

**Oakland Hills Portage
Condominium Association**

Financial Statements

December 31, 2016

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Independent Accountants' Review Report

Board of Directors
Oakland Hills Portage Condominium Association
Portage, Michigan

We have reviewed the accompanying financial statements of Oakland Hills Portage Condominium Association which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses, and changes in association equity 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 Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this 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 to fraud or error.

Accountant's 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.

Accountant's Conclusion

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

Summarized Comparative Information

The prior year summarized comparative information has been derived from Oakland Hills Portage Condominium Association's 2015 financial statements, which were previously reviewed by us, and in our report dated May 4, 2016 we stated we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity 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 information about future major repairs and replacements of common property on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled the required supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Yeo & Yeo, P.C.

Lansing, Michigan
January 30, 2017

Oakland Hills Portage Condominium Association
Balance Sheet
December 31, 2016
(With Summarized Comparative Information for December 31, 2015)

	General Operating Fund	Replacement Fund	Totals	
			2016	2015
Assets				
Current assets				
Cash	\$ 12,807	\$ 319,207	\$ 332,014	\$ 222,343
Assessments receivable	90	-	90	775
Interfund balances	-	-	-	-
Insurance claim receivable	-	4,661	4,661	-
Prepaid insurance	259	-	259	330
Total current assets	\$ 13,156	\$ 323,868	\$ 337,024	\$ 223,448
Liabilities and fund balance				
Current Liabilities				
Accounts payable	\$ 18,549	\$ -	\$ 18,549	\$ 16,843
Insurance claim payables	-	7,097	7,097	-
Assessments received in advance	15,565	-	15,565	19,365
Total current liabilities	34,114	7,097	41,211	36,208
Fund balance (deficit)				
General operating	(20,958)	-	(20,958)	(43,264)
Replacement fund	-	316,771	316,771	230,504
Total fund balance	(20,958)	316,771	295,813	187,240
Total liabilities and fund balance	\$ 13,156	\$ 323,868	\$ 337,024	\$ 223,448

See Accompanying Independent Accountants' Review Report
and Notes to the Financial Statements

Oakland Hills Portage Condominium Association
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2016
(With Summarized Comparative Information for December 31, 2015)

	General	Replacement	Totals	
	Operating		Fund	2016
	Fund	Fund		
Revenues				
Member assessments	\$ 365,527	\$ 111,825	\$ 477,352	\$ 364,888
Special assessment	21,725	16,950	38,675	23,625
Miscellaneous fees and charges	25	-	25	50
Interest income	-	281	281	182
Total revenues	387,277	129,056	516,333	388,745
Expenses				
Administrative				
Office supplies and postage	675	-	675	699
Management fees	25,910	-	25,910	24,833
Legal and accounting	2,000	-	2,000	900
Website	600	-	600	888
Miscellaneous administrative	864	-	864	611
Total administrative	30,049	-	30,049	27,931
Utilities and services				
Cable	1,665	-	1,665	1,810
Electricity	14,862	-	14,862	12,610
Gas	2,340	-	2,340	3,437
Trash removal	20,801	-	20,801	18,723
Water and sewer	69,699	-	69,699	58,944
Total utilities and services	109,367	-	109,367	95,524
Maintenance and repairs				
Contracted maintenance services	27,059	-	27,059	15,494
Contracted cleaning services	2,005	-	2,005	2,178
Maintenance and repair supplies	5,152	-	5,152	3,760
Landscape and grounds maintenance	76,198	-	76,198	70,471
Pond maintenance	13,842	-	13,842	10,509
Asphalt repair	2,315	-	2,315	3,250
Irrigation	17,644	-	17,644	20,921
Snow removal	30,750	-	30,750	24,627
Pool maintenance and repair	13,302	-	13,302	10,624
Lighting replacement	-	20,008	20,008	-
Insurance claim - net of proceeds	-	6,056	6,056	-
Other maintenance and repair	8,282	-	8,282	5,284
Total maintenance and repairs	196,549	26,064	222,613	167,118

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and Notes to the Financial Statements

Oakland Hills Portage Condominium Association
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2016
(With Summarized Comparative Information for December 31, 2015)

	General Operating Fund	Replacement Fund	Totals	
			2016	2015
Other expenses				
Property and liability insurance	30,907	-	30,907	25,930
Fidelity bond	390	-	390	422
Security	23,844	-	23,844	22,252
 Total other expenses	 55,141	 -	 55,141	 48,604
 Total expenses	 391,106	 26,064	 417,170	 339,177
 Excess of revenues over (under) expenses	 (3,829)	 102,992	 99,163	 49,568
 Interfund transfers	 16,725	 (16,725)	 -	 -
 Buy-in assessments	 9,410	 -	 9,410	 13,200
 Beginning fund balance (deficit)	 (43,264)	 230,504	 187,240	 124,472
 Ending fund balance (deficit)	 \$ (20,958)	 \$ 316,771	 \$ 295,813	 \$ 187,240

See Accompanying Independent Accountants' Review Report
and Notes to the Financial Statements

Oakland Hills Portage Condominium Association
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Summarized Comparative Information for December 31, 2015)

	General Operating Fund	Replacement Fund	Totals	
			2016	2015
Cash flows from operating activities:				
Excess of revenues over expenses	\$ (3,829)	\$ 102,992	\$ 99,163	\$ 49,568
Interfund transfers	16,725	(16,725)	-	-
Changes in operating assets and liabilities:				
Assessments receivable	685	-	685	(425)
Insurance claim receivable	-	(4,661)	(4,661)	-
Interfund balances	(13,500)	13,500	-	-
Prepaid insurance	71	-	71	3,602
Accounts payable	1,706	-	1,706	10,117
Insurance claim payable	-	7,097	7,097	-
Assessments received in advance	(3,800)	-	(3,800)	485
Net cash provided by (used in) operating activities	(1,942)	102,203	100,261	63,347
Cash flows from financing activities				
Buy - in assessments	9,410	-	9,410	13,200
Change in cash	7,468	102,203	109,671	76,547
Cash at beginning of year	5,339	217,004	222,343	145,796
Cash at end of year	\$ 12,807	\$ 319,207	\$ 332,014	\$ 222,343

See Accompanying Independent Accountants' Review Report
and Notes to the Financial Statements

Oakland Hills Portage Condominium Association
Notes to the Financial Statements
December 31, 2016
(With Summarized Comparative Information for December 31, 2015)

Note 1 - Nature of Organization

Oakland Hills Portage Condominium Association (Association) is a statutory condominium association organized as a not-for-profit corporation for the purpose of maintaining and preserving common property of the condominium association. As of December 31, 2016, the Association consisted of 134 residential units in Portage, Michigan with plans for more units to be constructed in the future. The Association began its operation on September 1, 2006.

Note 2 - Summary of Significant Accounting Policies

Fund Accounting

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:

General Operating Fund - This fund is used to account for financial resources for the general operations of the Association.

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

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The Association's policy is to retain legal counsel and place liens on the properties whose assessments are 90 days or more delinquent. It is the opinion of the Association's management that it will prevail against delinquent members and, accordingly, no allowance for uncollectible accounts is deemed necessary. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes all property and equipment to which it has title or other evidence of ownership.

Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2016. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government.

Oakland Hills Portage Condominium Association
Notes to the Financial Statements
December 31, 2016
(With Summarized Comparative Information for December 31, 2015)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America (US GAAP) 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. Actual results could differ from those estimates.

Comparative Financial Information

The financial information for the year ended December 31, 2015, presented for comparative purposes, is not intended to be a complete financial statement presentation in accordance with US GAAP.

Subsequent Events

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed before or after the financial statement date, may require disclosure in the accompanying notes or recognition in the financial statements. Management evaluated the activity of the entity through January 30, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

Note 3 – Concentration of Credit Risk

The Association maintains bank accounts at an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. At December 31, 2016, deposits with financial institutions amounted to \$ 332,014, of this amount \$ 82,014 was uncollateralized and uninsured by FDIC depository insurance.

Note 3 - Future Major Repairs and Replacements

The cash received for repair and replacement, are funds that have been set aside by the Association for purposes described in the by-laws of the Association. Generally such purposes are for repairs, replacement and other contingencies that may develop in the operations of the Association. State of Michigan administrative code for condominiums and the Association's bylaws require the co-owners to maintain a reserve fund which, at a minimum, shall be funded in an amount equal to 10% of the Association's current annual budget on a noncumulative basis. Currently, the Association is transferring approximately \$ 9,675 per month to the reserve account. At December 31, 2016 and 2015, the total funds designated for such purposes amounted to \$ 316,001 and \$ 230,504, respectively.

The Board of Directors conducted a study in December 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current replacement costs. The Association is funding for major repairs and replacements based on the annual minimum required funding level. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to board approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 4 - Buy-In Assessment

At the time of change in ownership, the purchaser of the unit shall pay to the Association an amount equal to two monthly membership assessments. The Association kept the buy-in fees collected in 2016 in the operating account and used them for normal operations.

Oakland Hills Portage Condominium Association
Notes to the Financial Statements
December 31, 2016
(With Summarized Comparative Information for December 31, 2015)

Note 5 – Special Assessment

The board approved a special assessment in the first quarter of 2016 in the amount of \$ 325 per member to replenish replacement reserve funds for money borrowed to pay operating expenses and generate operating funds to cover 2015 operating deficits. The assessment was levied to the 119 members with a certificate of occupancy as of December 31, 2015.

Note 6 – Insurance Proceeds

During the year, the Association filed for an insurance claim for expenses totaling \$ 12,097 related to carpet replacement resulting from water damage. The Association received proceeds from the claim in the amount of \$ 1,380 during 2016 with the remaining \$ 4,661 to be paid in the first quarter of 2017.

Oakland Hills Portage Condominium Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2016

The Board of Directors conducted a study in December 2015 to estimate useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require replacement.

The following information is based on the study and presents significant information about the components of common property. Amounts have been rounded to the nearest one hundred dollars.

Item no.	Component	Normal economic life	Estimated remaining economic life (as of December 2015)	Estimated replacement cost over next 20 years
1	Roads, Curbs, Sidewalks	20	11	\$ 726,000
2	Roofing	25	16	2,252,800
3	Gutter & downspout	25	16	337,900
4	Siding	25	16	2,399,200
5	Coach Lights	20	20	71,900
6	Doors	25	16	139,900
7	Pool	25	16	81,900
8	Carpet, Furniture, and Workout Equipment	10	5	134,400
9	HVAC	15	6	24,900
10	Irrigation and Water Feature Infrastructure	20	16	60,000
			Total	<u>\$ 6,228,900</u>

*Estimated replacement cost over next 20 years could include multiple replacements