



COMSTOCK HOA

"A Community that Cares"

April 4, 2017

Dear Homeowners,

We would like to thank all of you who took the time to return your ballots without which we would not have been able to conduct our annual meeting.

Enclosed are Minutes of the Annual Meeting, a copy of our Annual Report to the Membership and your copy of our audited financial statements for 2016.

Please direct questions regarding these documents to the management office, or better yet, please plan to attend one of our regular monthly board meetings which are the third Tuesday of every month at 7 PM at the Concord Senior Center. We hope you see you there!

Also, don't forget to check out our website at www.comstockhoa.org where you can download architectural request forms, get copies of back newsletters, and email your questions to the office.

Sincerely,

Comstock HOA
Board of Directors

**COMSTOCK HOMEOWNERS ASSOCIATION
ANNUAL MEETING MINUTES
MARCH 21, 2017**

President Lito Calimlim called the meeting to order at 7:12 PM. There were no homeowners present other than the board.

Management confirmed a quorum was represented with 50 ballots received.

A motion was made and unanimously approved to accept the 2016 Annual Meeting minutes as written.

Manager Gayle Hasley reviewed the Annual Report to the Membership and the Treasurer's report. She noted the accountant's 2016 annual audited financial statement and the annual report to the membership will be sent to all owners of record with a copy of the minutes of the Annual Meeting.

A motion was passed to re-elect board members Rick Fiset, Tamera Godfrey, and Drew Plaistaid by acclamation for two year terms.

Gayle announced that the motion to pass the IRS tax resolution was passed by the membership.

With no further business, the meeting was adjourned at 7:15 PM.

Respectfully Submitted,

Tamara Godfrey, Acting Secretary

Recorded by Gayle J. Hasley



COMSTOCK CONDOMINIUMS HOA

"A Community that Cares"

2017 ANNUAL MEETING REPORT TO THE MEMBERSHIP

ABOUT OUR COMMUNITY:

2016 was the year of the termites. After further investigation, drywood termites were discovered in 10 of 13 buildings, all of which were tented and treated. Short sales seem to be a thing of the past although prices have somewhat stabilized. Our owner occupancy ratio has also stabilized in the 52-55% range with year end seeing us at 54% owner occupied.

We maintain an association website where you will find our rules, copies of past newsletters, our architectural alteration request form and a section for realtors. You can visit the site at www.comstockhoa.org or email questions through the contact form on the site. The email address for the association is office@comstockhoa.org.

TREASURER'S NOTES:

Condominium Financial Management maintains our financial records by the accrual method of accounting as required by law. The Board is required to collect sufficient funds to cover both operating and reserve expenditures.

There was an increase in assessments for 2017, only the third increase since 2009! It was necessitated by the increased scope of the fumigation work we had to do to get the dry wood termite problem under control. This project cost \$100,000 in UNBUDGETED reserve expenses. We tented 9 buildings in the complex in 2016 for drywood termites and put a contract in place with Clark Pest Control that warrants all of our buildings for reoccurrences of both drywood and subterranean termites.

In 2016 we replaced 2 water heaters (\$13,371), repaired sinking asphalt in the 2031 and 2032 courts (\$10,317), slurry sealed the 2032-2048 court (\$5,000) and replaced a section of shared fencing at the rear of 2033.

We also completed over \$9,000 in roof maintenance. Our DuroLast (flat) roofs are coming to the end of their life so they require more maintenance to make sure we don't have leaks. Flat roofs are budgeted for replacement in 2019.

Despite all of this, we ended the year with our reserves fully funded, no special assessments and all planned and emergency maintenance completed.

The 2016 Annual Review has been completed by Levy and Associates and will be mailed with the Annual Meeting Minutes.

RESERVE STUDY UPDATE:

By law, the association is required to accumulate funds to pay for the upcoming repair and replacement of our common area components and to conduct a physical inspection of all components every 3 years. This inspection and subsequent reserve study was prepared by Barrera and Company in 2015. An updated list of components, their life and replacement cost, along with the long term funding plan, was part of your 2017 budget package.

Projecting expenses in this manner allows the Board to monitor actual versus projected costs and to project fund expenses and resulting balances through the year 2050. This ensures that adequate funds will be available to meet all future repair and replacement needs. The Reserves also contain the funds for capital improvements in landscape, tree replacement and other critical common area components. We believe current reserve funding is sufficient to avoid future special assessments and that our operating budget will be affected only by those fluctuating operating expenses out of our control (water, gas, waste disposal, etc.).

Upcoming Projects:

In 2018, the 2031-2035 court is scheduled for asphalt slurry sealing and restriping, the utility closet doors (electrical) are scheduled for replacement, and siding/fascia's will be inspected for dry rot and repairs.

Insurance and Maintenance Notes:

Our hazard deductible is currently \$5,000 per incident. Insurance primarily covers the buildings for fire and the common area for liability. The HOA carries no earthquake insurance.

Unless a pipe bursts, there is NO coverage for water intrusion from leaking roofs, from overflowing toilets, or wind blown rain. We urge homeowners to carry their own insurance that covers damage from these kinds of problems in addition to their personal items and "loss assessment" coverage that will help cover the deductible in the event of a large scale loss.

In Comstock, "exclusive use" includes plumbing problems that affect only your unit – i.e., a leaking overflow valve on your tub, a leaking cartridge inside the lever of your shower, leaking toilets (wax seals or lines), etc. In the event of a toilet or sink overflow, you are responsible for the collateral damage to flooring and walls, even if the problem was a clog in the common line. We cannot afford to budget to take care of every homeowners "normal maintenance". "Exclusive use" also includes replacing your own windows, front and shed doors. These items are not in our reserve budget or our reserve funding requirement would be much higher than it is.

Dry rot continues to be one of our most insidious and difficult issues to address. It shows up in places that aren't visible in normal inspections so we are dependent on homeowners to communicate problems which we address as quickly as possible. If you see a problem, whether it is dry rot or termite related, please let the office know so we can investigate.

ACKNOWLEDGEMENTS:

As always, we would like to acknowledge those folks who have contributed so much to helping us maintain and improve our community.

Condominium Financial Management has been providing service to the HOA since 1980 when the property converted to condominiums. They mail the monthly invoices and newsletter to owners, coordinate delinquent charges and send letters as required by our delinquency policy. They also provide the board with a detailed monthly financial report tracking our income and expenses via the accrual method.

Gayle Hasley begins her 28th year as our community association manager. The benefits of having both a resident as manager and one who is professionally qualified and experienced as Gayle is has benefitted our community greatly. The same is true of our attorney of record, Beth Grimm, who has provided us legal counsel for over 20 years.

Johnny Ghanaat is celebrating 31 years of serving our community in the role of performing janitorial duties including cleaning foyers and monitoring the pool during the summer. He is also an owner here at Comstock, has our best interests at heart and is always willing to lend a hand when needed.

General contracting/handyman services have been handled by Levi Wann, Wann and Only Remodel and crew Jeff and Gio. We are very grateful for their always prompt and considerate service response.

The Landscape Company started in 1987. They continue to show that they have our best interests at heart and are always on top of emergencies and maintenance issues alike.

We also appreciate our waste manager and recycler, Wastexperts. Their 3 times weekly visits have greatly improved the appearance of our dumpster areas, reduced our waste management budget significantly, and helped increase our recycling efforts.

We believe it is this kind of stability and commitment in our management and maintenance team that has given Comstock the good name and resale values that we enjoy today. Thanks to each of you from all of us!



COMSTOCK CONDOMINIUMS HOA

"A Community that Cares"

2017 ANNUAL MEETING TREASURER'S REPORT FOR 2016

The Annual CPA Review of our year end financial statements has been received. Homeowners will receive a copy of this audited statement with the minutes of this meeting within 30 – 45 days. Meanwhile here is a review of our year end financial situation per review conducted 3/1/176).

ASSETS at year end

Operating Account	75,936	
Accounts Receivable	4,490	
Prepaid Insurance	20,842	
Other	240	
Subtotal:		\$101,508
Reserve Account	385,558	
Total Assets		\$488,066

LIABILITIES

Prepaid Assessments	8,903	
Accounts Payable	12,513	
Income Taxes Payable	1,641	
Subtotal:		\$22,697

BUDGET OVERVIEW

	Budgeted	Actual	
2016 Reserve Funding	\$190,000	\$190,176	
2016 Reserve Expenses		\$157,798	(see Year End Report)
<u>2016 Operating Expenses</u>			
Administrative	64,686	74,853	
Buldings and Maintenance	28,715	32,067	
Grounds Maintenance	37,203	39,678	
Recreation Area	12,300	13,659	
Utilities			
Gas & Electricity	27,850	32,082	
Water	44,000	42,235	
Garbage & Recycling	46,000	44,394	
Totals:	\$ 260,754	\$278,935	\$18,181 over budget*

*Offset by income from Comcast easement, laundry income, member parking fees, late charges and interest totaling \$52,918

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

YEARS ENDED DECEMBER 31, 2016 AND 2015

**LEVY, ERLANGER & COMPANY
Certified Public Accountants
San Francisco, California**

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

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YEARS ENDED DECEMBER 31, 2016 AND 2015**

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LEVY, ERLANGER & COMPANY
Certified Public Accountants

290 King Street, Suite 12
San Francisco, CA 94107

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board Of Directors
The Comstock Condominium Homeowners' Association
Concord, California

We have reviewed the accompanying financial statements of **The Comstock Condominium Homeowners' Association** (the Association) which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of revenues, expenses and changes in fund balances and cash flows, for the years then ended and the related notes to the financial statements. 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 the financial statements that are free from material misstatements.

Accountant's Responsibility

Our responsibility is to conduct the review engagements 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 reviews, 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.

Future Major Repairs and Replacements

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. 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 or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.

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 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 not audited, reviewed or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Levy, Erlanger & Company

February 17, 2017

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**BALANCE SHEETS
DECEMBER 31, 2016 AND 2015**

	2016			2015
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	\$ 75,936	\$ 210,914	\$ 286,850	\$ 238,770
Investment in certificates of deposit (Note 2)		175,644	175,644	175,504
Assessments receivable, less allowance for doubtful accounts of \$14,000 and \$6,000, respectively (Note 2)	4,490		4,490	8,598
Other receivable				1,427
Prepaid insurance	20,842		20,842	20,701
Other prepaid expenses	240		240	
Total assets	<u>\$ 101,508</u>	<u>\$ 386,558</u>	<u>\$ 488,066</u>	<u>\$ 445,000</u>
LIABILITIES				
Accounts payable	\$ 12,153	\$ -	\$ 12,153	\$ 18,012
Assessments paid in advance	8,903		8,903	7,004
Income taxes payable	1,641	33	1,674	
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	<u>22,697</u>	<u>33</u>	<u>22,730</u>	<u>25,016</u>
COMMITMENTS (NOTE 4)	-	-	-	-
FUND BALANCE (DEFICIT)				
	<u>78,811</u>	<u>386,525</u>	<u>465,336</u>	<u>419,984</u>
Total liabilities and fund balance	<u>\$ 101,508</u>	<u>\$ 386,558</u>	<u>\$ 488,066</u>	<u>\$ 445,000</u>

See independent accountant's review report and accompanying notes.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments	\$ 239,024	\$ 190,000	\$ 429,024	\$ 401,424
Interest income (Note 2)		176	176	535
Comcast easement income	8,700		8,700	
Laundry income	25,551		25,551	18,681
Member parking income	6,425		6,425	6,875
Insurance claim settlements				9,650
Late charges and other income	12,242		12,242	4,199
Total revenues	291,942	190,176	482,118	441,364
EXPENSES				
<u>Administration</u>				
Bad debt expense (recovery)	7,900	-	7,900	(2,000)
Income tax provision (Note 2)	1,641	33	1,674	
Insurance	27,713		27,713	27,171
Legal and accounting	2,052		2,052	1,831
Management	21,826		21,826	20,316
Monthly accounting and billing	8,556		8,556	8,556
Office, printing and postage	5,132		5,132	4,543
	74,820	33	74,853	60,417
<u>Maintenance and operations</u>				
Insurance claim repairs	-	-	-	14,650
Janitorial services	11,303		11,303	11,651
Landscape maintenance	39,678		39,678	44,827
Pest control	5,128		5,128	4,775
Pool and spa maintenance	13,659		13,659	11,945
Other maintenance and operations	15,636		15,636	15,397
	85,404	-	85,404	103,245

See independent accountant's review report and accompanying notes.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Utilities</u>				
Garbage collection	\$ 44,394	\$ -	\$ 44,394	\$ 43,109
Gas and electricity	32,082		32,082	28,970
Water and sewer	42,235		42,235	42,764
	118,711	-	118,711	114,843
<u>Major repairs and replacements</u>				
Decks and balconies	-	3,610	3,610	45,530
Fences and gates		1,988	1,988	
Lighting and electrical systems		14,200	14,200	3,191
Painting and waterproofing				25,184
Paving and concrete		15,310	15,310	
Pool and spa				975
Roofs		9,069	9,069	
Reserve study				1,875
Termite damage repairs		99,048	99,048	9,490
Water heaters		13,371	13,371	2,491
Other major repairs and replacements		1,202	1,202	904
	-	157,798	157,798	89,640
Total expenses	278,935	157,831	436,766	368,145
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	13,007	32,345	45,352	73,219
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	65,804	354,180	419,984	346,765
FUND BALANCE (DEFICIT), END OF YEAR	\$ 78,811	\$ 386,525	\$ 465,336	\$ 419,984

See independent accountant's review report and accompanying notes.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>			<u>2015</u>
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ 13,007	\$ 32,345	\$ 45,352	\$ 73,219
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Bad debt expense (recovery)	7,900	-	7,900	(2,000)
Decrease (increase) in assets:				
Assessments receivable	(3,792)		(3,792)	(3,689)
Other receivable	1,427		1,427	(1,427)
Prepaid insurance	(141)		(141)	(448)
Other prepaid expenses	(240)		(240)	
Increase (decrease) in liabilities:				
Accounts payable	(3,643)	(2,216)	(5,859)	7,375
Assessments paid in advance	1,899		1,899	(121)
Income taxes payable	1,641	33	1,674	
Total adjustments	5,051	(2,183)	2,868	(310)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>18,058</u>	<u>30,162</u>	<u>48,220</u>	<u>72,909</u>
INVESTING ACTIVITIES				
Net (purchase) sale of certificates of deposit	-	(140)	(140)	(100,504)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>-</u>	<u>(140)</u>	<u>(140)</u>	<u>(100,504)</u>

See independent accountant's review report and accompanying notes.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>			<u>2015</u>
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 18,058	\$ 30,022	\$ 48,080	\$ (27,595)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>57,878</u>	<u>180,892</u>	<u>238,770</u>	<u>266,365</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 75,936</u>	<u>\$ 210,914</u>	<u>\$ 286,850</u>	<u>\$ 238,770</u>
<u>Supplemental Disclosures</u>				
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent accountant's review report and accompanying notes.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2016 AND 2015

1. THE ASSOCIATION

The Comstock Condominium Homeowners' Association (the Association) is a common interest development located in Concord, California which consists of 116 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in February 1982 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assessments. Association members are subject to annual assessments, usually payable in equal monthly installments, to provide funds for operating expenses and major repairs and replacements. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board Of Directors, under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year. Revenues and expenses and information about future major repairs and replacements are explained in greater detail in the annually-distributed pro forma operating budget (pursuant to California Civil Code Section 5300).

Assessments receivable at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed annual statement of collection procedure (pursuant to California Civil Code Section 5730). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible. The estimate of allowance for doubtful accounts, if any, is based, generally, on amounts past due greater than 90 to 120 days.

See independent accountant's review report.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation. The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents. For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Concentrations of credit risk. Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2016 totaled approximately \$213,000.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

Fund accounting. The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

See independent accountant's review report.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at graduated rates from 15% to 39% on net nonmember income; in the latter case it is taxed on net nonexempt function income (which is generally similar to net nonmember income) at a flat 30% rate. California income taxes approximate 9% of taxable income.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Interest earned on operations and replacement funds, net of related income taxes, is retained in said respective funds.

Investments consist of federally-insured certificates of deposit stated at cost which approximates market value.

Membership in the Association is mandatory by virtue of unit ownership.

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board Of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

See independent accountant's review report.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. 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 or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

See independent accountant's review report.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

4. COMMITMENTS

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

5. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 17, 2017, the date that the financial statements were available to be issued.

See independent accountant's review report.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2016
(COMPILED WITHOUT AUDIT OR REVIEW)**

The following information on common area major components was compiled by Hasley & Associates of Pleasant Hill, California as of October 2016 and has served as the basis for the current estimates of replacement reserve funding:

Component Description	STOCK	HOA	RESERVE		PROJECTIONS		FOR 2017	
	Units	Measured	Unit Cost	Cost to Replace	Normal Life	Remaining Life	Threshold Funding	Desired Balance
ROOFING								
Duralast	57,400		7.75	444,850	20	3	22,243	378,123
WS Mansard	8,310		35	290,850	40	10	7,271	218,138
Sheds - Comp	52		2300	119,600	20	4	5,980	95,680
Sheds - Store	4		1000	4,000	20	4	200	3,200
Dwnspts	116		220	25,520	40	15	638	15,950
PAINTING								
Full Paint	99,702		1.12	111,666	10	4	11,167	67,000
Cycle Paint	24,450		1.75	42,788	5	4	8,558	8,558
Deck Coating	58		500	29,000	5	3	5,800	11,600
Foyers- Repa	23		530	12,190	5	5	2,438	0
Signage	65		200	13,000	10	4	1,300	7,800
PAVING								
Slurry - Even	21,637		0.28	6,058	4	4	1,515	0
Slurry - 2045	13,147		0.293	3,852	4	0	963	3,852
Slurry - 2031	11,827		0.3	3,548	4	2	887	1,774
Overlay Even	21,637		3.55	76,811	35	27	2,195	17,557
Overlay 2045	13,147		3.55	46,672	35	26	1,333	12,001
Overlay 2031	11,827		3.55	41,986	35	25	1,200	11,996
Repairs								
FENCE/GATES								
Pool- Wd:Ever	220		60	13,200	20	10	660	6,600
Pool-Odd Wrt	260		52	13,520	20	15	676	3,380
Iron Pool Gate	3		1200	3,600	20	15	180	900
Vinyl 5' Pr	4,815		33	158,895	30	18	5,297	63,558
Shared Fencing								
POOL AREA (Odd)								
Equipment	4		500	2,000	10	4	200	1,200
Furniture	21		135	2,835	8	2	354	2,126
Fiberglass/Tile	1,106		8.15	9,014	20	13	451	3,155
Caulking	107		7	775	4	2	194	388
Plumbing	1		8500	8,500	30	23	283	1,983
Electrical/light	1		4056	4,056	30	23	135	946
Concrete deck	2,600		13.55	35,230	30	23	174	8,220
Plans/Permits	1		3500	3,500	30	23	117	817
Landscaping								
POOL AREA (Even)								
Equipment	4		500	2,000	10	10	200	0
Furniture	21		135	2,835	8	4	354	1,418
Fiberglass/Tile	1,065		8.15	8,680	20	10	434	4,340
Caulking	100		7	750	3	3	250	0

See independent accountant's review report and accompanying notes.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2016
(COMPILED WITHOUT AUDIT OR REVIEW)**

Component Description	STOCK	HOA	RESERVE		PROJECTIONS		FOR 2017	
	Units	Assured	Unit Cost	Cost to Replace	Normal Life	Remaining Life	Threshold Funding	Desired Balance
Fencing	1		7600	7600	30	20	253	33
Electrical/light	1		4056	4,056	30	20	135	1,352
Concrete/Cop	2,100		13.55	28,455	30	20	949	9,485
Plans/Permits	1		3450	3,450	30	20	115	1,150
LANDSCAPE								
Controllers/Irr	16		1369	21,904	10	8	2,190	4,381
Retaining Wall	8		2600	20,800	20	4	1,040	16,640
Concrete walke				20,000	8	5	2,500	7,500
Page 4								
WATER HEATERS								
12 Unit building	5		4300	21,500	11	4	1,955	13,682
8 Unit building	6		4300	25,800	11	4	2,345	16,418
4 Unit building	2		4300	8,600	11	5	782	4,691
Circulat. Pump	13		800	10,400	15	4	693	7,627
Gate Valves	13		450	3,900	20	13	195	1,365
Copper plumb	116		6200	719,200	40	8	17,980	575,360
Sewers	13		3250	42,250	30	23	1,408	9,858
SUMP PUMPS								
Pump One (O	1		19000	19,000	12	1	1,583	17,417
Pump Two (Ev	1		13000	13,000	20	1	650	12,350
Re-pipe	2		25000	50,000	20	1	2,500	47,500
LIGHTING								
Common Fix.	1		40000	40,000	25	23	600	3,200
Emerge lights	23		100	2,300	25	24	92	92
WOOD REPLACEMENT								
Stair Decks	24		900	21,600	10	0	2,160	21,600
Garage doors/	116		1150	133,400	30	30	4,447	0
Trellis - Even	360		15	5,400	25	18	216	1,512
Trellis - Odd	330		15	4,950	25	21	198	792
Siding	320		255	81,600	35	13	2,331	51,291
Balconies	52		750	39,000	20	8	1,950	23,400
Fascia & Trim	1,500		40	60,000	20	3	3,000	51,000
Utility Closet D	30		200	6,000	30	24	200	1,200
Sheds	3		1600	4,800	20	9	240	2,640
Mailboxes	20		475	9,500	20	3	475	8,075
Trash Enclosur	3		13000	39,000	30	3	1,300	35,100
Termite Control	13		345	4,485	15	0	299	4,485
Contingency							4,000	3,100
							144,428	1,909,054

See independent accountant's review report and accompanying notes.

THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2016
(COMPILED WITHOUT AUDIT OR REVIEW)**

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **after-tax interest rate** of **1/2%** on replacement fund cash balances and an annual **inflation rate** of **3%** on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2016 totaled **\$386,558**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$1,909,000**. The portion of **2017** regular **assessments** budgeted to be allocated to the replacement fund totals **\$193,000**.

See independent accountant's review report and accompanying notes.