

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

December 31, 2015

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# McNURLIN & ASSOCIATES, P.C.

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Governor's Ranch Homeowners Association, Inc.  
Littleton, Colorado

We have audited the accompanying financial statements of Governor's Ranch Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2015, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Governor's Ranch Homeowners Association, Inc. as of December 31, 2015, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*McN & Associates P.C.*

McNurlin & Associates, P.C.  
Lakewood, Colorado  
January 28, 2016

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**

Balance Sheet  
December 31, 2015

ASSETS	Operating Fund	Capital Reserve Fund	(Memo only) Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 125,735	\$ 56,971	\$ 182,706
Investments	46,851	362,938	409,789
Assessments receivable	13,198	-	13,198
Prepaid expenses	17,666	-	17,666
Due from Capital Reserve	16,801	-	16,801
Total Current Assets	220,251	419,909	640,160
<b>Fixed Assets</b>			
Land and improvements	-	615,673	615,673
Buildings	-	382,634	382,634
Furniture and fixtures	-	53,648	53,648
Equipment	-	36,010	36,010
Maintenance equipment	-	3,926	3,926
Swimming pool	-	226,920	226,920
Tennis courts	-	151,293	151,293
Less accumulated depreciation	-	(1,232,945)	(1,232,945)
Net Fixed Assets	-	237,159	237,159
<b>TOTAL ASSETS</b>	<b>\$ 220,251</b>	<b>\$ 657,068</b>	<b>\$ 877,319</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$ 2,723	\$ -	\$ 2,723
Due to Operating Fund	-	16,801	16,801
Unearned assessments	140,627	16,127	156,754
Total Current Liabilities	143,350	32,928	176,278
Board Designated Trash Fund	(1,516)	-	(1,516)
Fund Balance	78,417	624,140	702,557
Total Fund Balance	76,901	624,140	701,041
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 220,251</b>	<b>\$ 657,068</b>	<b>\$ 877,319</b>

See accompanying notes to the financial statements and independent auditors' report

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**  
Statement of Revenues, Expenses and Changes in Fund Balances  
For the year ended December 31, 2015

	Operating Fund	Capital Reserve Fund	(Memo only) Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Member assessments	\$ 428,400	\$ 66,890	\$ 495,290
Trash assessments	126,978	-	126,978
Rental and fee income	29,573	-	29,573
Advertising income	8,644	-	8,644
Other income	3,204	-	3,204
Interest income	107	14,749	14,856
Realized loss on sale of investments	-	(938)	(938)
Unrealized gain on investments	-	977	977
Total Revenues	<u>596,906</u>	<u>81,678</u>	<u>678,584</u>
<b>EXPENSES</b>			
General and Administrative			
Salaries and wages	100,137	-	100,137
Depreciation	-	9,905	9,905
Payroll taxes	8,167	-	8,167
Employee benefits	14,237	-	14,237
Accounting and auditing	6,950	-	6,950
Memberships	593	-	593
Equipment expense	1,423	-	1,423
Bank service charges	303	160	463
Office supplies	7,600	-	7,600
Printing and postage	1,510	-	1,510
Legal	345	-	345
Telephone	2,660	-	2,660
Miscellaneous	1,774	-	1,774
Landscaping			
Landscape contract	88,598	-	88,598
Repairs and maintenance	29,015	996	30,011
Snow removal	6,225	-	6,225
Supplies	11	-	11
Gas and electric	1,597	-	1,597
Water and sewer	50,148	-	50,148

(Continued)

See accompanying notes to the financial statements and independent auditors' report

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**

Statement of Revenues, Expenses and Changes in Fund Balances

For the year ended December 31, 2015

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>(Memo only) Total</u>
<b>EXPENSES (Continued)</b>			
Community			
Newsletter	\$ 7,819	\$ -	\$ 7,819
Special events	4,344	-	4,344
Directory	510	-	510
Miscellaneous	290	-	290
Trash removal	128,445	-	128,445
Clubhouse			
Gas and electric	18,137	-	18,137
Repairs and maintenance	7,275	46,811	54,086
Contract maintenance	5,396	-	5,396
Insurance	16,223	-	16,223
Supplies	725	-	725
Miscellaneous	481	-	481
Pool			
Contract management	65,190	-	65,190
Repairs and maintenance	3,594	13,704	17,298
Supplies	13,774	-	13,774
Insurance	3,788	-	3,788
Tennis and Recreation Areas			
League expense	14,125	-	14,125
Repairs and maintenance	1,115	3,131	4,246
Supplies	456	-	456
Total Expenses	<u>612,980</u>	<u>74,707</u>	<u>687,687</u>
Excess of revenues over (under) expenses	(16,074)	6,971	(9,103)
Fund balance, beginning of year	92,975	617,169	710,144
Fund balance, end of year	<u>\$ 76,901</u>	<u>\$ 624,140</u>	<u>\$ 701,041</u>

See accompanying notes to the financial statements and independent auditors' report

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**

Statement of Cash Flows

For the year ended December 31, 2015

	Operating Fund	Capital Reserve Fund	(Memo only) Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess of revenues over (under) expenses	\$ (16,074)	\$ 6,971	\$ (9,103)
Adjustments to reconcile excess of revenues over (under) expenses to cash provided by (used in) operating activities:			
Depreciation	-	9,905	9,905
Unrealized gain on investments	-	(977)	(977)
Change in:			
Assessments receivable	(2,406)	-	(2,406)
Prepaid expenses	(8,992)	-	(8,992)
Interfund liabilities	(38,738)	38,738	-
Accounts payable and accrued expenses	(3,032)	-	(3,032)
Unearned assessments	9,091	(2,382)	6,709
Net cash provided by (used in) operating activities	<u>(60,151)</u>	<u>52,255</u>	<u>(7,896)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	 -	 -	 -
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income reinvested	(70)	(4,560)	(4,630)
Net cash used in investing activities	<u>(70)</u>	<u>(4,560)</u>	<u>(4,630)</u>
Net increase (decrease) in cash and cash equivalents	(60,221)	47,695	(12,526)
Cash and cash equivalents, beginning of year	185,956	9,276	195,232
Cash and cash equivalents, end of year	<u>\$ 125,735</u>	<u>\$ 56,971</u>	<u>\$ 182,706</u>
 Supplemental Information:			
Cash paid for interest			<u>\$ -</u>
Cash paid for income taxes			<u>\$ -</u>

See accompanying notes to the financial statements and independent auditors' report

**GOVERNER'S RANCH HOMEOWNERS ASSOCIATION, INC.**

Notes to the Financial Statements

December 31, 2015

Note 1 NATURE OF ORGANIZATION

The Governor's Ranch Homeowners Association, Inc. (the "Association") is a statutory homeowners association organized as a non-profit corporation incorporated in the State of Colorado in April 1979. The Association provides for the maintenance and preservation of the common area and certain designated public properties and promotes the health, safety and welfare of the residents within the property. The Association is comprised of 1,022 homes located in Jefferson County, Colorado.

Note 2 DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 28, 2016, the date that the financial statements were available to be issued.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

Fund Accounting

In accordance with generally accepted accounting principles ("GAAP"), the Association uses fund accounting, which requires that funds, such as operating funds and 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 Capital Reserve Fund generally may be made for designated purposes. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operation of the Association.

Capital Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs, replacements and acquisitions.

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.

See accompanying independent auditors' report



**GOVERNER'S RANCH HOMEOWNERS ASSOCIATION, INC.**

Notes to the Financial Statements

December 31, 2015

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalent.

Member Assessments

Association members are subject to semi-annual assessments based on a flat rate per unit to provide funds for the Association's operating expenses, future capital acquisition, and major repairs and replacement. The Finance Committee recommends the annual budget and the assessment of owners and the Board of Directors approves the annual budget and assessment of owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from unit owners. A late fee and interest are charged on assessments receivable that are outstanding past the due date, and are recognized when they are charged. Owner assessment accounts for which no response is received upon the initial collection attempt are referred to the Association's attorney for collection procedures. The Association has the right to enforce the collection of assessments by placing a lien on the underlying title to the property. Given the leverage afforded to the Association, no allowance for uncollectible assessments has been established.

Unearned assessments are the subsequent year's assessments invoiced prior to the current year end.

Recognition of Assets and Depreciation Policy

General common area property conveyed by the Declarant to the Association, except land, was recorded at the developer's cost. Land was recorded at market value at the date of donation. Assets acquired with Association funds are recorded at cost. Depreciation expenses on assets are recorded over the estimated useful life using the straight-line method. Expenditures for repairs and maintenance are charged against revenues as incurred. According to the Articles of Incorporation of the Association, two-thirds of all members must approve any dispositions of common real property. The common property consists of a club house, pool, tennis courts, landscaped areas, etc. Depreciation expense totaled \$9,905 for the year ended December 31, 2015.

Investments

Investments in certificates of deposit and mortgage backed securities having a readily determinable fair value are carried at fair market value which is determined by reference to inputs other than quoted market prices in active markets that are either directly or indirectly observable. Investment returns include interest and realized and unrealized gains and losses. See Note 6.

See accompanying independent auditors' report

GOVERNER'S RANCH HOMEOWNERS ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2015

Note 4 INCOME TAXES

The standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include deciding on an allocation of income and expenses between member and nonmember activities and deciding whether to file Form 1120 or Form 1120-H. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Association has assessed its tax positions for all open tax years and has concluded that there are currently no significant unrecognized tax benefits or liabilities to be recognized.

The Association qualifies under Section 277 of the Internal Revenue Code. According to Internal Revenue Service (IRS) regulations, any excess of "common" revenues over "common" expenses can be applied to future assessments. However, any income and expenses unrelated to member assessments are offset to determine taxable income or net operating loss. Income will be taxed according to these IRS regulations.

The Association has a net operating loss carry forward at December 31, 2015, which expires as follows:

<u>Expiration Date</u>	<u>Amount</u>
December 31, 2020	\$ 330
December 31, 2021	39,833
December 31, 2022	12,183
December 31, 2023	7,462
December 31, 2030	2,329
December 31, 2031	5,456
December 31, 2033	1,632
	<u>\$ 69,225</u>

This carry forward creates a deferred tax asset of approximately \$10,400; however, the Association has established a valuation allowance against the deferred tax asset, resulting in no effect on the accompanying financial statements.

As of December 31, 2015, the Association's tax years for 2012, 2013, and 2014 are open to examination by taxing authorities.

See accompanying independent auditors' report

**GOVERNER'S RANCH HOMEOWNERS ASSOCIATION, INC.**

Notes to the Financial Statements

December 31, 2015

**Note 5 FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$419,909 at December 31, 2015, are held in separate accounts and are generally not available for operating purposes. Contributions to the Capital Reserve Fund were \$81,678, including member assessments of \$66,890 and net investment income of \$14,788 for the year ended December 31, 2015. It is the Association's policy that interest earned in the Capital Reserve Fund remains in the Capital Reserve Fund as an additional contribution. During the year ended December 31, 2015, capital expenditures totaling \$74,707 were incurred primarily for repairs to the tennis and recreation areas, pool, and clubhouse.

A formal study was conducted in 1994 to estimate the remaining useful lives and replacement costs of the components of common property and current estimates of costs of future major repairs and replacements at that time. In the following years, the study has been reviewed and updated and, since 2002, has undergone an annual review by the property manager, Finance Committee, and Board of Directors. It was most recently updated in January of 2016.

Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the Capital Reserve Fund may not be adequate to meet future needs. In the event that actual repair and replacement costs exceed available Capital Reserve funds, the Association has the authority to levy a special assessment with the assent of 60% of the votes of each class of the members voting in person or by proxy at a meeting called for that purpose. The effect on future assessments has not been determined at this time.

**Note 6 FAIR VALUE MEASUREMENTS**

The Association measures its financial assets and liabilities under accounting guidance which establishes a three-tier value hierarchy and prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Much of the information used to determine fair values is highly subjective and judgmental in nature and, therefore the results may not be precise. In addition, estimates of cash flows, risk characteristics, credit quality and interest rates are all subject to change. Since the fair values are estimated as of the statement of financial position date, the amounts, which will actually be realized or paid upon settlement or maturity of the various instruments, could be significantly different than the estimates.

See accompanying independent auditors' report

**GOVERNER'S RANCH HOMEOWNERS ASSOCIATION, INC.**

Notes to the Financial Statements

December 31, 2015

Note 6 FAIR VALUE MEASUREMENTS (Continued)

The Association's financial assets are measured at fair value on a recurring basis and include certificates of deposit and mortgage backed securities which are both classified within Level 1, as these assets are valued using quoted prices in active markets that are either directly or indirectly observable. The Association recognizes transfers of assets into and out of Levels as of the date an event or change in circumstances causes the transfer.

The following fair value hierarchy table presents information about the Association's assets measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized by the Association to determine such fair value. There have been no changes in the methodologies used at December 31, 2015.

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	<u>Cost</u>
Certificate of deposit	\$ 103,951	\$ 103,951	\$ 103,951
Mortgaged-Backed Securities (MBS)	305,838	305,838	319,113
	<u>\$ 409,789</u>	<u>\$ 409,789</u>	<u>\$ 423,064</u>

Investment return, including interest on cash accounts, is comprised of the following:

Interest income	\$ 14,856
Realized loss on sale of investments	(938)
Unrealized gain on investments reported at fair value	977
	<u>\$ 14,895</u>

Investments by fund are as follows:

Operating Fund	\$ 46,851
Capital Reserve Fund	362,938
	<u>\$ 409,789</u>

See accompanying independent auditors' report

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**

Notes to the Financial Statements

December 31, 2015

Note 7 OPERATING LEASES

The Association has two operating leases on equipment that were renewed in 2015 through 2020. The lease payments made under the operating leases for the year ended December 31, 2015 were \$8,491. Future minimum payments on the leases are as follows:

December 31, 2016	\$	9,534
December 31, 2017		9,534
December 31, 2018		9,534
December 31, 2019		9,534
December 31, 2020		5,443
Total	\$	<u>43,579</u>

Note 8 GOVERNOR'S RANCH SWIM TEAM

The Association is affiliated with a non-profit organization called the Governor's Ranch Swim Team. The Association pays certain expenses for the Swim Team including payroll. The Swim Team reimburses the Association for these expenses. Total reimbursement for the year ended December 31, 2015 was \$17,488.

Note 9 FDIC INSURANCE LIMIT

The Association maintains cash and certificate of deposits accounts at First Bank. At December 31, 2015, the Association had \$294,016 held as cash and certificates of deposit throughout various First Bank accounts, of which \$44,016 was uninsured.

Note 10 RETIREMENT PLAN

The Association maintains a SIMPLE IRA plan which allows employees to defer up to \$15,500 of compensation for each participant for 2015. The Association matches up to 3% of employee compensation each year. During the year ended December 31, 2015, two employees participated in the plan for which the Association made a matching contribution totaling \$2,740.

See accompanying independent auditors' report

SUPPLEMENTAL INFORMATION

# McNURLIN & ASSOCIATES, P.C.

Certified Public Accountants

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Lakewood, Colorado 80227  
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## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION**

Board of Directors  
Governor's Ranch Homeowners Association, Inc.  
Littleton, Colorado

We have audited the financial statements of Governor's Ranch Homeowners Association, Inc. as of and for the year ended December 31, 2015, and our report thereon dated January 28, 2016, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The statement of revenues and expenses-budget versus actual-operating fund, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that supplemental information on future major repairs and replacements on page 15 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.

*McNurlin & Associates, P.C.*  
McNurlin & Associates, P.C.  
Lakewood, Colorado  
January 28, 2016

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**  
Statement of Revenues and Expenses - Budget Versus Actual-Operating Fund (non-GAAP)  
For the year ended December 31, 2015

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Member assessments	\$ 428,408	\$ 428,400	\$ (8)
Trash assessments	127,850	126,978	(872)
Rental and fee income	25,050	29,573	4,523
Advertising income	7,500	8,644	1,144
Other income	3,770	3,204	(566)
Interest income	212	107	(105)
Total Revenues	592,790	596,906	4,116
<b>EXPENSES</b>			
General and Administrative			
Salaries and wages	100,427	100,137	290
Payroll taxes	8,884	8,167	717
Employee benefits	13,393	14,237	(844)
Accounting and auditing	5,200	6,950	(1,750)
Memberships	1,500	593	907
Equipment expense	1,490	1,423	67
Bank service charges	200	303	(103)
Office supplies	6,230	7,600	(1,370)
Printing and postage	1,700	1,510	190
Legal	2,000	345	1,655
Telephone	2,621	2,660	(39)
Miscellaneous	1,250	1,774	(524)
Landscaping			
Landscape contract	88,956	88,598	358
Repairs and maintenance	35,600	29,015	6,585
Snow removal	2,550	6,225	(3,675)
Supplies	100	11	89
Gas and electric	1,600	1,597	3
Water and sewer	60,393	50,148	10,245
Community			
Newsletter	5,100	7,819	(2,719)
Special events	5,350	4,344	1,006
Directory	-	510	(510)
Miscellaneous	400	290	110
Trash removal	127,608	128,445	(837)

(Continued)

See accompanying independent auditors' report on supplemental information



**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**  
Statement of Revenues and Expenses - Budget Versus Actual-Operating Fund (non-GAAP)  
For the year ended December 31, 2015

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENSES (Continued)</b>			
Clubhouse			
Gas and electric	\$ 21,000	\$ 18,137	\$ 2,863
Repairs and maintenance	5,500	7,275	(1,775)
Contract maintenance	5,528	5,396	132
Insurance	12,900	16,223	(3,323)
Supplies	600	725	(125)
Miscellaneous	100	481	(381)
Pool			
Contract management	68,100	65,190	2,910
Repairs and maintenance	1,800	3,594	(1,794)
Supplies	15,700	13,774	1,926
Insurance	3,875	3,788	87
Tennis and Recreation Areas			
League expense	13,000	14,125	(1,125)
Repairs and maintenance	1,200	1,115	85
Supplies	500	456	44
Total Expenses	<u>622,355</u>	<u>612,980</u>	<u>9,375</u>
Excess of expenses over revenues	<u>\$ (29,565)</u>	<u>\$ (16,074)</u>	<u>\$ 13,491</u>

See accompanying independent auditors' report on supplemental information

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**  
Supplemental Information on Future Major Repairs and Replacements (Unaudited)  
For the year ended December 31, 2015

The Association's management conducted an informal study in 2016 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 current replacement costs are reviewed and updated on an annual basis.

Components	Estimated Replacement Cost	Estimated Remaining Useful Life (in years)	2016	2017	2018
Clubhouse					
Roofing	\$ 14,960	14	\$ -	\$ -	\$ -
Gutters	1,395	4	-	-	-
Exterior	4,600	1	4,600	-	-
Windows	14,700	23	-	-	-
Interior	6,805	1	6,805	-	-
Carpet	8,500	5	-	-	-
Dance Floor	4,500	10	-	-	-
Kitchen Flooring	2,120	7	-	-	-
Restroom Flooring and Fixtures	11,000	6	-	-	-
Kitchen Appliances	3,410	2	-	3,410	-
Kitchen Fixtures	1,450	11	-	-	-
Ladies and Mens Locker Fixtures	10,200	8	-	-	-
Ladies and Mens Locker Flooring	29,380	3	-	-	29,380
Deck	7,500	7	-	-	-
HVAC	50,075	12	-	-	-
Hot Water Heater	12,174	15	-	-	-
Furniture	27,371	10	-	-	-
Window Coverings	2,300	10	-	-	-
Water Fountain	1,700	21	-	-	-
Office Equipment	5,000	2	-	5,000	-
Chandeliers	4,800	5	-	-	-
Swimming Pool					
Large Pool Resurface	65,000	9	-	-	-
Baby Pool Resurface	36,000	2	-	36,000	-
Pool Deck	5,000	4	-	-	-
Sand Filter	27,342	2	-	27,342	-
Pool Motors	2,975	5	-	-	-
Heater Replacement	20,200	2	-	20,200	-
Fence-Iron	9,500	6	-	-	-
Pool Furniture	1,000	3	-	-	1,000
Canopy	2,300	8	-	-	-
Diving Boards	5,400	10	-	-	-
Large Pool Pump	9,500	1	9,500	-	-
Small Pool Pump	1,700	6	-	-	-
Pool Chlorinators	1,750	8	-	-	-
Pool Covers	16,000	9	-	-	-
Life Guard Chairs	12,000	9	-	-	-
Skimmers	4,300	5	-	-	-
Deck Lighting	3,600	6	-	-	-
Security System	2,600	9	-	-	-
Sound system	1,000	9	-	-	-
Trash Fixtures	1,000	4	-	-	-
Pool Signage	1,000	1	1,000	-	-
Pool Steps	1,000	16	-	-	-

(Continued)

See accompanying independent auditors' report on supplemental information

**GOVERNOR'S RANCH HOMEOWNERS ASSOCIATION, INC.**  
Supplemental Information on Future Major Repairs and Replacements (Unaudited)  
For the year ended December 31, 2015

The Association's management conducted an informal study in 2016 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 current replacement costs are reviewed and updated on an annual basis.

Components (continued)	Estimated Replacement Cost	Estimated Remaining Useful Life (in years)	2016	2017	2018
<b>Tennis Court</b>					
North Resurface and Rebuild	\$ 90,000	11	\$ -	\$ -	\$ -
South Resurface	15,000	3	-	-	15,000
Tennis Fencing	16,500	20	-	-	-
Wind Screens and Netting	15,000	2	-	15,000	-
Gates	2,400	6	-	-	-
Tennis Lighting Fixture Upkeep	1,625	2	-	1,625	-
Tennis Lighting Replacement	27,000	18	-	-	-
Tennis Bridge	3,500	6	-	-	-
Tennis Bulletin Board Structure	336	11	-	-	-
Picnic Tables	1,000	4	-	-	-
Shelter	5,000	2	-	5,000	-
Cabana Benches	11,188	9	-	-	-
Court Equipment	1,600	5	-	-	-
<b>Concrete/Asphalt</b>					
Concrete Drive Repair	23,000	6	-	-	-
Asphalt Parking	36,200	5	-	-	-
Parking Lot Lighting	8,000	15	-	-	-
Pathways	3,500	3	-	-	3,500
Drainage	9,000	6	-	-	-
<b>Irrigation System</b>					
Alamo Field	30,000	8	-	-	-
Filing 1	29,000	6	-	-	-
Filing 2	46,500	16	-	-	-
Filing 3	57,000	19	-	-	-
Filing 4	37,000	1	37,000	-	-
Filing 5	60,000	2	-	60,000	-
Backflows	6,500	17	-	-	-
<b>Playground</b>					
Play Structure	21,500	13	-	-	-
Bench Replacement	1,600	2	-	1,600	-
Rock Walls	2,500	11	-	-	-
Landscape	109,100	4	-	-	-
Signage	14,650	2	-	14,650	-
Fencing	10,600	7	-	-	-
Utility Cart	1,000	2	-	1,000	-
Contingency	10,000	Annual	10,000	10,000	10,000
	<u>\$ 1,160,906</u>		<u>\$ 68,905</u>	<u>\$ 200,827</u>	<u>\$ 58,880</u>

See accompanying independent auditors' report on supplemental information