanying financial statements fairly reflect the Association's financial position, results from operations, changes in members' equity, and cash flows for the year ended December 31, 2018. Our independent auditors, Porter & Lasiewicz, CPAs, have issued an unqualified opinion for the 2018 financial statements. The Association has consistently received this "clean bill of health" opinion from our auditors for several years.

The following information summarizes the Association's financial results for 2018. Net sales based revenue for the year decreased by 13.3% compared to 2017, while service revenue also decreased by 9.0%. During 2018 the Association purchased \$488K of new and replacement assets and spent \$1,256K on other infrastructure Reserve fund related items. The net Operating

financial results for the year were favorable compared to budget by \$287K due to savings in Personnel Costs, as well as several other expense categories.

During 2018 the assessment contribution to our Reserve fund increased by \$65K to \$1.965M. The continued increase in allocation is critical to maintaining this important aspect of our financial operations. Improved levels in this fund are critical to our long term needs for the repair and replacement of the Association's amenities and infrastructure. This reflects your Board's on-going commitment to ensure adequate funding of these Reserves. Several significant projects, including completion of the Grill remodel, the semi-annual roads refurbishment, acquisition of new golf carts as well as continuing efforts to mitigate the effects of last year's March storm will be undertaken in 2019. As a result our continued commitment and increased

contribution to the Reserve fund is critical to our future financial health.

Several Reserve items were completed during 2017 including the completion of the new barn at the Stables, replacement of some golf course maintenance items and several rental boats for use at the Marina. In addition a good start was made on the Country Club remodel project. By completing these projects that enhance our community, we continue to work on our commitment to provide our property owners with up-to-date and outstanding amenities.

Our Balance Sheet continues to reflect the positive direction of the economy with overall cash increasing by over \$364K over the 2017 balance. Overall the Association's financial condition continues to be strong and moving in a positive direction. The Board and Management team continue to monitor this performance to ensure we

remain on solid ground.

Please take the time to review the attached annual report on the Association's overall financial health. It can be quite informative and is an important aspect of the Board's communication with all of the property owners of PMLA.

Your Board, the management team and staff continue to strive to provide the highest level of member service that you have all come to expect and deserve while at the same time ensuring fiscal responsibility and stability for both the short and long term future of the Association. Let's all continue to work together to make 2019 another great year.

Sincerely,

Mike Gustafson
Mike Gustafson
Board President

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members
Pine Mountain Lake Association
Groveland, CA

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pine Mountain Lake Association, a non-profit corporation, which comprise the balance sheet as of December 31, 2018, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures

to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Mountain Lake Association as of December 31, 2018, 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.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited Pine Mountain Lake Association's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited

financial statements in our report dated February 23, 2018. The December 31, 2018 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, 2017, from which the summarized information was derived.

REPORT ON SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Schedule of Operating Revenues and Expenses on page 12 is presented 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DISCLAIMER OF OPINION ON REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the supplementary information regarding replacement fund balances on page 13 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.

Porter & Lasiewicz, CPAs
February 11, 2019
Simi Valley, California

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2
BALANCE SHEET	3
STATEMENT OF REVENUES AND EXPENSES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	4-8
SUMMARY STATEMENT OF OPERATING FUND REVENUES AND EXPENSES	7
SUPPLEMENTARY INFORMATION ON REPLACEMENT COSTS	8

Pine Mountain Lake Association

Balance Sheet

As of December, 31, 2018

With Comparative Totals for 2017

	2018			Total	2017 Totals For Comparative Purposes Only
	Operating Fund	Replacement Fund	New Capital Additions Fund		
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 811,324	\$ 1,930,304	\$ 147,288	\$ 2,888,916	\$ 5,038,529
Investments	500,000	2,014,225	-	2,514,225	-
Accounts Receivable, Net	146,336	-	-	146,336	26,878
Inventories	126,137	-	-	126,137	140,392
Prepaid Expense	158,628	-	-	158,628	187,730
Other Assets	315,205	-	-	315,205	293,762
Property and Equipment, Net	6,541,018	-	-	6,541,018	6,750,613
Due To / From Other Fund	68	(68)	-	-	-
Total Assets	\$ 8,598,716	\$ 3,944,461	\$ 147,288	\$ 12,690,465	\$ 12,437,904
<u>LIABILITIES and FUND BALANCES</u>					
Accounts Payable	\$ 125,723	\$ 29,275	\$ -	\$ 154,998	\$ 165,501
Accrued Payroll and Related Expense	341,246	-	-	341,246	345,543
Deposits	94,065	-	-	94,065	87,347
Income Taxes Payable	-	-	-	-	1,798
Deferred Revenue	1,069,383	-	-	1,069,383	1,037,147
Other Liabilities	118,146	-	-	118,146	73,904
Total Liabilities	1,748,563	29,275	-	1,777,838	1,711,240
Fund Balances					
Fund Balances Undesignated	309,135	3,915,186	147,288	4,371,609	3,976,051
Designated for Property and Equipment	6,541,018	-	-	6,541,018	6,750,613
Fund Balances	6,850,153	3,915,186	147,288	10,912,627	10,726,664
Total Liabilities and Fund Balances	\$ 8,598,716	\$ 3,944,461	\$ 147,288	\$ 12,690,465	\$ 12,437,904

*See Auditor's Report
The Notes to Financial Statements Are An Integral Part of This Statement*

Pine Mountain Lake Association

Statement of Revenues and Expenses and Changes in Fund Balances

For the Year Ended December 31, 2018

With Comparative Totals for 2017

	2018				2017 Totals For Comparative Purposes Only
	Operating Fund	Replacement Fund	New Capital Additions Fund	Total	
REVENUES					
Assessments	\$ 5,584,662	\$ 1,965,000	\$ 93,288	\$ 7,642,950	\$ 7,177,959
User Fees	1,568,915	-	-	1,568,915	1,574,666
Sales, Less Cost of Sales	863,758	-	-	863,758	996,166
Administration Fees	187,290	-	-	187,290	177,158
Interest Income	7,905	24,051	24	31,980	6,598
Other Income	51,631	76	-	51,707	245,753
Total Revenues	<u>8,264,161</u>	<u>1,989,127</u>	<u>93,312</u>	<u>10,346,600</u>	<u>10,178,300</u>
EXPENSES					
Salaries and Benefits	5,431,245	-	-	5,431,245	5,253,148
Utilities	448,343	-	-	448,343	399,652
Insurance	265,251	-	-	265,251	233,087
Professional Services	162,060	-	-	162,060	137,656
Administrative Services	699,651	-	-	699,651	918,729
Repairs and Maintenance	29,196	1,255,507	-	1,284,703	249,804
Operating Supplies	600,882	-	-	600,882	572,229
Services and Contracts	452,637	-	-	452,637	424,361
Property Tax Expense	25,915	-	-	25,915	27,166
Bad Debt Provision	48,000	-	-	48,000	54,000
Annual Prepay Discount	53,000	-	-	53,000	54,800
Income Tax Provision	3,353	-	-	3,353	4,612
Total Expenses	<u>8,219,533</u>	<u>1,255,507</u>	<u>-</u>	<u>9,475,040</u>	<u>8,329,244</u>
Excess of Revenues Over Expenses					
Before Depreciation	44,628	733,620	93,312	871,560	1,849,056
Depreciation Expense	<u>685,597</u>	<u>-</u>	<u>-</u>	<u>685,597</u>	<u>681,240</u>
Excess (Deficiency) of Revenues Over Expenses	<u>(640,969)</u>	<u>733,620</u>	<u>93,312</u>	<u>185,963</u>	<u>1,167,816</u>
Fund Balances, Beginning of Year	7,002,836	3,606,470	117,358	10,726,664	9,558,848
Additional Interfund Transfers	488,286	(424,904)	(63,382)	-	-
Fund Balances, End of Year	<u>\$ 6,850,153</u>	<u>\$ 3,915,186</u>	<u>\$ 147,288</u>	<u>\$ 10,912,627</u>	<u>\$ 10,726,664</u>

See Auditor's Report

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES:

Organizational Data

Pine Mountain Lake Association (the "Association") is a nonprofit, mutual benefit corporation organized under the laws of California. The Association's members consist

of those persons or entities owning the lots within the Pine Mountain Lake subdivision in Groveland, Tuolumne County, California. As of December 31, 2018, there are 3,371 assessable lots within the subdivision.

The Association is a homeowner's association organized to provide management services and maintenance of certain common use areas within the subdivision.

The Association operates and maintains facilities which include a golf course, country club with a restaurant and

bar, marina, campgrounds, equestrian facilities, pool, parks, tennis courts and other recreational facilities. Assessments are levied annually against each lot in the development.

The Association's Board of Directors is comprised of five members elected by Association members. Each director is elected to serve a three-year term. In accordance with the Association's By-Laws, the Board of Directors has the authority to fill any vacancy due to death or resignation by a majority vote of the remaining directors. The process

Pine Mountain Lake Association

Statement of Cash Flows

For the Year Ended December, 31, 2018

With Comparative Totals for 2017

	2018			Total	2017 Totals For Comparative Purposes Only
	Operating Fund	Replacement Funds	New Capital Additions Fund		
<u>Cash Flows From Operating Activities:</u>					
Excess (Deficiency) of Revenues Over Expenses	\$ (640,969)	\$ 733,620	\$ 93,312	\$ 185,963	\$ 1,167,816
<u>Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating Activities:</u>					
Depreciation	685,597	-	-	685,597	681,240
Gain on Sale of Assets	19,732	-	-	19,732	5,250
<u>Change in Assets and Liabilities:</u>					
(Increase) Decrease in Accounts Receivable	(119,458)	-	-	(119,458)	91,390
Decrease in Inventory	14,255	-	-	14,255	5,256
Decrease in Prepaid Expense	29,102	-	-	29,102	8,742
(Increase) in Other Assets	(21,443)	-	-	(21,443)	(26,213)
(Decrease) Increase in Accounts Payable	(31,846)	21,342	-	(10,504)	(70,652)
Increase (Decrease) in Accrued Payroll	(4,297)	-	-	(4,297)	53,434
Increase in Deposits	6,718	-	-	6,718	10,662
Increase (Decrease) in Income Tax Payable	(1,798)	-	-	(1,798)	1,172
Increase (Decrease) in Deferred Revenue	32,236	-	-	32,236	(186,772)
Increase in Other Liabilities	44,242	-	-	44,242	4,981
Total Adjustments	653,040	21,342	-	674,382	578,490
Cash Provided By Operations	12,071	754,962	93,312	860,345	1,746,306
<u>Cash Flows from Investing Activities:</u>					
Purchase of Investments	(500,000)	(2,014,225)	-	(2,514,225)	-
Acquisition of Property and Equipment	(495,733)	-	-	(495,733)	(602,333)
Cash Provided (Used) by Investing Activities	(995,733)	(2,014,225)	-	(3,009,958)	(602,333)
<u>Cash Flows from Financing Activities:</u>					
Net Borrowing Between Funds	11	(35)	24	-	-
Other Transfers	488,286	(424,904)	(63,382)	-	-
Cash Provided (Used) By Financing Activities	488,297	(424,939)	(63,358)	-	-
Net Increase (Decrease) In Cash	(495,365)	(1,684,202)	29,954	(2,149,613)	1,143,973
Cash, Beginning of Year	1,306,689	3,614,506	117,334	5,038,529	3,894,556
Cash, End of Year	\$ 811,324	\$ 1,930,304	\$ 147,288	\$ 2,888,916	\$ 5,038,529
<u>Supplemental Information:</u>					
Cash Paid for Income Taxes	\$ 5,418	\$ -	\$ -	\$ 5,418	\$ 2,470
Cash Paid for Interest	\$ -	\$ -	\$ -	\$ -	\$ -

See Auditor's Report

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

for replacing a director who has been removed from office is contingent on the facts and circumstances leading to that removal. The Board of Directors, among other things, establishes assessments on members of the Association and establishes user fees for Association amenities.

Fund Accounting

The Association's governing documents provide certain guidelines for managing 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, as well as holding the Association's land, property and equipment.

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

New Capital Additions Fund - Used to account for financial resources designated for purchases of new capital additions and new equipment.

Notes to Financial Statements Continued on Page 6

Notes to Financial Statements Continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and funds on deposit with financial institutions.

The Association maintains bank accounts at various financial institutions. Balances in these accounts may occasionally exceed the FDIC federally insured amount of \$250,000.

Assessments Receivable

Association members are subject to annual assessments to provide funds for the Association's operating expenses, major repairs and replacements and new capital additions. The Association derives a significant portion of its revenue from dues assessments that are levied against each lot within the development. Accounts receivable are primarily due from members whose residence is within the state of California and whose property is subject to lien and foreclosure.

The Association's collection policy includes, among other things, assessing a late charge and interest, and filing a lien and assessing a lien fee on payments not received within the allowable time periods. The Association has the right to suspend certain membership rights and pursue collection through foreclosure action.

An allowance for doubtful accounts is created when an account's collectability is uncertain. Accounts are written off when the Association is notified that it is a bad debt, such as after bankruptcy or foreclosure proceedings.

An allowance of \$159,641 has been made for uncollectible accounts receivable. This allowance is an estimate based on an analysis of delinquent accounts receivable, historical collection activities, and existing economic conditions.

Lots for Sale

The Association owns certain lots within the subdivision, which it obtained through foreclosure proceedings. These properties are recorded as assets of the Operating Fund. The Board of Directors markets these lots for resale. Gains from any lot sales are recorded as part of miscellaneous income, and losses are recorded as part of administrative service expense in the accompanying financial statements.

Inventory

Inventories are stated at the lower of cost (first-in, first-out method) or market value.

Amounts due between funds

Amounts due between the funds consist of: a) payments due to the Operating Fund for labor charges incurred to complete projects for the other funds; b) payments due to the other funds for assessments collected by the Operating Fund; and c) payments due to the Operating Fund from the other funds for outstanding liabilities from prior years.

Property, Equipment and Depreciation

Property of the Association includes certain facilities turned over to the Association by the developer in prior years. These assets are reflected in the financial statements at the developer's cost basis.

In prior years, certain improvements and replacements to real property were also capitalized. However, improvements and replacements to real property are no

longer capitalized.

It is the Association's current fixed asset policy to capitalize only personal property. Personal property is capitalized at cost and depreciated over the estimated useful lives, ranging from 3 to 45 years, of the items purchased, using the straight-line method of depreciation, and is recorded in the Operating Fund.

A summary of Association property and equipment at December 31, 2018 is as follows:

	<u>2018</u>
Land and improvements	\$ 3,266,480
Dam	1,061,673
Streets and roads	6,687,313
Buildings & Structures	3,503,452
Golf course, tennis courts, and swimming pool	2,620,492
Furniture, equipment and vehicles	<u>5,016,673</u>
Total Cost	22,156,083
Less accumulated depreciation	<u>(15,615,065)</u>
Total	<u>\$ 6,541,018</u>

Deposits

It is the policy of the Association to require owners and builders to advance security deposits for any construction. The deposits are used to ensure adherence to the objectives of the Environmental Control Committee and to pay for any clean-up costs or repairs to common property as a result of the construction. The funds are refundable upon completion of construction.

Other Assets

Other assets consist of Workers compensation deposits as well as the deposit in conjunction with the security agreement with the Community Resources Agency for the maintenance and removal of the wireless communications facility located in Association common area.

Deferred Revenue

Deferred revenue represents assessment revenues, golf and other fees received during 2018 that are applicable to the following year.

Interest Income

It is the Association's policy to record interest income and related income taxes directly in the respective fund holding the investments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates included in the preparation of these financial statements include estimated bad debts and estimates of replacement fund components relating to useful life, replacement cost, inflation rates, and tax rates. Actual results could differ from those estimates.

Excess of Revenues over Expenses Carry-Forward

It is the Association's policy to use any operational

result variance versus budget as a carry-forward when calculating the required assessment in future years.

NOTE 2 - REPLACEMENT FUND and RESTRICTED CASH:

The Association's governing documents require funds to be accumulated for the replacement of its common areas and for general operations.

Funds accumulated are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed.

The Association determines the estimated amount of funding required for replacement of common areas using a pooled funding method. This method requires the preparation of a cash flow forecast. The Association then estimates the lowest reasonable assessment necessary and applies an inflation factor of 3.00% to ensure that positive cash balances are maintained over the future time period.

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

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

NOTE 3 - CONCENTRATION of CREDIT RISK:

The Association maintains demand accounts at one bank. At December 31, 2018, the aggregate balance of these accounts exceeds the federally insured limits by \$2,620,604.

Financial instruments that potentially subject the Association to credit risk consist principally of accounts receivable.

NOTE 4 - INCOME TAXES:

The Association qualifies as a tax exempt organization under Internal Revenue Code Section 501(c)(4), organizations that provide a benefit to a community. Pine Mountain Lake Association has been determined by the Internal Revenue Service to qualify as a "community" and social welfare organization under the code section and its maintenance and recreational activities that serve the residents of Pine Mountain Lake Association. The majority of activities performed by the Association are considered exempt activities. Interest income earned on invested reserve funds is considered an exempt activity.

However, the Association is taxed on any unrelated business activities, meaning any activities not directly related to the core exempt activities. Unrelated business activities in the year ending December 31, 2018 consisted of advertising income in the Association's newsletter, less any related deductions. Net taxable income is subject to the same tax rates applicable to fully taxable corporations, ranging from 15% to 39%.

The Association is exempt from California taxes under California Revenue and Taxation Code Section 23701t as a homeowners association. Under this code section, the Association is taxed on unrelated business activities, including interest income, which has a different

Pine Mountain Lake Association
Schedule 1
Summary Statement of Operating Fund Revenues & Expenses
For the Year Ended December, 31, 2018

	Members' Assessments	User and Admin Fees	Net Sales	Other Income (Expense)	Total Revenues	Salaries and Benefits	Maintenance Operations	Total Expenses	Over (Under) Expenses Before Depreciation	Depreciation Expense	Revenues Over (Under) Expenses
Operation of Amenities											
Golf Course	\$ -	\$ 754,042	\$ 34,378	\$ 812	\$ 789,232	\$ 965,711	\$ 400,572	\$ 1,366,283	\$ (577,051)	\$ 146,945	\$ (723,996)
Restaurant	-	-	406,503	(803)	405,700	756,001	339,098	1,095,099	(689,399)	35,169	(724,568)
Bar	-	-	258,808	(3,707)	255,101	101,315	108,416	209,731	45,370	2,460	42,910
Lake and Marina	-	325,756	123,177	2,676	451,609	238,104	347,065	585,169	(133,560)	94,784	(228,344)
Equestrian Center	-	29,511	-	6,704	36,215	114,220	78,652	192,872	(156,657)	27,009	(183,666)
Recreation	-	102,867	2,842	-	105,709	58,881	58,890	117,771	(12,062)	42,589	(54,651)
Roads/Structures Maintenance	-	93,305	-	4,408	97,713	1,223,748	572,003	1,795,751	(1,698,038)	265,377	(1,963,415)
Snack Shack	-	-	38,050	0	38,050	44,295	15,845	60,140	(22,090)	5,479	(27,569)
Property Owner Services											
Safety	-	183,548	-	1,197	184,745	888,198	138,048	1,026,246	(841,501)	37,728	(879,229)
Administration	-	267,176	-	48,249	315,425	1,040,772	729,699	1,770,471	(1,455,046)	28,057	(1,483,103)
Assessments											
Assessments	5,584,662	-	-	-	5,584,662	-	-	-	5,584,662	-	5,584,662
	\$ 5,584,662	\$ 1,756,205	\$ 863,758	\$ 59,536	\$ 8,264,161	\$ 5,431,245	\$ 2,788,288	\$ 8,219,533	\$ 44,628	\$ 685,597	\$ (640,969)

Summary Statement of Operating Fund Revenues & Expenses
For the Year Ended December, 31, 2017

	REVENUES					EXPENSES			Revenues Over (Under) Expenses Before Depreciation	Depreciation Expense	Revenues Over (Under) Expenses
	Members' Assessments	User and Admin Fees	Net Sales	Other Income(Expense)	Total Revenues	Salaries and Benefits	Maintenance Operations	Total Expenses	Over (Under) Expenses Before Depreciation	Depreciation Expense	Revenues Over (Under) Expenses
Operation of Amenities											
Golf Course	\$ -	\$ 794,358	\$ 37,458	\$ 131	\$ 831,947	\$ 940,765	\$ 354,548	\$ 1,295,313	\$ (463,366)	\$ 146,945	\$ (610,311)
Restaurant	-	-	494,131	5,018	499,149	795,093	320,102	1,115,195	(616,046)	35,169	(651,215)
Bar	-	-	289,133	2,037	291,170	103,733	108,259	211,992	79,178	2,460	76,718
Lake and Marina	-	335,354	130,917	4,655	470,926	224,100	318,632	542,732	(71,806)	94,784	(166,590)
Equestrian Center	-	64,293	-	6,022	70,315	125,901	106,335	232,236	(161,921)	27,009	(188,930)
Recreation	-	87,092	4,619	(351)	91,360	50,316	59,483	109,799	(18,439)	38,232	(56,671)
Roads/Structures Maintenance	-	74,170	-	202,111	276,281	1,218,104	790,969	2,009,073	(1,732,792)	265,377	(1,998,169)
Snack Shack	-	-	39,908	(203)	39,705	48,123	15,947	64,070	(24,365)	5,479	(29,844)
Property Owner Services											
Safety	-	175,369	-	(185)	175,184	810,746	134,205	944,951	(769,767)	37,728	(807,495)
Administration	-	221,188	-	28,428	249,616	936,267	645,851	1,582,118	(1,332,502)	28,057	(1,360,559)
Assessments											
Assessments	5,104,948	-	-	-	5,104,948	-	-	-	5,104,948	-	5,104,948
	\$ 5,104,948	\$ 1,751,824	\$ 996,166	\$ 247,663	\$ 8,100,601	\$ 5,253,148	\$ 2,854,331	\$ 8,107,479	\$ (6,878)	\$ 681,240	\$ (688,118)

*See Auditor's Report
The Notes to Financial Statements Are An Integral Part of This Statement*

definition under California law. Non-member activities are considered unrelated business income under this code section of California law. California taxable income is taxed at a rate of 8.84%.

The provision for income taxes for the year ended December 31, 2018 was \$3,353.

The Association's policy is to record interest expense or penalties on income tax in operating expenses. For the year ended December 31, 2018, no interest or penalties were paid or accrued.

Pine Mountain Lake Association's federal and state tax returns are open for examination for the years 2016, 2017, and 2018.

NOTE 5 – EMPLOYEE BENEFIT PLANS:

Pine Mountain Lake Association has adopted the Pine Mountain Lake 401(k) Plan (the "Plan"). The Plan is a defined contribution plan, which is intended to qualify under Section 401(a) of the Internal Revenue Code. In order to participate in the Plan employees must be at least 21 years of age, must have worked for the Association for at least three consecutive months, and must have worked at least 250 hours during that time period. Employees completing one year of service, working at least 1,000 hours during the 12-month period during any Plan year, may also be eligible to participate in the Plan. The Association matches employee salary deferrals of up to

6% of Plan Compensation for nonunion employees.

During the year ended December 31, 2018 the Association contributed \$51,149 as matching contributions to the Plan.

The Association is required by a collective bargaining agreement to make monthly contributions to the Laborers Trust Fund Pension Plan. The total contribution was \$253,245 for the year ending December 31, 2018. Union employees are eligible to participate in the Pine Mountain Lake Association 401(k) Plan; however, they are not eligible for the company match.

Notes to Financial Statements Continued on Page 8

NOTE 6 – EQUITY TRANSFERS of PROPERTY and EQUIPMENT to the OPERATING FUND:

The Association transfers long-term assets and capital projects purchased through the Replacement and New Capital Additions Funds to the Operating Fund on a monthly basis.

A summary of Association equity transfers of property and equipment to the Operating Fund from the Replacement and New Capital Additions Funds at December 31, 2018 is summarized as follows:

Replacement Funds	2018
Dam, marina, lake and beaches	\$ 79,950
Streets and roads	-
Buildings, furniture, equipment and vehicles	37,718
Golf course, tennis courts, campground, swim center and equestrian center	261,558
Entrance and gates	-
Safety	27,606
Administration	18,072
Totals	\$ 424,904

New Capital Additions Fund	2018
Dam, marina, lake and beaches	\$ 1,821
Streets and roads	-
Buildings, furniture, equipment and vehicles	6,644
Golf course, tennis courts, campground, swim center and equestrian center	14,773
Safety	36,419
Administration	3,725
Transfer of budgeted reduction from assessment	-
Totals	\$ 63,382

NOTE 7 – CONTINGENCIES:

The Association is occasionally subject to claims or regulatory proceedings in connection with the conduct of normal Association operations.

In June 2017, a claim was filed against the Association and other parties. The Association's insurance carrier retained counsel and assumed the defense of the Association. The Association's insurance carrier has reached a settlement with the plaintiff for this case.

In May of 2018, a member filed a complaint against the Association and is seeking damages and injunctive relief. This case is still in the discovery process and the outcome cannot be determined as of the date of this report. In November of 2018, an employee of the Association filed a claim against the Association with the California Department of Fair Employment and Housing (DFEH). The case is going to be scheduled for mediation with the DFEH Mediation Division and therefore the outcome cannot be determined as of the date of this report.

NOTE 8 – SUBSEQUENT EVENTS:

The financial statements were issued on and subsequent events were evaluated through February 11, 2019.

**Pine Mountain Lake Association
Supplemental Information on Replacement Fund Balances**

For the Year Ended December 31, 2018 (Unaudited)

The Board of Directors commissioned a study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The Association has assessed the present condition of all common area components; estimated replacement costs relying upon published data, contractor's or engineer's estimates, and previously paid amounts; and estimated remaining lives, relying upon consultants or published data. Funding requirements consider an annual inflation rate of 3.00% percent and interest of 1.75% percent on amounts funded for future major repairs and replacements. The following table is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Lives	Estimated Current Replacement Cost
ADA	22-27 years	\$ 96,000
Asphalt & Concrete	0-28 years	1,797,517
Boats/Equipment	0-15 years	374,875
Cabinets/Countertops/Millwork/Appliances	0-16 years	1,820,200
Communication and Computer Software	0-12 years	347,763
Dam Components	0-19 years	489,451
Dishes/Flatware/Cookware	0-1 years	13,400
Docks/Bridges	1-17 years	155,332
Doors	0-23 years	82,043
Electrical and Electronics	0-14 years	100,474
Interior and Exterior Surfaces	0-32 years	506,181
Fencing/Railing/Gates & Decking	1-26 years	408,941
Kitchen, Office, Fire and Other Equipment	0-28 years	1,112,985
Flooring	0-9 years	152,916
Furniture and Fixtures	0-27 years	376,428
Golf Course and Drainage	0-47 years	1,324,995
Heavy Equipment	1-15 years	252,457
Irrigation	2-12 years	56,726
Lake Components and Sand Replacement	0-30 years	244,856
Lighting Exterior	2-8 years	85,169
Mail Boxes	2 years	90,268
Tools and Miscellaneous	1-8 years	21,491
Operations	0-30 years	267,869
Plumbing and HVAC	0-22 years	241,275
Pool & Spa	2-14 years	258,171
Refurbishment	0-26 years	317,800
Roofing	0-21 years	277,790
Security Systems	1-16 years	11,995
Septic System	2-12 years	23,783
Signage	0-18 years	51,127
Structural and Stall Walls	0-37 years	972,006
Vehicles	0-18 years	1,265,715
Wells	1-2 years	33,000
Waterproofing, Windows and Treatments	0-17 years	39,628
Totals		\$ 13,670,627

Balance at December, 31, 2018

\$ 3,915,186 *

* Funding calculated on aggregate cash flow basis only

See Auditor's Report

The names and addresses of the current PMLA members are located at the Pine Mountain Lake Association Administration Office, 19228 Pine Mountain Dr., Groveland, CA 95321. available at the Association Administration Office. Copies will be sent to the member upon receipt of a written request from the member.

Notice of Annual Report / Corp. Code 8321 All members have a right to receive a financial report pursuant to the above subdivision. A copy of the Annual Report is

Board of Directors

Mike Gustafson (*President*)
Steve Grier (*Vice President*)
Nick Stauffacher (*Treasurer*)
Wayne Augsburger (*Director*)

Management

General Manager
Joseph M. Powell
CCAM-LS, CMCA, AMS

Controller, Ken Spencer, CAFM