



**WILLIAM
OWENS
&
COMPANY**

**CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION**

**5 JOHN STREET
CARBONDALE, PA 18407
570-281-9760**

**16 CHESTNUT STREET
MONTROSE, PA 18801
570-278-2260**

**MASTHOPE MOUNTAIN COMMUNITY
PROPERTY OWNERS COUNCIL**

**Financial Statements
And Supplementary Information**

For the Fiscal Year Ended, April 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Masthope Mountain Community Property Owners Council

Report on the Financial Statements

We have audited the accompanying financial statements of Masthope Mountain Community Property Owners Council which comprise the balance sheets as of April 30, 2017 and the related statements of revenues and expenses, changes in fund balances and cash flows for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As explained in Note 1 to the financial statements, it is the practice of the Association to reserve 100% of the outstanding dues receivable and report the income from assessments on the cash basis. Generally accepted accounting principles require that a provision for uncollectible accounts

receivable be recorded for those account receivables which are deemed uncollectible. Since the collectible portion of the dues is not accurately able to be predicted by management the Association has recorded a 100% provision for uncollectible accounts receivable in the accompanying financial statements, effectively recording revenue on the cash basis, which is a departure from generally accepted accounting principles. The effects of this departure from generally accepted accounting principles have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Masthope Mountain Community Property Owners Council as of April 30, 2017, and the operations and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Schedules of Departmental Expenses are presented for purposes of additional analysis and are 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 information on future major repairs and replacements on pages 18-19 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 consists 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.

William Owens & Company, CPA
Carbondale, PA 18407
June 30, 2017

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
BALANCE SHEETS
APRIL 30, 2017

ASSETS	Operating Fund	Restricted Fund	Eliminations	Total
Current Assets				
Cash	\$ 1,930,223	\$ -	\$ -	\$ 1,930,223
Cash and Cash Equivalents - Restricted for Future Repairs and Replacement	-	981,883	-	981,883
Cash-Restricted for Ski Loan	-	168,992	-	168,992
Cash-Restricted for Lodge Loan Repayment	-	204,219	-	204,219
Cash-Restricted for Road Repair	-	76,829	-	76,829
Cash-Restricted for Beach River Park	-	182,356	-	182,356
Other Receivables	10,962	-	-	10,962
Due From Other Funds	117,025	-	(117,025)	-
Inventory	55,136	-	-	55,136
Inventory Lots	-	133,211	-	133,211
Deposit on Lot	-	3,500	-	3,500
Prepaid Expenses	50,658	-	-	50,658
Total Current Assets	2,164,004	1,750,991	(117,025)	3,797,970
Property and Equipment				
Land	1,097,263	-	-	1,097,263
Roads	634,641	-	-	634,641
Buildings and Improvements	6,522,318	-	-	6,522,318
Furniture and Fixtures	41,200	-	-	41,200
Vehicles and Equipment	3,669,847	-	-	3,669,847
Horses	17,650	-	-	17,650
Less: Accumulated Depreciation	(4,606,476)	-	-	(4,606,476)
Net Property and Equipment	7,376,443	-	-	7,376,443
Other Assets				
Cash - Renters Deposits	58,616	-	-	58,616
Cash-Lottery Account	9,100	-	-	9,100
Certificates of Deposit	-	360,811	-	360,811
Escrow Deposits	1,600	-	-	1,600
Closing Costs	19,873	-	-	19,873
Liquor License	30,953	-	-	30,953
Less: Accumulated Amortization	(4,612)	-	-	(4,612)
Total Other Assets	115,530	360,811	-	476,341
Total Assets	\$ 9,655,977	\$ 2,111,801	\$ (117,025)	\$ 11,650,753

"See independent auditor's report and accompanying notes to financial statements"

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
BALANCE SHEETS
APRIL 30, 2017

	Operating Fund	Restricted Fund	Eliminations	Total
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts Payable and Accrued Expenses	\$ 114,018	\$ 29,021	\$ -	\$ 143,039
Members' Assessments Collected in Advance	1,831,574	-	-	1,831,574
Due To Other Funds	-	117,025	(117,025)	-
Escrow Deposits	52,225	-	-	52,225
Deferred Revenue	877	-	-	877
Insurance Proceeds Payable	-	13,293	-	13,293
Current Portion of Long Term Debt	-	407,920	-	407,920
Total Current Liabilities	<u>1,998,694</u>	<u>567,258</u>	<u>(117,025)</u>	<u>2,448,928</u>
Long-Term Liabilities				
Long Term Debt, net of Current Portion	-	2,412,814	-	2,412,814
Total Long-Term Liabilities	<u>-</u>	<u>2,412,814</u>	<u>-</u>	<u>2,412,814</u>
Total Liabilities	<u>1,998,694</u>	<u>2,980,072</u>	<u>(117,025)</u>	<u>4,861,742</u>
Fund Balances	<u>7,657,283</u>	<u>(868,271)</u>	<u>-</u>	<u>6,789,012</u>
Total Liabilities and Fund Balances	<u>\$ 9,655,977</u>	<u>\$ 2,111,801</u>	<u>\$ (117,025)</u>	<u>\$ 11,650,753</u>

"See independent auditor's report and accompanying notes to financial statements"

**MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
STATEMENTS OF REVENUES AND EXPENSES
FOR THE FISCAL YEAR ENDED APRIL 30, 2017**

	Operating Fund	Restricted Fund	Total
Revenues			
Membership Dues	\$ 2,281,567	\$ -	\$ 2,281,567
Capital Dues	-	189,655	189,655
Ski Assessment	-	312,070	312,070
Lodge Loan Assessment	-	178,153	178,153
Beach/ Riverpark Assessments	-	92,699	92,699
Road Assessments	-	1,500	1,500
Transfer Fees	-	183,166	183,166
Late Charges	33,459	-	33,459
Collection Fees	35,451	-	35,451
Advertising	19,818	-	19,818
Activity Income	10,080	-	10,080
Interest Income	514	3,161	3,675
Miscellaneous Income	179,712	-	179,712
Skiing Revenue	-	211,065	211,065
Stable Revenue	20,171	-	20,171
Lodge Revenue	1,507,444	-	1,507,444
Fitness Revenue	3,846	-	3,846
Marketplace Sales	429,084	-	429,084
Gain Sale of Asset	-	6,024	6,024
Permits	15,453	-	15,453
Total Revenues	<u>4,536,599</u>	<u>1,177,493</u>	<u>5,714,092</u>
Expenses			
Administrative Expenses	472,898	-	472,898
Maintenance	484,510	-	484,510
Recreation, Pool and Lake	284,603	-	284,603
Ski Slope	-	137,500	137,500
Stables	207,978	-	207,978
Lodge	1,474,485	-	1,474,485
Security	322,337	-	322,337
Marketplace	448,281	-	448,281
Road Project	246,899	-	246,899
Water and Sewer	14,443	-	14,443
Insurance	396,025	-	396,025
Professional Fees	48,441	-	48,441
Repairs and Replacement	-	51,697	51,697
Interest	-	125,969	125,969
Amortization	1,257	-	1,257
Depreciation	455,203	-	455,203
Total Expenses	<u>4,857,359</u>	<u>315,166</u>	<u>5,172,525</u>
Excess / (Deficiency) of Revenues over Expenses Before Interfund Transfers	<u>(320,760)</u>	<u>862,327</u>	<u>541,567</u>
Transfer Between Funds	<u>138,878</u>	<u>(138,878)</u>	<u>-</u>
Excess / (Deficiency) of Revenues over Expenses	<u>\$ (181,882)</u>	<u>\$ 723,449</u>	<u>\$ 541,567</u>

"See independent auditor's report and accompanying notes to financial statements"

**MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED APRIL 30, 2017**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fund Balances at Beginning of Year	\$ 7,839,165	\$ (1,591,720)	\$ 6,247,445
Excess (Deficiency) of Revenues over Expenses	<u>(181,882)</u>	<u>723,449</u>	<u>541,567</u>
Fund Balances at End of Year	<u>\$ 7,657,283</u>	<u>\$ (868,271)</u>	<u>\$ 6,789,012</u>

"See independent auditor's report and accompanying notes to financial statements"

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS' COUNCIL
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

	Operating Fund	Restricted Fund	Total
Cash Flows from Operating Activities			
Surplus / (Deficiency) of Revenues Over Expenses	\$ (181,882)	723,449	\$ 541,567
Adjustments to Reconcile Surplus / (Deficiency) of Revenues over Expenses to Net Cash provided by Operating Activities			
Depreciation and Amortization	456,460	-	456,460
Change in Other Receivables	(3,758)	-	(3,758)
Change in Inventory	(639)	-	(639)
Change in Prepaid Expenses	10,424	-	10,424
Change in Lot Deposits	-	(3,500)	(3,500)
Change in Accounts Payable and Accrued Expenses	(18,489)	29,022	10,533
Change in Members' Assessments Collected in Advance	14,436	-	14,436
Change in Miscellaneous Deferred Revenue	562	-	562
Change in Escrow Deposits	3,170	-	3,170
Change in Due To/From	(103,526)	103,526	-
Net Cash provided by Operating Activities	<u>176,758</u>	<u>852,497</u>	<u>1,029,255</u>
Cash Flows from Investing Activities			
Purchase of Fixed Assets	-	(329,899)	(329,899)
Net Cash Used in Investing Activities	<u>-</u>	<u>(329,899)</u>	<u>(329,899)</u>
Cash Flows from Financing Activities			
Debt Reduction	-	(3,239,316)	(3,239,316)
Debt Proceeds	-	2,872,587	2,872,587
Fixed Assets Transferred Between Funds	(329,899)	329,899	-
Net Cash provided (Used) by Financing Activities	<u>(329,899)</u>	<u>(36,830)</u>	<u>(366,729)</u>
Net Increase (Decrease) in Cash	<u>(153,141)</u>	<u>485,768</u>	<u>332,627</u>
Cash at beginning of Year	<u>2,152,680</u>	<u>1,489,322</u>	<u>3,642,002</u>
Cash at end of Year	<u>\$ 1,999,539</u>	<u>\$ 1,975,090</u>	<u>\$ 3,974,629</u>
Cash Consist of:			
Cash	\$ 1,930,223	\$ -	\$ 1,930,223
Cash-Lottery Account	9,100	-	9,100
Cash - Renters Deposits	58,616	-	58,616
Cash - Escrow Deposits	1,600	-	1,600
Cash and Cash Equivalents - Restricted for Future Repairs and Replacement	-	981,883	981,883
Cash-Restricted for Ski Loan	-	168,992	168,992
Cash-Restricted for Lodge Loan Repayment	-	204,219	204,219
Cash-Restricted for Road Repair	-	76,829	76,829
Cash-Restricted for Beach River Park	-	182,356	182,356
Certificates of Deposit	-	360,811	360,811
	<u>\$ 1,999,539</u>	<u>\$ 1,975,090</u>	<u>\$ 3,974,629</u>
Supplemental Disclosure			
Cash Paid During the Year for:			
Interest	\$ -	\$ 125,969	\$ 125,969
Income Taxes	\$ -	\$ -	\$ -

"See independent auditor's report and accompanying notes to financial statements"

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Masthope Mountain Community Property Owners Council, located in Lackawaxen, Pennsylvania, was organized on December 19, 1977 as a non-profit corporation under the law of the Commonwealth of Pennsylvania. The purpose of the Council is to oversee the interests of the property owners in this development and, if necessary, to manage the operations of the development. The Council became responsible for daily operations on January 1, 1988. There are approximately 2,300 lots in the development located in Lackawaxen Township.

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.

Restricted Fund- This fund is used to accumulate financial resources designed for future major repairs and replacements. This fund also includes funds that are restricted to pay the lodge and ski loans, and road repairs.

BASIS OF ACCOUNTING

The books and records are maintained on the accrual method of accounting however dues income for the current and prior years is recorded when received and not when billed. Dues collected in the current year which are in payment of the subsequent year's assessment are reflected on the balance sheet as a liability and are reflected as members assessments collected in advance.

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 amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

MEMBER DUES

Association members are subject to annual assessments, payable on May 1st of each year, to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The association retains any excess assessments at year-end for use in future years.

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. The inventory as of April 30, 2017 consists of the following:

Lot Inventory	\$133,213
Marketplace Inventory	23,865
Summit Restaurant Inventory	<u>31,271</u>
Total	<u>\$188,347</u>

PROPERTY, PLANT AND EQUIPMENT

The Association capitalizes all property, plant and equipment to which it has title or other evidence of ownership. Property, plant and equipment acquired by the Association are recorded at cost.

Property, plant and equipment are depreciated over their estimated useful lives using straight-line and accelerated methods of depreciation. Depreciation expense for the year ended April 30, 2017 was \$455,203.

COMMON PROPERTY

Common property not recognized as assets in these financial statements includes the clubhouses, pools, tennis areas, other amenities, and the roads and common areas located within the development.

Although the Association is responsible for the repair and replacement of the common real property, it is unable to sell or otherwise dispose of this property without a vote of membership.

RESERVE FOR FUTURE REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$1,975,090 at April 30, 2017, are held in separate accounts and are generally not available for operating purposes.

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTEREST INCOME

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

INCOME TAXES

The Association may elect annually to file its federal tax return as homeowners' association under Section 528 or as a regular corporation under Section 277. For the fiscal year ending April 30, 2016 the Association filed as a Corporation using the federal form 1120.

ADVERTISING

Advertising costs are charged to operations when incurred and amounted to \$8,436 for the fiscal year.

INTEREST EXPENSE

For the fiscal year ended of April 30, 2017, the association incurred and charged \$125,969 to interest expense.

STATEMENT OF CASH FLOWS

For purposes of the statement of cash flow, cash equivalents include investments in highly liquid debt instruments purchased with original maturities of three months or less.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 30, 2017, the date that the financial statements were available to be issued.

2. DUES RECEIVABLE

The dues receivable are reserved 100% as detailed historical data necessary to project the collection rate has not been calculated by the Association. Although legal steps are being taken to collect these funds, the Association is unable to determine their collectability with a sufficient degree of accuracy.

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

3. PROPERTY, PLANT AND EQUIPMENT

The Association capitalizes all property, plant and equipment to which it has title or other evidence of ownership at cost. Major additions and improvements are capitalized, while replacements, maintenance, and repairs, which do not extend the life of the respective assets, are expensed. Depreciation is provided utilizing accelerated methods over periods of time believed to approximate estimated service lives of five to thirty-nine and a half years.

4. AMORTIZATION COSTS

Amortization costs are amortized using a straight-line method.

5. CONCENTRATIONS OF CREDIT RISK

The Association's members are primarily from Northeastern Pennsylvania, New Jersey, and New York. The ability of these members to honor their obligations to the Association is dependent on the economy of the region.

The Association maintains its cash balances of \$3,786,112 as of April 30, 2017 at three financial institutions. Of the \$3,786,112 there is \$360,811 held at various banks through the CDARS program with Dime Bank. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The CDARS program is fully insured. Uninsured balances amounted to \$3,030,606 at April 30, 2017.

6. LONG-TERM DEBT

Notes payable consist of the following as of April 30, 2017:

Wayne Bank-Backhoe- 4.25% interest. Monthly principal and interest payments of \$1,004 until the balance is paid in full.	1,003
Wayne Bank-Vehicle Loan- 4.500% fixed interest rate loan. Monthly principal and interest payment of \$596; maturing September 4, 2018. Secured by 2016 Ford Explorer.	9,786
Wayne Bank-Vehicle Loan- 4.500% fixed interest rate loan. Monthly principal and interest payment of \$516; maturing September 26, 2017. Secured by 2015 Ford Explorer.	2,552

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

6. LONG-TERM DEBT (Continued)

Wayne Bank- Ski, Beach, and Lodge loan consolidation- 4.00% fixed interest rate loan. Monthly principal and interest payments of \$43,241; maturing August 2023. Secured by accounts receivable and other assets of the association.	<u>2,807,393</u>
Total Debt	<u>2,820,734</u>
Less Current Portion	<u>(407,920)</u>
Total Long Term Portion	<u>\$2,412,814</u>

Maturities of long-term debt as of April 30, 2017 are as follows:

2018	407,920
2019	416,663
2020	430,580
2021	448,122
2022	466,379
Thereafter	651,070
	<u>2,820,734</u>

Accounts Receivable, member dues, contract rights, property owner assessments, equipment, furniture and fixtures, inventory, general intangibles, licenses, real property, and all other property utilized by the Masthope Rapids Property Owners Council's operation are collateral for all the above mentioned loans.

7. LITIGATION, CLAIMS AND ASSESSMENTS

In the normal course of business, the Association may periodically be named as a defendant in litigation. The Association's management, supported by legal counsel, believes that there are no litigation matters that could result in a material financial verdict against the Association at the current time.

**MASTHOPE MOUNTAIN COMMUNITY PROPERTY
OWNERS COUNCIL**

Supplementary Information

For the fiscal year ended April 30, 2017

**MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS' COUNCIL
SCHEDULES OF DEPARTMENTAL EXPENSES
FOR THE FISCAL YEAR ENDED APRIL 30, 2017**

Administrative	
Salaries	\$ 267,269
Payroll Taxes	18,358
Office Supplies and Expenses	47,125
Telephone & Fax	5,522
Printing & Newsletter Expense	10,403
Dues and Subscriptions	665
Computer Support and Training	14,104
Payroll Service	17,943
Membership	8,910
Advertising	479
Utilities	12,360
Collection Costs	8,455
Bank Charges	9,112
Meetings and Hospitality	12,284
Postage	9,336
Property Taxes	20,278
Website	1,099
Miscellaneous	9,196
Total Administrative Expenses	<u>\$ 472,898</u>

Maintenance	
Salaries	\$ 236,859
Payroll Taxes	27,028
Supplies	7,252
Repairs and Maintenance Buildings	6,451
Fuel	18,849
Snow Removal	49,692
Refuse Removal	89,452
Small Tools	3,480
Landscaping	4,718
Road and 911 Signs	555
Radio Repairs and Maintenance	58
Uniforms	904
Vehicle Repairs	30,448
Utilities	8,764
Total Maintenance Expenses	<u>\$ 484,510</u>

"See independent auditor's report on supplementary information"

**MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS' COUNCIL
SCHEDULES OF DEPARTMENTAL EXPENSES
FOR THE FISCAL YEAR ENDED APRIL 30, 2017**

Recreation, Pool and Lake	
Salaries	\$ 164,456
Payroll Taxes	25,392
Pool Chemicals	9,811
Supplies	2,852
Activities Expense	18,902
Repairs and Maintenance Lake & Pool	20,186
Uniforms	454
Telephone	3,272
Trips/Events	83
Utilities	7,721
Permits	1,578
Amenities Expense	4,061
Beach House	23,142
Fitness Center Repair & Maintenance	2,693
Total Recreation, Pool and Lake Expenses	<u>\$ 284,603</u>
Ski Slope	
Management Fee	\$ 137,500
Total Ski Slope Expenses	<u>\$ 137,500</u>
Stables	
Salaries	\$ 108,767
Payroll Taxes	14,649
Boarding	31,534
Lease Care Maintenance	35,943
Utilities	5,559
Tack and Supplies	5,211
Repair and Maintenance	1,353
Land Management	877
Vehicle Maintenance	1,335
Horse Lease	2,750
Total Stables Expenses	<u>\$ 207,978</u>

"See independent auditor's report on supplementary information"

**MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS' COUNCIL
SCHEDULES OF DEPARTMENTAL EXPENSES
FOR THE FISCAL YEAR ENDED APRIL 30, 2017**

Lodge	
Cost of Goods Sold	\$ 531,953
Salaries	505,523
Payroll Taxes	82,082
Supplies	83,305
Entertainment	8,225
Repairs and Maintenance	61,077
Uniforms	5,681
Utilities	124,478
Miscellaneous	8,384
Linen	4,914
Credit Card Fees	30,810
Licenses & Fees	4,802
Advertising	7,957
Waste Disposal	5,295
Special Events	9,999
Total Lodge Expenses	<u>\$ 1,474,485</u>

Security	
Salaries	\$ 251,032
Payroll Taxes	28,319
Supplies	5,719
Repairs and Maintenance	27,489
Telephone	3,093
Uniforms	5,222
Training	1,463
Total Security Expenses	<u>\$ 322,337</u>

"See independent auditor's report on supplementary information"

**MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS' COUNCIL
SCHEDULES OF DEPARTMENTAL EXPENSES
FOR THE FISCAL YEAR ENDED APRIL 30, 2017**

Marketplace	
Cost of Goods Sold	\$ 254,049
Salaries	109,350
Payroll Taxes	12,938
Supplies	4,914
Computer Expense	2,144
Repairs and Maintenance	6,773
Utilities	14,267
Advertising	2,143
Lottery	35,486
Credit Card Fees	6,217
Total Marketplace Expenses	<u>\$ 448,281</u>

Major Repairs and Replacement Expenses	
Lot Sale Expense	\$ 9,240
Falling Waters Culvert	400
Sports field Improvements	285
Capital Spending	9,532
Long Term Planning	1,000
Lodge Project	1,625
Community Landscaping	13,095
Lake and Pool Project	10,203
Administrative	392
Ski Equipment Repairs	3,392
Dumpster Refuge Upgrade	51
Bank Charges	2,482
Total Major Repairs and Replacements Expenses	<u>\$ 51,697</u>

"See independent auditor's report on supplementary information"

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
Additional Information
Future Major Repairs and Replacements
December 31, 2017 (unaudited)

At April 30, 2017, the Association had a total of \$1,975,090 in reserve fund cash and investments, which is a pooled account and has not been allocated to specific projects. A study was prepared in 2015, which identified an annual reserve contribution requirement of approximately 2% of previous year's operating budget based upon an estimate of the current replacement costs and estimated remaining lives of the common area components at full funding. After thorough discussion and analysis the finance committee and board of directors have decided to fund the reserves using threshold funding which is a method of funding that attempts to fund the reserves at a level which allows items to be replaced as needed without exhausting the reserve balance. The study does not account for interest or inflation.

Actual expenditures for such items may vary from the estimated amounts and the variations may be material. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, borrow, or delay major repairs and replacements until funds are available. The Associations' governing documents do not require the accumulation of funds to finance future major repairs and replacements.

Road repairs and maintenance are funded through the operating fund and therefore are not included in this schedule.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Accumulated Reserve Requirement</u>
Painting	1	\$ 1,400	\$ 1,050
Interior Furnishings	5	1,800	1,108
Equipment	1-5	9,950	4,102
Building Components	1-6	10,500	9,369
Signs	16	250,000	170,000
Vehicle Maintenance	1-13	658,750	376,528
Watercraft	8	12,500	2,500
Cooler	1-7	46,615	26,209
Freezer/Refrigeration	1-4	17,600	12,028
Cooking/Heating Eqpmt	1-6	95,950	55,433
Summit Misc. Equip	1-9	73,350	30,041
Computer/Software	7	22,000	11,733
Medical Equipment	8	9,000	1,800
Public Safety Misc. Eqpmt	1-4	17,350	6,718
Public Safety Cameras	6-8	16,650	4,410
Vehicle Public Safety	1	33,000	22,000
Vehicle-Stables	5-7	18,500	9,583
Stables Misc. Eqpmt	6	2,000	800
Fitness-Equipment	1-9	45,800	16,846
File Cabinets	1	1,575	1,500
Desks	1	6,000	5,455
Chairs	1	1,500	1,286
File Cabinets- Fire proof	1	37,200	35,429
Computer-Desktop	1	30,000	22,500
Computer-Laptop	1	6,000	4,500
Furniture-Misc.	1	10,000	9,091
Safe	22	5,000	1,333

MASTHOPE MOUNTAIN COMMUNITY PROPERTY OWNERS COUNCIL
Additional Information
Future Major Repairs and Replacements-Continued
December 31, 2017 (unaudited)

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Accumulated Reserve Requirement</u>
Tools	22	30,000	8,000
Building	6-29	6,710,000	2,055,667
Ski Equipment	3-7	4,420,000	3,119,000
 Baine Marie/ Merchandiser	 1-8	 8,900	 4,349
		<u>\$ 12,608,890</u>	<u>\$ 6,030,368</u>