



# COMSTOCK HOA

"A Community that Cares"

April 8, 2019

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 2018.

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 Wednesday 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](http://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 20, 2019**

President Lito Calimlim called the meeting to order at 7:02 PM. There was a homeowner present.

Management confirmed a quorum was represented with 44 ballots received.

A motion was made and unanimously approved to accept the 2018 Annual Meeting minutes as written.

Manager Denise Castaneda reviewed the Annual Report to the Membership and the Treasurer's report. She noted the accountant's 2017 and 2018 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 Drew Plaisted, Tamera Godfrey, and Rick Fiset by acclamation for two year terms.

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

With no further business, the meeting was adjourned at 7:24 PM.

Respectfully Submitted,

*Drew Plaisted*, Secretary

*Recorded by Denise Castaneda*



# COMSTOCK CONDOMINIUMS HOA

"A Community that Cares"

## 2019 ANNUAL MEETING REPORT TO THE MEMBERSHIP

### ABOUT OUR COMMUNITY:

2018 was another relatively quiet year for the association. Prices continued to increase, reflecting the overall market. Owner occupancy ratio stayed around 55% despite our participation in the FHA approval process in the hopes of attracting more owner occupied buyers.

We continue to 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](http://www.comstockhoa.org) or email questions through the contact form on the site. The email address for the association is [denise@allcommunitymgmt.com](mailto:denise@allcommunitymgmt.com).

### 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 another increase in assessments for 2019, the fifth since 2009. It was necessitated by the increased cost of insurance and utilities.

We hired a professional cleaner to come in and clean all the foyers and laundry rooms which improved their appearance greatly. In 2018 we spent almost \$50,000 on balcony and siding repairs, replaced shared fencing behind 2037-2039, replaced nearly \$80,000 worth of the mansard shake roofs which then had to be painted and replaced one water heater and two recirculating pumps. We experienced our first fire loss in over 20 years at 2044 which was fortunately restricted to the loss of a shed and some minor building damage. We also located and repaired an underground leak in the 2039-2045 court and resealed and restriped the asphalt.

We ended the year with our reserves fully funded, no special assessments and all planned and emergency maintenance completed.

The 2018 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 2018. An updated list of components, their life and replacement cost, along with the long term funding plan, was part of your 2019 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 2019 we are scheduled to begin replacement of the flat membrane roofs. Half will be done in 2019 and the remainder in 2020. We are scheduled to reseal the 2031-2037 court and replace pool furniture as necessary.

### **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.

We said farewell to Gayle Hasley who retired the end of 2018 and welcomed Denise Castaneda, CCAM® as our community association manager. The transition has been seamless.

Johnny Ghanaat is celebrating 32 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!

**THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION**

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

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION**

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**LEVY, ERLANGER & COMPANY LLP**  
Certified Public Accountants

290 King Street, Suite 12  
San Francisco, CA 94107

**INDEPENDENT ACCOUNTANT'S 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, 2018 and 2017, 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 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.

**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 accordance 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 required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed or compiled the required supplementary information, and we do not express an opinion, a conclusion, nor provide any assurance on it.

*Levy, Erlanger & Company LLP*

February 5, 2019

**THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION**

**BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017**

	2018			2017
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 70,182	\$ 151,986	\$ 222,168	\$ 236,026
Investment in certificates of deposit (Note 2)		375,000	375,000	350,000
Assessments receivable, less allowance for doubtful accounts of \$9,000 and \$11,000, respectively (Note 2)	893		893	1,791
Prepaid insurance	21,955		21,955	21,137
Prepaid income taxes				1,514
Total assets	\$ 93,030	\$ 526,986	\$ 620,016	\$ 610,468
<b>LIABILITIES</b>				
Accounts payable	\$ 15,257	\$ 3,106	\$ 18,363	\$ 31,041
Assessments paid in advance	11,315		11,315	10,955
Income taxes payable		960	960	
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	26,572	4,066	30,638	41,996
<b>COMMITMENTS (NOTE 4)</b>	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>	66,458	522,920	589,378	568,472
Total liabilities and fund balance	\$ 93,030	\$ 526,986	\$ 620,016	\$ 610,468

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, 2018 AND 2017**

	2018			2017
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES</b>				
Assessments	\$ 264,872	\$ 199,000	\$ 463,872	\$ 439,344
Interest income (Note 2)		5,887	5,887	2,543
Laundry income	23,145		23,145	25,885
Member parking income	7,850		7,850	6,460
Insurance claim settlements	16,699		16,699	
Late charges and other income	6,156		6,156	2,533
Total revenues	318,722	204,887	523,609	476,765
<b>EXPENSES</b>				
<u>Administration</u>				
Bad debt expense (recovery)	(2,000)	-	(2,000)	(3,000)
Income tax provision (Note 2)		1,180	1,180	196
Insurance	28,787		28,787	28,236
Legal and accounting	1,275		1,275	2,125
Management	26,400		26,400	26,400
Monthly accounting and billing	8,820		8,820	8,820
Office, printing and postage	4,720		4,720	4,917
Reserve study		1,800	1,800	
	68,002	2,980	70,982	67,694
<u>Maintenance and operations</u>				
Foyer cleaning	7,520	-	7,520	-
Insurance claim repairs	21,744		21,744	
Janitorial services	12,698		12,698	12,604
Landscape maintenance	36,029		36,029	34,915
Pest control	5,822		5,822	5,406
Pool and spa maintenance	9,372		9,372	8,976
Other maintenance and operations	14,741		14,741	13,639
	107,926	-	107,926	75,540

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, 2018 AND 2017**

	2018			2017
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>EXPENSES (CONTINUED)</b>				
<u>Utilities</u>				
Garbage collection	\$ 51,736	\$ -	\$ 51,736	\$ 46,208
Gas and electricity	34,042		34,042	33,107
Water and sewer	60,497		60,497	47,292
	<u>146,275</u>	<u>-</u>	<u>146,275</u>	<u>126,607</u>
<u>Major repairs and replacements</u>				
Asphalt	-	11,485	11,485	-
Doors and windows				6,000
Fences and gates		6,412	6,412	
Laundry room maintenance				6,706
Painting and waterproofing		25,010	25,010	8,440
Pool and spa		2,681	2,681	
Roofs		76,780	76,780	30,786
Sewer and drainage				18,513
Termite damage repairs		4,498	4,498	4,480
Water heaters		7,890	7,890	
Wood		41,860	41,860	23,700
Other major repairs and replacements		904	904	5,163
	<u>-</u>	<u>177,520</u>	<u>177,520</u>	<u>103,788</u>
Total expenses	<u>322,203</u>	<u>180,500</u>	<u>502,703</u>	<u>373,629</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	(3,481)	24,387	20,906	103,136
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(18,706)	18,706	-	-
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	<u>88,645</u>	<u>479,827</u>	<u>568,472</u>	<u>465,336</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ 66,458</u>	<u>\$ 522,920</u>	<u>\$ 589,378</u>	<u>\$ 568,472</u>

See independent accountant's review report and accompanying notes.

**THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over expenses	\$ (3,481)	\$ 24,387	\$ 20,906	\$ 103,136
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Bad debt expense (recovery)	(2,000)	-	(2,000)	(3,000)
Decrease (increase) in assets:				
Assessments receivable	2,898		2,898	5,699
Prepaid insurance	(818)		(818)	(295)
Prepaid income taxes		1,514	1,514	(1,514)
Other prepaid expenses				240
Increase (decrease) in liabilities:				
Accounts payable	1,566	(14,244)	(12,678)	18,888
Assessments paid in advance	360		360	2,052
Income taxes payable		960	960	(1,674)
Total adjustments	2,006	(11,770)	(9,764)	20,396
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(1,475)</b>	<b>12,617</b>	<b>11,142</b>	<b>123,532</b>
<b>INVESTING ACTIVITIES</b>				
Net (purchase) sale of certificates of deposit	-	(25,000)	(25,000)	(174,356)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>-</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(174,356)</b>

See independent accountant's review report and accompanying notes.

**THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (1,475)	\$ (12,383)	\$ (13,858)	\$ (50,824)
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(18,706)	18,706	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	90,363	145,663	236,026	286,850
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 70,182	\$ 151,986	\$ 222,168	\$ 236,026
<u>Supplemental Disclosures</u>				
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	\$ -	\$ (1,294)	\$ (1,294)	\$ 3,384

See independent accountant's review report and accompanying notes.

# THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

### 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, 2018 AND 2017**

**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, 2018 totaled approximately \$-0-.

**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, 2018 AND 2017**

**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 a flat 21% rate on net nonmember income; in the latter case it is taxed at a flat 30% rate on net nonexempt function income (which is generally similar to net nonmember income). California income tax approximates 9% of net nonmember 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, 2018 AND 2017

### 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, 2018 AND 2017**

**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 5, 2019, 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, 2018  
(UNAUDITED)**

The following information on common area major components was compiled by Barrera & Company, Inc of San Diego, California as of **October 2018** and has served as the basis for the current estimates of replacement reserve funding:

	UL	RUL	Current Replacement Cost	Accumulated Reserve Balance	Annual Fully Funded Requirement	Fully Funded Reserve Balance	Annual Reserve Contribution
Asphalt & Concrete Surfaces	4-35	0-25	\$220,678	\$19,255	\$11,487	\$76,167	\$15,540
Doors	30-30	26-29	\$159,242	\$5,189	\$5,308	\$20,527	\$7,181
Fencing & Gates	20-40	3-27	\$281,397	\$29,954	\$8,087	\$118,487	\$10,940
Landscaping	10-20	5-10	\$48,448	\$6,124	\$3,621	\$24,224	\$4,898
Lighting	20-25	16-23	\$63,494	\$1,997	\$2,775	\$7,899	\$3,754
Miscellaneous	15-20	0-9	\$18,785	\$3,843	\$1,014	\$15,200	\$1,372
Painting	5-12	2-7	\$182,702	\$33,906	\$21,269	\$134,123	\$28,772
Plumbing & Water Heaters	3-40	0-32	\$849,899	\$158,116	\$25,613	\$625,456	\$34,648
Pool Area (Even)	4-40	0-33	\$61,259	\$3,781	\$2,023	\$14,958	\$2,737
Pool Area (Odd)	4-40	2-29	\$77,949	\$6,323	\$2,970	\$25,012	\$4,018
Roofing	20-40	0-20	\$1,140,706	\$233,302	\$46,891	\$922,865	\$63,434
Sump Pumps	12-20	0-0	\$32,000	\$8,090	\$2,233	\$32,000	\$3,021
Wood Surfaces & Railing	10-40	2-24	\$258,823	\$40,224	\$13,813	\$159,113	\$18,686

See independent accountant's review report and accompanying notes.

**THE COMSTOCK CONDOMINIUM HOMEOWNERS' ASSOCIATION**

**SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2018  
(UNAUDITED)**

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, 2018 totaled **\$526,986**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$2,176,000**. The portion of **2019** regular **assessments** budgeted to be allocated to the replacement fund totals **\$199,000**.

See independent accountant's review report and accompanying notes.