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Allen P. DeLeon, CPA, PFS
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Brad Hoffman, CPA
Jeanie Price, AAAPM

May 8, 2017

Mr. James Denny
The New Mark Commons Homes Association, Inc.
P.O. Box 4206
Rockville, MD 20849

Dear Mr. Denny:

Enclosed are one unbound and one bound copies of the audit report for *The New Mark Commons Homes Association, Inc.* for the year ended December 31, 2016. Please call if you have any questions or comments.

Thank you for choosing DeLeon & Stang for your audit needs.

Sincerely,

Allen P. DeLeon, CPA, Audit Partner

APD/kr

Enclosures

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.

**Financial Statements and
Supplementary Information with
Independent Auditors' Report**

**For the Year Ended December 31, 2016
with Summarized Totals
For the Year Ended December 31, 2015**



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INDEPENDENT AUDITORS' REPORT

Board of Directors

The New Mark Commons Homes Association, Inc.
Rockville, MD

Report on the Financial Statements

We have audited the accompanying financial statements of *The New Mark Commons Homes Association, Inc.*, which comprise the balance sheet as of December 31, 2016 and the related statements of revenues, expenses and changes in fund balances, and cash flows for the 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.

Auditors' Responsibility

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

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

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

**The New Mark Commons Homes Association, Inc.
Independent Auditors' Report (Continued)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *The New Mark Commons Homes Association, Inc.* as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited *The New Mark Commons Homes Association, Inc.*'s 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on pages 13 – 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

DeLeon and Stang, CPAs and Advisors

**DeLeon & Stang, CPAs
Gaithersburg, Maryland
April 28, 2017**

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Balance Sheet
December 31, 2016
with Summarized Totals as of December 31, 2015

| | Operating Fund | Replacement Reserve Fund | Total 2016 | 2015 |
|---|-----------------------|--------------------------------|-------------------------|-------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 49,769 | \$ 513,640 | \$ 563,409 | \$ 467,958 |
| Investments | - | - | - | 93,855 |
| Assessments receivable (net of allowance for doubtful accounts of \$3,980 in 2016) | 6,387 | - | 6,387 | 9,798 |
| Accounts receivable - SWM | 40,918 | - | 40,918 | - |
| Prepaid expenses | 10,348 | - | 10,348 | 10,623 |
| Due from replacement reserve | 459 | - | 459 | 459 |
| <u>Property and equipment:</u> | | | | |
| Land | 250,000 | - | 250,000 | 250,000 |
| Building and improvements | 332,945 | - | 332,945 | 334,817 |
| Furniture and equipment | 117,370 | - | 117,370 | 146,934 |
| Lake and property | 714,447 | - | 714,447 | 843,463 |
| | 1,414,762 | - | 1,414,762 | 1,575,214 |
| Accumulated depreciation | (1,013,220) | - | (1,013,220) | (1,144,748) |
| Total property and equipment | 401,542 | - | 401,542 | 430,466 |
| TOTAL ASSETS | \$ 509,423 | \$ 513,640 | \$ 1,023,063 | \$ 1,013,159 |
| LIABILITIES AND FUND BALANCE | | | | |
| <u>Liabilities:</u> | | | | |
| Accounts payable | \$ 24,619 | \$ 125 | \$ 24,744 | \$ 5,048 |
| Storm water management reimbursement | 40,918 | - | 40,918 | - |
| Prepaid assessments | 1,828 | - | 1,828 | 3,385 |
| Due to operating | - | 459 | 459 | 459 |
| Total Liabilities | 67,365 | 584 | 67,949 | 8,892 |
| <u>Fund Balances:</u> | | | | |
| Operating fund | 442,058 | - | 442,058 | 518,778 |
| Replacement reerve fund | - | 513,056 | 513,056 | 485,489 |
| Total Fund Balances | 442,058 | 513,056 | 955,114 | 1,004,267 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 509,423 | \$ 513,640 | \$ 1,023,063 | \$ 1,013,159 |

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2016
with Summarized Totals for the Year Ended December 31, 2015

| | Operating Fund | Replacement Reserve Fund | Total 2016 | 2015 |
|--------------------------------------|-------------------|--------------------------------|---------------|------------|
| <u>Revenues:</u> | | | | |
| Single family dues | \$ 164,500 | \$ 33,444 | \$ 197,944 | \$ 197,016 |
| Townhouse dues | 157,571 | 42,670 | 200,241 | 199,208 |
| Non-resident dues | 22,203 | - | 22,203 | 20,700 |
| Insurance claim | 40,918 | - | 40,918 | - |
| Storm water management fees | 15,431 | - | 15,431 | 14,663 |
| Other income | 4,254 | - | 4,254 | 2,015 |
| Interest | - | 3,407 | 3,407 | 2,883 |
| Clubhouse rental | 3,050 | - | 3,050 | 3,250 |
| Pool guest fees | 2,316 | - | 2,316 | 1,988 |
| Interest - past due accounts | 1,267 | - | 1,267 | 435 |
| Commission on Common Ownership | | | | |
| Communities fees | 1,154 | - | 1,154 | 1,152 |
| Late payment fees | 896 | - | 896 | 772 |
| Garage rental | 845 | - | 845 | 841 |
| Newsletter income | 230 | - | 230 | 335 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Revenues | 414,635 | 79,521 | 494,156 | 445,258 |
| <u>Expenses:</u> | | | | |
| <u>Administrative:</u> | | | | |
| Legal | 47,628 | - | 47,628 | 15,132 |
| Wages - administrator | 45,855 | - | 45,855 | 44,955 |
| Storm water management reimbursement | 40,918 | - | 40,918 | - |
| Insurance | 33,209 | - | 33,209 | 33,399 |
| Depreciation | 28,924 | - | 28,924 | 30,045 |
| Storm water management | 15,962 | - | 15,962 | 15,200 |
| Entertainment | 7,350 | - | 7,350 | 4,773 |
| Accounting | 6,975 | - | 6,975 | 6,672 |
| Electricity | 4,894 | - | 4,894 | 4,633 |
| Computer fee | 4,159 | - | 4,159 | 775 |
| Bad debts (recoveries) | 3,980 | - | 3,980 | (4,504) |
| Administrative | 3,919 | - | 3,919 | 3,262 |
| Payroll taxes | 3,611 | - | 3,611 | 3,558 |
| Printing | 2,709 | - | 2,709 | 1,904 |
| CCOC fees | 1,920 | - | 1,920 | 1,152 |
| Personal property taxes | 972 | - | 972 | 1,364 |
| Telephone | 130 | - | 130 | 120 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Administrative Expense | 253,115 | - | 253,115 | 162,440 |

(Continued)

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Statement of Revenues, Expenses and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2016
with Summatized Totlas for the Year Ended December 31, 2015

| | Operating Fund | Replacement Reserve Fund | Total 2016 | 2015 |
|---|-------------------|--------------------------------|---------------|--------------|
| <u>Clubhouse and Tennis:</u> | | | | |
| Electricity, including pool pumps | \$ 5,814 | \$ - | \$ 5,814 | \$ 7,092 |
| Clubhouse expenses | 5,622 | - | 5,622 | 2,896 |
| Telephone | 2,497 | - | 2,497 | 1,786 |
| Gas | 1,491 | - | 1,491 | 1,771 |
| Supplies | 588 | - | 588 | 382 |
| Total Clubhouse and Tennis Expense | 16,012 | - | 16,012 | 13,927 |
| <u>Pool and Swim Team:</u> | | | | |
| Pool management | 52,980 | - | 52,980 | 47,612 |
| Swim team | 6,836 | - | 6,836 | 7,220 |
| Water | 4,690 | - | 4,690 | 3,438 |
| Pool repairs | 3,969 | - | 3,969 | 4,708 |
| Pool supplies | 2,142 | - | 2,142 | 1,798 |
| Pass system | 1,561 | - | 1,561 | 2,123 |
| Fees and permits | 1,288 | - | 1,288 | 1,195 |
| Total Pool and Swim Team Expense | 73,466 | - | 73,466 | 68,094 |
| <u>Lake:</u> | | | | |
| Fish and chemicals | 5,747 | - | 5,747 | 5,315 |
| Electricity | 3,516 | - | 3,516 | 3,373 |
| Fountain repairs | - | - | - | 669 |
| Total Lake Expense | 9,263 | - | 9,263 | 9,357 |
| <u>Property Maintenance:</u> | | | | |
| Lawn service | 46,271 | - | 46,271 | 45,813 |
| Tree removal | 33,930 | - | 33,930 | 23,566 |
| Snow removal | 27,378 | - | 27,378 | 35,357 |
| Landscape projects | 9,555 | - | 9,555 | 2,313 |
| Landscape maintenance | 9,130 | - | 9,130 | 8,261 |
| Path and lights | 7,139 | - | 7,139 | 5,739 |
| Contracted maintenance | 4,990 | - | 4,990 | 5,400 |
| Maintenance supplies | 1,106 | - | 1,106 | 1,390 |
| Reserve projects | - | 51,954 | 51,954 | 24,595 |
| Total Property and Maintenance Expense | 139,499 | 51,954 | 191,453 | 152,434 |
| Total Expenses | 491,355 | 51,954 | 543,309 | 406,252 |
| Excess (Deficiency) of Revenues Over Expenses | (76,720) | 27,567 | (49,153) | 39,006 |
| Fund Balances, Beginning of Year | 518,778 | 485,489 | 1,004,267 | 965,261 |
| Fund Balances, End of Year | \$ 442,058 | \$ 513,056 | \$ 955,114 | \$ 1,004,267 |

See Accompanying Notes to the Financial Statements

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2016
with Summarized Totals for the Year Ended December 31, 2015

| | Operating Equity | Replacement Reserve Fund | Total 2016 | 2015 |
|---|---------------------|--------------------------------|-------------------|-------------------|
| <u>Cash Flows From Operating Activities:</u> | | | | |
| Excess (Deficiency) of Revenues Over Expenses | \$ (76,720) | \$ 27,567 | \$ (49,153) | \$ 39,006 |
| Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by (Used in) Operating Activities | | | | |
| Depreciation | 28,924 | - | 28,924 | 30,045 |
| Provision for bad debts (recoveries) | 3,980 | - | 3,980 | (4,504) |
| (Increase) decrease in: | | | | |
| Assessments receivable | (569) | - | (569) | 747 |
| Accounts receivable - SWM | (40,918) | - | (40,918) | - |
| Prepaid expenses | (559) | 834 | 275 | 676 |
| Increase (decrease) in: | | | | |
| Accounts payable | 19,571 | 125 | 19,696 | (12,198) |
| Storm water management reimbursement | 40,918 | - | 40,918 | - |
| Prepaid assessments | <u>(1,557)</u> | <u>-</u> | <u>(1,557)</u> | <u>135</u> |
| Net Cash Provided by (Used in) Operating Activities | (26,930) | 28,526 | 1,596 | 53,907 |
| <u>Cash Flows From Investing Activities:</u> | | | | |
| Net redemption (purchase) of investments | <u>-</u> | <u>93,855</u> | <u>93,855</u> | <u>(511)</u> |
| Net Cash Provided by (Used in) Investing Activities | <u>-</u> | <u>93,855</u> | <u>93,855</u> | <u>(511)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (26,930) | 122,381 | 95,451 | 53,396 |
| Cash and Cash Equivalents, Beginning of Year | <u>76,699</u> | <u>391,259</u> | <u>467,958</u> | <u>414,562</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 49,769</u> | <u>\$ 513,640</u> | <u>\$ 563,409</u> | <u>\$ 467,958</u> |

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2016

NOTE 1 - NATURE OF ORGANIZATION

The New Mark Commons Homes Association, Inc. (Association) was incorporated under Maryland statutes in October 1967 as a non-stock entity. The general purpose of the Association is to maintain the buildings, recreational facilities and surrounding grounds for the homeowners of the New Mark Commons Community. The community consists of 384 residential units located in Rockville, Maryland.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the Association is set forth below:

Basis of Accounting

The Association maintains its records on the accrual basis.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and replacement reserve funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and Property Manager. Disbursements from the replacement reserve may be made only for designated purposes.

Fair Value of Financial Instruments

The Association currently does not measure any of its assets or liabilities at fair value and is not required under U.S. generally accepted accounting principles to disclose the fair value of its financial instruments.

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Association considers all cash demand balances and all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Association's investment consists of a certificate of deposit recorded at cost, which approximates fair value.

Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet dates represent assessments and late fees due from the home owners. The Association recognizes late fees in revenues when assessed against the respective homeowner. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ninety days or more delinquent. An allowance for bad debts has been established as the Association currently anticipates a loss on some receivables. Delinquent assessments may be written off if liens cannot be enforced though other collection activity may continue in an attempt to recover revenue.

The Association's Board of Directors has the ability, with proper approval by the membership, to pass special assessments when and if the need arises.

Assessments over ninety days delinquent were \$10,367 and \$9,798, as of December 31, 2016 and 2015, respectively.

Four (4) unit owners make up 81% of assessments receivable as of December 31, 2016. Three (3) unit owners make up 87% if assessments receivable as of December 31, 2015.

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Property and equipment are stated at historical cost, less accumulated depreciation. Depreciation is computed over the estimated useful lives of the depreciable assets using accelerated and straight line methods. The estimated useful lives of the assets are as follows:

| | |
|--------------------------------|--------------|
| Building and improvement | 7 – 39 years |
| Furniture and equipment | 5 – 15 years |
| Lake and property improvements | 5 – 15 years |

The Board adopted a policy in 2008 under which it capitalizes individual purchases of personal property that exceeds a cost of \$3,000 and has a life of 3 years or longer.

Commonly Owned Property

It is the Association's policy not to record the originally donated value of land, buildings and donated assets in the financial statements since covenants restrict the Association's ability to sell or dispose of these assets.

Interest Income

Interest income is allocated to the replacement reserve fund.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total, but not by fund balances. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

Subsequent Events

The Association has evaluated the financial statements for subsequent events recording or disclosure through April 28, 2017, the date the financial statements were available for issuance.

Reclassification

Certain accounts in the prior year financial statements have been reclassified to conform to the current year presentation.

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2016

NOTE 3 - CASH AND INTEREST BEARING DEPOSITS

As of December 31, the Association maintained its funds in the following manner:

| Institution | Type Account | Maturity Date | Interest Rate | Cash and Cash | | Total |
|--------------------|------------------------|------------------|------------------|-------------------|------------------|-------------------|
| | | | | Equivalents | Investments | |
| 2016 | | | | | | |
| Bank of America | Checking | | | \$ 49,225 | \$ - | \$ 49,225 |
| Undeposited Funds | Cash | | | 544 | - | 544 |
| Monument Bank | Money market | | | 244,360 | - | 244,360 |
| Congressional Bank | Money market | | | 269,280 | - | 269,280 |
| Congressional Bank | Certificate of deposit | 3/13/2016 | 0.39% | - | - | - |
| Totals | | | | <u>\$ 563,409</u> | <u>\$ -</u> | <u>\$ 563,409</u> |
| 2015 | | | | | | |
| Bank of America | Checking | | | \$ 76,155 | \$ - | \$ 76,155 |
| Undeposited Funds | Cash | | | 544 | - | 544 |
| Monument Bank | Money market | | | 242,292 | - | 242,292 |
| Congressional Bank | Money market | | | 148,967 | - | 148,967 |
| Congressional Bank | Certificate of deposit | 3/13/2016 | 0.39% | - | 93,855 | 93,855 |
| Totals | | | | <u>\$ 467,958</u> | <u>\$ 93,855</u> | <u>\$ 561,813</u> |

NOTE 4 - PROPERTY AND EQUIPMENT

At December 31, property and equipment consists of the following:

| | 2016 | 2015 |
|--------------------------------|--------------------|--------------------|
| Land | \$ 250,000 | \$ 250,000 |
| Buildings | 332,945 | 334,817 |
| Furniture and equipment | 117,370 | 146,934 |
| Lake and property improvements | <u>714,447</u> | <u>843,463</u> |
| | \$ 1,414,762 | \$ 1,575,214 |
| Less: accumulated depreciation | <u>(1,013,220)</u> | <u>(1,144,748)</u> |
| | <u>\$ 401,542</u> | <u>\$ 430,466</u> |

Depreciation expense was \$28,924 and \$30,045 for the years ended December 31, 2016 and 2015, respectively.

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2016

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements; however, the Association has elected to set aside funds for replacement reserves. Accumulated funds are generally not available for expenditures for normal operations.

Reserve Advisors, Inc. conducted a study in 2008 (dated January 5, 2009) to estimate the remaining useful lives and the replacement cost of the components of common property. The estimates were based on 2008 estimated replacement costs. The table included in the Unaudited Supplementary Information on Future Major Repairs and Replacements is based on the study. The study recommended a reserve contribution of \$106,800 for 2016.

The Association is funding for future major repairs and replacements over the remaining useful lives of the components based on the study's estimates of the replacement costs and considering amounts previously accumulated in the replacement reserves. The funding amount of \$76,114 from assessments and \$3,407 of interest income have been included in the 2016 financial statements.

Actual expenditures and investment income may vary from the estimated future expenditures, and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association, may increase regular assessments to defray in sole or in part the cost of unexpected repairs or replacements of a capital improvement in a common area.

As of December 31, 2016 and 2015, the operating fund was owed \$459 from the replacement reserve fund.

NOTE 6 - OWNERS' ASSESSMENTS

Annual assessments to owners ranged from \$984 to \$1,118 and \$979 to \$1,112 in 2016 and 2015, respectively. Of these amounts, approximately \$176 to \$220 was designated to the replacement reserves in both 2016 and 2015.

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2016

NOTE 7 **INCOME TAXES**

The Association may be taxed either as a homeowners' association or as a regular corporation. For the years ended December 31, 2016 and 2015, the Association was taxed as a homeowners' association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from members solely as a function of their membership in the Association. The Association is taxed on its investment income and other non-exempt function income. There was no income tax expense for 2016 and 2015.

NOTE 8 - **PASS THROUGH EXPENSES**

The Association passes the fees from the Montgomery County Commission on Common Ownership Communities and Storm Water Management through to the community's homeowners.

As of January 1, 2017, the Association no longer passes these fees to the community's homeowners.

NOTE 9 - **CCOC ORDERED REIMBURSEMENT**

A unit owner filed a complaint with the Montgomery County Commission on Common Ownership Communities (CCOC) in 2016. The unit owner claimed that the Association had been unlawfully charging members of the Association a storm water management fee for over six (6) years and that owners of townhomes were charged approximately three (3) times as much as owners of single family homes.

On February 3, 2017, the CCOC ruled that by improperly imposing a pass thru of the storm water management fee to the townhome owners in an amount that exceeds the amount charged to the single family owners, the Association overcharged the townhome owners \$219 from 2011 through 2016. The Association was ordered to reimburse the \$219 to the owners of townhomes that owned townhomes from 2011 through 2016. For owners that owned townhomes for a portion of this period, the amount to be reimbursed will be equal to the difference between the amount charged to the owners of single family homes and the amount charged to the owners of the townhomes.

The total amount to be reimbursed to the 198 townhome owners is \$40,918 and is reflected as a payable titled CCOC ordered reimbursement on the accompanying balance sheet.

On April 6, 2017, the Association's insurance carrier agreed to cover the amount owed, \$40,918, and is reflected as accounts receivable SWM on the accompanying balance sheet.

Supplementary Information

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2016
(Unaudited)

An independent engineer conducted a Precision 20/20 study in 2008 to estimate the remaining 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 future replacement costs have not been revised since that date. The study assumed a 3.4% rate of inflation and a 3.4% rate of return on investments.

The following information is based on the reserve study and presents significant information about the components of common property at the time the study was completed.

| | Estimated 1st Year of Replacement | 2008 Estimated Remaining Useful Life (Years) | 2008 Cost of Replacement Per Phase | 2008 Estimated Future Costs of Replacement |
|--|---|--|--|--|
| <u>Components:</u> | | | | |
| Bridge | 2030 | 20 | \$ 8,700 | \$ 17,593 |
| Dredging | 2015 | 5 | 235,000 | 1,251,170 |
| Lake, erosion control | 2015 | 5 | 95,000 | 505,792 |
| Lake, aeration system | 2020 | 10 | 14,900 | 54,865 |
| Asphalt pavement - crack repair, patch and seal coat | 2015-2017 | 5-7 | 35,980 | 339,445 |
| Asphalt pavement - mill and overlay | 2011-2013 | 1-3 | 233,870 | 259,054 |
| Asphalt pavement - total replacement | 2031-2033 | 21-23 | 449,750 | 974,176 |
| Asphalt pavement, basketball court | 2025 | 15 | 10,175 | 17,399 |
| Asphalt pavement, walking path | 2011 | 1 | 33,165 | 182,867 |
| Catch basins, replacements | 2031 | 21 | 30,100 | 195,339 |
| Catch basins, capital repairs | 2011 | 1 | 6,300 | 20,908 |
| Concrete flatwork, partial replacement | 2009 | 1 | 15,500 | 830,786 |
| Fences, metal chain link | 2010 | 1 | 25,500 | 85,336 |
| Fences, wood (near tot lot) | 2010 | 1 | 3,025 | 9,043 |
| Garage roof, flat | 2014 | 4 | 6,720 | 23,486 |
| Light fixtures, access drives and parking areas | 2017 | 7 | 46,000 | 60,153 |
| Light fixtures, walking paths | 2012 | 2 | 33,250 | 113,656 |
| Retaining walls, masonry | 2030 | 20 | 12,300 | 24,872 |
| Retaining wall, timber | 2011 | 1 | 63,000 | 67,370 |
| Landscape, erosion control | 2010 | 1 | 20,000 | 196,528 |
| Tennis and basketball courts, color coat | 2010 | 1 | 17,776 | 144,277 |
| Tennis and basketball courts, fence | 2025 | 15 | 16,530 | 28,267 |
| Tennis courts, surface replacement | 2025 | 15 | 35,280 | 60,329 |
| Tot lot | 2024 | 14 | 42,000 | 69,452 |

(Continued)

THE NEW MARK COMMONS HOMES ASSOCIATION, INC.
Supplementary Information on Future Repairs and Replacements (Continued)
December 31, 2016
(Unaudited)

| | Estimated 1st Year of Replacement | 2008 Estimated Remaining Useful Life (Years) | 2008 Cost of Replacement Per Phase | 2008 Estimated Future Costs of Replacement |
|---|---|--|--|--|
| <u>Components:</u> | | | | |
| Balcony, wood | 2031 | 21 | 4,300 | 8,992 |
| Kitchen renovations, including appliances | 2017 | 7 | 9,425 | 30,755 |
| Building services equipment, furnace and water heater | 2009 | 1 | 10,600 | 29,983 |
| Building services equipment, split systems | 2026 | 16 | 22,400 | 39,611 |
| Floors, wood refinishing | 2016 | 6 | 6,400 | 35,236 |
| Furniture | 2016 | 6 | 6,200 | 19,564 |
| Paint finished, interior | 2016 | 6 | 9,200 | 50,653 |
| Rest rooms and shower rooms, renovations | 2013 | 3 | 19,000 | 68,710 |
| Roof, asphalt shingles | 2018 | 8 | 8,740 | 34,930 |
| Walls, masonry, inspections and partial repairs | 2011 | 1 | 8,700 | 40,506 |
| Concrete deck | 2010 | 1 | 16,470 | 85,100 |
| Cover | 2010 | 1 | 9,843 | 63,656 |
| Diving board and life guard chairs | 2011 | 1 | 12,700 | 36,805 |
| Fence, metal, paint finishes and capital repairs | 2014 | 4 | 6,210 | 47,497 |
| Fence, metal replacement | 2027 | 17 | 35,100 | 64,185 |
| Furniture, capital repairs | 2016 | 6 | 7,000 | 22,089 |
| Furniture, replacement | 2010 | 1 | 15,000 | 73,394 |
| Mechanical equipment | 2010 | 1 | 7,200 | 108,015 |
| Plaster finish resurface and tile repairs | 2015 | 5 | 43,250 | 172,224 |
| Structures and deck, total replacement | 2027 | 17 | 563,200 | 1,029,884 |
| Sun shade | 2027 | 17 | 6,600 | 12,069 |
| Reserve study update with site visit | 2011 | 1 | 4,200 | 4,200 |
| | | | | <u>\$ 7,610,221</u> |