



**POWER RANCH COMMUNITY
ASSOCIATION**

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016
AND FOR THE YEAR THEN ENDED



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POWER RANCH COMMUNITY ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Power Ranch Community Association

Report on the Financial Statements

We have audited the accompanying financial statements of Power Ranch Community Association, 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.

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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Power Ranch Community Association 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property, on pages 12 – 13, 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.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of revenues, expenses and changes in fund balances, on pages 14 - 18, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the basic 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.



Gilbert, Arizona
April 26, 2017

**POWER RANCH COMMUNITY ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2016**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
ASSETS				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 1,457,991	\$ 1,049,771	\$ 168,779	\$ 2,676,541
Certificates of Deposit	-	1,521,903	-	1,521,903
Accounts Receivable, Net of Allowance of \$148,618	150,366	-	-	150,366
Builder Accounts Receivable, Net of Allowance of \$0	13,860	-	-	13,860
Other Receivables	29,207	-	-	29,207
Prepaid Expenses	11,249	-	-	11,249
Interfund Balances	(690)	690	-	-
TOTAL CURRENT ASSETS	1,661,983	2,572,364	168,779	4,403,126
<u>OTHER ASSETS</u>				
Property and Equipment, Net	-	-	877,218	877,218
Refundable Deposits	400	-	-	400
Long-Term Certificates of Deposit	-	250,000	-	250,000
Long-Term Investments	-	1,600,001	-	1,600,001
TOTAL OTHER ASSETS	400	1,850,001	877,218	2,727,619
TOTAL ASSETS	\$ 1,662,383	\$ 4,422,365	\$ 1,045,997	\$ 7,130,745
LIABILITIES AND FUND BALANCES				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 17,577	\$ -	\$ 954	\$ 18,531
Accrued Expenses	65,856	7,941	180	73,977
Unclaimed Property	494	-	-	494
Facility Rental and Activity Deposits	24,025	-	-	24,025
Prepaid Assessments and Unearned Income	541,888	-	-	541,888
Collection Fees	23,575	-	-	23,575
Lender Transfer Fees	305	-	-	305
TOTAL CURRENT LIABILITIES	673,720	7,941	1,134	682,795
TOTAL LIABILITIES	673,720	7,941	1,134	682,795
<u>FUND BALANCES</u>				
Operating Fund	988,663	-	-	988,663
Replacement Fund	-	4,414,424	-	4,414,424
Capital Improvement Fund	-	-	1,044,863	1,044,863
TOTAL FUND BALANCES	988,663	4,414,424	1,044,863	6,447,950
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,662,383	\$ 4,422,365	\$ 1,045,997	\$ 7,130,745

See accompanying notes to financial statements.

**POWER RANCH COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	OPERATING FUND	REPLACEMENT FUND	CAPITAL IMPROVEMENT FUND	TOTAL
REVENUES				
Assessments	\$ 3,951,045	\$ -	\$ -	\$ 3,951,045
Builder Assessments	83,160	-	-	83,160
Neighborhood 9 Assessments	466,231	-	-	466,231
Neighborhood 10 D and E Assessments	77,280	-	-	77,280
HUSD Water Reimbursement	4,583	-	-	4,583
Activity Income	44,192	-	-	44,192
Pool Card Key Income	7,364	-	-	7,364
Facility Income	79,376	-	-	79,376
Bad Debt Recovery	2,051	-	-	2,051
Working Capital Fee	312,000	-	-	312,000
Neighborhood 9 Working Capital Fee	22,250	-	-	22,250
Collection Fee Revenue	43,221	-	-	43,221
Filing Fee Charges	392	-	-	392
Advertising Income	16,475	-	-	16,475
Sponsorship	15,072	-	-	15,072
Sanctions and Fees	25,200	-	-	25,200
Legal Fee Revenue	38,056	-	-	38,056
Miscellaneous Income	581	-	-	581
Interest Income	47,188	25,153	71	72,412
TOTAL REVENUES	5,235,717	25,153	71	5,260,941
EXPENSES				
Salaries and Benefits	761,590	-	-	761,590
Administrative and General	391,164	-	-	391,164
Utilities	400,559	-	-	400,559
Contract Services	150,856	-	-	150,856
Landscaping Costs	1,593,439	-	-	1,593,439
Repairs and Maintenance	62,049	-	-	62,049
Parts and Supplies	68,482	-	-	68,482
Taxes	103	-	-	103
Insurance	41,606	-	-	41,606
Bad Debt Expense	(6,820)	-	-	(6,820)
Depreciation and Amortization	-	-	71,132	71,132
Neighborhood 9 Expenses	363,001	40,656	-	403,657
Neighborhood 10 D and E Expenses	70,129	10,472	-	80,601
Major Repairs and Replacements	-	395,566	156,757	552,323
TOTAL EXPENSES	3,896,158	446,694	227,889	4,570,741
EXCESS REVENUES (EXPENSES)	1,339,559	(421,541)	(227,818)	690,200
FUND BALANCES				
BEGINNING OF YEAR	616,804	3,972,265	1,168,681	5,757,750
TRANSFERS BETWEEN FUNDS				
Contributions to Reserves	(863,700)	863,700	-	-
Contributions to Capital	(104,000)	-	104,000	-
Total Transfers between Funds	(967,700)	863,700	104,000	-
FUND BALANCES END OF YEAR	\$ 988,663	\$ 4,414,424	\$ 1,044,863	\$ 6,447,950

See accompanying notes to financial statements.

**POWER RANCH COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Excess Revenues (Expenses)	\$ 1,339,559	\$ (421,541)	\$ (227,818)	\$ 690,200
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used) by Operating Activities				
Depreciation and Amortization	-	-	71,132	71,132
Bad Debt Expense	(6,820)	-	-	(6,820)
(Increase)/Decrease In				
Accounts Receivable	35,340	-	-	35,340
Builder Accounts Receivable	(6,930)	-	-	(6,930)
Other Receivables	(28,965)	-	-	(28,965)
Prepaid Insurance	(702)	-	-	(702)
Increase/(Decrease) In				
Accounts Payable	(16,161)	(16,774)	477	(32,458)
Accrued Expenses	6,899	(9,970)	(55,171)	(58,242)
Unclaimed Property	7	-	-	7
Facility Rental and Activity Deposits	(875)	-	-	(875)
Prepaid Assessments and Unearned Income	161,898	-	-	161,898
Lender Transfer Fees	(40)	-	-	(40)
Collection Fees	(10,576)	-	-	(10,576)
Net Cash Provided (Used) by Operating Activities	<u>1,472,634</u>	<u>(448,285)</u>	<u>(211,380)</u>	<u>812,969</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Purchase of Investments	-	(2,002,740)	-	(2,002,740)
Reinvest Interest Earned	-	(13,155)	-	(13,155)
Redemption of Investments	-	1,088,089	-	1,088,089
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(927,806)</u>	<u>-</u>	<u>(927,806)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Contributions to Replacement Fund	(863,700)	863,700	-	-
Contributions to Capital Improvement Fund	(104,000)	-	104,000	-
Adjusted by Increase/(Decrease) in Interfund Balances	(166,366)	(690)	167,056	-
Net Cash Provided (Used) by Financing Activities	<u>(1,134,066)</u>	<u>863,010</u>	<u>271,056</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	338,568	(513,081)	59,676	(114,837)
CASH BALANCE, BEGINNING OF YEAR	<u>1,119,423</u>	<u>1,562,852</u>	<u>109,103</u>	<u>2,791,378</u>
CASH BALANCE, END OF YEAR	<u>\$ 1,457,991</u>	<u>\$ 1,049,771</u>	<u>\$ 168,779</u>	<u>\$ 2,676,541</u>
<u>SUPPLEMENTARY INFORMATION</u>				
Income Taxes Paid	\$ 50	\$ -	\$ -	\$ 50
Interest Paid	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

POWER RANCH COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - NATURE OF THE ORGANIZATION

Power Ranch Community Association, a non-stock homeowners association, was incorporated on October 17, 2000, under the general non-profit laws of the State of Arizona. The Association was established to provide maintenance and preservation of the common areas associated with the community. Power Ranch Community Association is a master planned community located in Gilbert, Arizona, with a build out target of 5,106 units. At December 31, 2016, it consisted of approximately 3,992 completed single family homes owned by homeowners, 352 lots owned by builders, 764 apartment units, and two commercial properties. The community is located on approximately 1,414 acres. The Association's Board of Directors are elected by the member homeowners. The Board of Directors has engaged Capital Consultants Management Corporation as the managing agent for the Association.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure 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 using the following funds established according to their nature and purpose:

Operating Fund

The Operating Fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund

The Replacement Fund is used to account for the use and accumulation of funds for future major repairs and replacements.

Capital Improvement Fund

The Capital Improvement Fund is used to account for unforeseen expenditures, including the purchase of any additional equipment or services which the Board may determine appropriate.

Assessments Collected in Advance

Payments received by the Association prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Association.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit, with original maturities of three months or less, as cash and cash equivalents.

**POWER RANCH COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Certificates of deposit and/or other securities, purchased with original maturities greater than three months and less than one year, are classified as short-term investments. Investments with maturity dates exceeding one year are classified as long-term investments. The instruments are initially recorded at cost; any discount or premium paid is amortized over the life of the instrument. The Association's Board of Directors has the intention that all investments are to be held until maturity. In accordance with generally accepted accounting principles, any gain or loss in the fair market value of these types of securities, subsequent to their purchase, is not recognized unless a gain or loss is realized via the sale of any security(ies) prior to maturity. Also, any unrealized gain/loss would be recognized in the event that the Board changed the designation of these investments to other than held-to-maturity.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Accordingly, actual results could differ from those estimates. Estimates for the allowance for receivables are based on the Allowance Method.

Property and Equipment

The Association capitalizes all common real property to which it has title or other evidence of ownership and either: (1) can dispose of the property, at the discretion of its Board of Directors, for cash or claims to cash, and it can retain the proceeds, or (2) the property is used to generate significant cash flows from members on the basis of usage. Property and equipment are stated at cost and depreciated utilizing the straight-line method over their useful lives, generally five to twenty years. Software is amortized over five years.

Property not capitalized consists of certain land areas contributed by the Declarant, at no cost to the Association, and, as such, is not reflected in the financial statements. The contributed common areas consist of fences, two community centers, two swimming pools, landscape and landscape rights-of-way, which can never be sold or subdivided. The Association has not placed a value on these assets.

Date of Management's Review

Subsequent events have been evaluated through April 26, 2017, which is the date the financial statements were available to be issued.

**POWER RANCH COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 - ASSESSMENTS AND EXPENSES

Association members are subject to assessments to provide funds for the Association's operating expenses and future major repairs and replacements. The master association assessed 5,106 units in 2016. Single family and commercial annual assessments were \$945 per unit, payable in quarterly installments of \$236.25. Apartment unit annual assessments were \$228.72, payable in quarterly installments of \$57.18. Association members in Neighborhood 9, which consists of 683 lots, are also subject to an annual Special Service Area Assessment of \$579.60, payable in quarterly assessments of \$144.90 for small lots and an annual Special Service Area Assessment of \$695.52, payable in quarterly assessments of \$173.88 for large lots. Association members in Neighborhood 10, which consists of 184 lots, are also subject to an annual Special Service Area Assessment of \$420, payable in quarterly installments of \$105. Other income is received from Association members solely as a function of their membership in the Association.

Builders, as developers, may be assessed at either 100% or 25% of the annualized master association assessment rate, and 100% of any Special Service Area Assessments, as determined by the governing documents. At December 31, 2016, 0 builder-owned units were assessed at the 100% rate and 352 builder-owned units were assessed at the 25% rate for the master association. Builders are assessed on a monthly basis.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2016, represent assessments and other fees due to the Association. The Association's assessments receivable are secured via the real property assessed, and every reasonable effort is applied in attempting to collect receivables. The Association may bring legal action against owners obligated to pay, or foreclose on the property as it deems necessary, to collect assessments receivable. The Association could incur losses, up to the full amount of the receivables.

At December 31, 2016, the Association recorded an allowance for doubtful accounts totaling \$148,618. Of this balance. Bad debt expense for the year ended December 31, 2016 was \$(6,820). Accounts receivable consisted of the following at December 31, 2016:

	<u>Total Due</u>	<u>Over 90 Days</u>
Homeowner Assessments	\$ 124,692	\$ 122,544
Other Fee Receivables	174,292	143,275
Builder Receivables	<u>13,860</u>	<u>-</u>
Total Gross Receivables	312,844	265,819
Less: Allowance for Bad Debt	<u>(148,618)</u>	<u>(148,618)</u>
Total Net Receivables	<u>\$ 164,226</u>	<u>\$ 117,201</u>

**POWER RANCH COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 - PROPERTY AND EQUIPMENT AND SOFTWARE

Software as of December 31, 2016, consisted of the following:

Software	\$ 22,443
Less: Accumulated Amortization	<u>(6,359)</u>
Net Software	<u>\$ 16,084</u>

Property and equipment as of December 31, 2016, consisted of the following:

Machinery and Equipment	\$ 69,329
Buildings - Ramadas	255,183
Buildings	247,668
Transportation Equipment	69,251
Computer Equipment	41,642
Furniture and Fixtures	60,668
Land Improvements	18,200
Building Improvements	<u>327,361</u>
Total	1,089,302
Less: Accumulated Depreciation	<u>(228,168)</u>
Net Property and Equipment	<u>\$ 861,134</u>

Amortization expense and depreciation expense for the year ended December 31, 2016 totaled \$4,489 and \$66,643, respectively.

NOTE 6 – INVESTMENTS

At December 31, 2016, the Association held \$3,371,904 in sixteen certificates of deposit, with interest rates ranging from 0.70% to 1.80%. The certificates of deposit mature on various dates from 2017 to 2023. Investments were purchased at par value, with the intent and capability of being held-to-maturity; therefore, no amortization is required. Certificates of deposit that are held in a brokerage account are categorized as investments, while all others are categorized as certificates of deposit.

NOTE 7 – INCOME TAXES

The Association is classified as an exempt “social welfare” organization under Internal Revenue Code Section 501(c)(4) for both federal and state tax purposes. The Association is subject to the specific rulings and regulations applicable to Section 501(c)(4) of the Internal Revenue Code. A provision is made in the financial statements for income taxes on unrelated trade or business income earned, when required. The Association had no tax liability for the year ended December 31, 2016.

**POWER RANCH COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8 – UNCERTAIN TAX POSITIONS

The Association accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Association recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax position for the year ending December 31, 2016.

The Association believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association’s financial condition, net income or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at December 31, 2016.

The Association is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Association believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2014, or by Arizona state tax authorities for years before 2013.

NOTE 9 - OPERATING LEASE OBLIGATION

The Association has one operating lease for office copier equipment, which expires in 2020. Office equipment rental expense for the year ended December 31, 2016 was \$7,920, which also included maintenance fees and surcharges for additional copies in excess of the lease copy allowance. The minimum rental expense portion was \$4,176 for the year ended December 31, 2016. The minimum future lease payments under the non-cancellable operating lease are as follows:

<u>Years Ending December 31,</u>	
2017	\$ 4,176
2018	4,176
2019	4,176
2020	<u>4,176</u>
Total Future Minimum Payments	<u>\$ 16,704</u>

NOTE 10 - CONCENTRATION OF RISK

The Association’s annual assessment revenue of \$4,577,716 and net accounts receivable of \$164,226 at December 31, 2016, are subject to a significant concentration of risk given that the revenue is received primarily within a small geographic area, which can be impacted by similar economic conditions. A portion of these receivables have provisions for recovery through the placement of liens on real property and legal judgments. In the event that property owners did not comply with the terms of the Covenants, Conditions and Restrictions, and Association collection efforts were unsuccessful, the Association could incur losses.

The Association places its cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. The Association also maintains investment accounts in a brokerage account, which are covered up to \$500,000, limited to \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At various times, deposits with these financial institutions, designated as cash and cash equivalents and investments, may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC), or other types of insurance programs.

**POWER RANCH COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 – HUSD WATER REIMBURSEMENT

The Association receives revenue from the Higley Unified School District (HUSD) as a reimbursement for water expense incurred by the Association for property owned by the school district and for maintenance, repair and replacement of the water delivery infrastructure. The total revenue recorded from the HUSD during 2016 was \$4,583.

NOTE 12 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association accumulates funds for future major repairs and replacements. The annual provision to the replacement fund is determined by the Board of Directors, and is based, in part, on projected reserve expenses derived in studies performed by a licensed contractor dated October 9, 2015, for the master association, October 9, 2015, for Neighborhood 9 and October 9, 2015, for Neighborhood 10 – Parcels D and E. The studies provide independent estimates of the future major repair and replacement costs for common area components.

The funds set aside each year are generated from assessments, net of operating expenses, and other net revenues. These funds are generally not available for operating purposes. Actual expenditures may vary from the estimated amounts determined by the studies, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association may increase regular assessments up to the maximum annual assessment, levy special assessments subject to member approval, or may delay major repairs and replacements until funds are available. At December 31, 2016, funds accumulated for this purpose were \$4,414,424, which included \$3,937,677 for the Master, \$371,285 for Neighborhood 9 and \$105,462 for Neighborhood 10 – Parcels D and E.



**POWER RANCH COMMUNITY
ASSOCIATION**

SUPPLEMENTARY
INFORMATION



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**POWER RANCH COMMUNITY ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2016**

The Association's Board of Directors engaged an independent firm to conduct studies to estimate the replacement costs of certain common property components. The Update "With-Site-Visit" Reserve Study for the master was dated October 9, 2015, and was based on the on-site inspection on June 9, 2015. The Master fund balance of \$3,937,677 is 71% of its fully funded balance of \$5,541,623 at December 31, 2016. A study was also completed for Neighborhood 9, dated October 9, 2015. The fund balance of \$371,285 for Neighborhood 9 is 61% of its fully funded balance of \$603,886 at December 31, 2016. A study was also completed for Neighborhood 10 - Parcels D and E, referred to as The Village at Power Ranch HOA, with an on-site visit on June 9, 2015, which was dated October 9, 2015. The fund balance of \$105,462 for Neighborhood 10 - Parcels D and E is 118% of its fully funded balance of \$89,041 at December 31, 2016.

Replacement costs in all studies were based on the estimated average costs to repair or replace the common property components at the dates of the studies. Estimated current replacement costs have not been revised since those dates and do not take into account the effects of inflation between the dates of the studies and the dates that the components will require repair or replacement. The following table is based on these studies and presents significant information about the components of common property.

Component	Remaining Life (Years)	Current Average Replacement Cost	Replacement Fund Balance December 31, 2016
Master Community			
Phase 1 - The Ranch House	1 to 19	\$ 520,050	\$ -
Phase 1 - The Ranch House Pool	0 to 14	325,150	-
Phase 1 - The Ranch House Recreation Center	0 to 26	718,350	-
Phase 1 - Carriage House	1 to 19	237,800	-
Phase 1 - Pump Station	0 to 11	273,400	-
Phase 1 - Wells & Equipment	0 to 14	1,582,800	-
Phase 1 - Grounds	0 to 14	689,250	-
Phase 1 - Mountain View (Neighborhood 1)	0 to 15	320,500	-
Phase 1 - The Groves (Neighborhood 2)	0 to 15	218,550	-
Phase 1 - The Oaks (Neighborhood 3)	0 to 16	269,100	-
Phase 1 - The Vineyards (Neighborhood 4)	0 to 16	283,550	-
Phase 1 - The Orchards (Neighborhood 5)	0 to 16	429,600	-
Phase 1 - The Arbors (Neighborhood 6)	0 to 18	400,400	-
Phase 2 - The Barn Clubhouse	1 to 19	370,100	-
Phase 2 - The Barn Pool	0 to 14	294,450	-
Phase 2 - The Barn Recreation Center	0 to 20	346,200	-
Phase 2 - Pump Station	0 to 19	256,300	-
Phase 2 - Grounds	4 to 15	325,550	-
Phase 2 - Meadow View (Neighborhood 7)	0 to 14	275,650	-
Phase 2 - The Grange (Neighborhood 8)	0 to 20	256,850	-
Phase 2 - The Knolls (Neighborhood 9)	1 to 21	284,100	-
Phase 2 - The Willows (Neighborhood 10)	1 to 20	488,100	-
Phase 2 - The Timbers (Neighborhood 11)	0 to 17	146,850	-
Unallocated		-	3,937,677
		9,312,650	3,937,677

(CONTINUED)

See independent auditor's report.

**POWER RANCH COMMUNITY ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (CONTINUED)
DECEMBER 31, 2016**

<u>Component</u>	<u>Remaining Life (Years)</u>	<u>Current Average Replacement Cost</u>	<u>Replacement Fund Balance December 31, 2016</u>
Neighborhood 9			
Grounds	2 to 20	912,400	-
Power 3 Pool	0 to 21	193,650	-
Power 4 Pool	0 to 21	190,400	-
Power 5 Pool	0 to 21	188,500	-
Unallocated		-	371,285
		<u>1,484,950</u>	<u>371,285</u>
 Neighborhood 10 - Parcels D and E			
Asphalt, Concrete, and Curbs	0 to 25	213,200	-
Irrigation Controllers	2	2,600	-
Unallocated		-	105,462
		<u>215,800</u>	<u>105,462</u>
 Total		 <u>\$ 11,013,400</u>	 <u>\$ 4,414,424</u>

See independent auditor's report.

**POWER RANCH COMMUNITY ASSOCIATION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

MASTER ASSOCIATION

	OPERATING FUND	REPLACEMENT FUND	CAPITAL IMPROVEMENT FUND	TOTAL
REVENUES				
Assessments	\$ 3,951,045	\$ -	\$ -	\$ 3,951,045
Builder Assessments	83,160	-	-	83,160
HUSD Water Reimbursement	4,583	-	-	4,583
Activity Income	44,192	-	-	44,192
Pool Card Key Income	7,364	-	-	7,364
Facility Income	79,376	-	-	79,376
Bad Debt Recovery	2,051	-	-	2,051
Working Capital Fee	312,000	-	-	312,000
Collection Fee Revenue	43,221	-	-	43,221
Filing Fee Charges	392	-	-	392
Advertising Income	16,475	-	-	16,475
Sponsorship	15,072	-	-	15,072
Sanctions and Fees	25,200	-	-	25,200
Legal Fee Revenue	38,056	-	-	38,056
Miscellaneous Income	581	-	-	581
Interest Income	47,188	21,840	71	69,099
TOTAL REVENUES	4,669,956	21,840	71	4,691,867
EXPENSES				
SALARIES AND BENEFITS	761,590	-	-	761,590
ADMINISTRATIVE AND GENERAL				
Active Net/CC Fees	8,782	-	-	8,782
Audit/Tax Returns	7,975	-	-	7,975
Collections	43,221	-	-	43,221
Decorations	11,937	-	-	11,937
Legal Fees	14,832	-	-	14,832
Legal Fees - Collections	37,243	-	-	37,243
License, Fees, Permits	2,524	-	-	2,524
Management Fees	78,600	-	-	78,600
Meeting Expense	3,727	-	-	3,727
Mileage/Auto Expenses	2,336	-	-	2,336
Movie Ticket Expense	4,440	-	-	4,440
Miscellaneous	482	-	-	482
Newsletter	28,145	-	-	28,145
Off Site Storage	3,792	-	-	3,792
Office Equipment/Rental	7,920	-	-	7,920
Office Supplies	22,247	-	-	22,247
Postage	17,189	-	-	17,189
Social Events	50,831	-	-	50,831
Supplies	14,379	-	-	14,379
Telephone	22,591	-	-	22,591
Uniforms	1,672	-	-	1,672
Web Hosting	6,299	-	-	6,299
TOTAL ADMINISTRATIVE AND GENERAL	391,164	-	-	391,164
UTILITIES				
Electricity	170,138	-	-	170,138
Water	210,921	-	-	210,921
Gas	15,210	-	-	15,210
Garbage Removal	4,290	-	-	4,290
TOTAL UTILITIES	400,559	-	-	400,559

(CONTINUED)

See independent auditor's report.

**POWER RANCH COMMUNITY ASSOCIATION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

MASTER ASSOCIATION

	OPERATING FUND	REPLACEMENT FUND	CAPITAL IMPROVEMENT FUND	TOTAL
CONTRACT SERVICES				
Cleaning/Janitorial	23,781	-	-	23,781
Park Maintenance	5,760	-	-	5,760
Lake Maintenance Contract	10,804	-	-	10,804
Acid Injector Maintenance	3,720	-	-	3,720
Pest Control	23,700	-	-	23,700
Maintenance Vehicle	7,043	-	-	7,043
Pool Service	19,699	-	-	19,699
Pool Chemical Monitoring	880	-	-	880
Parking Enforcement	46,178	-	-	46,178
Security Alarm Monitoring	3,219	-	-	3,219
Pump/Well Maintenance Contract	6,072	-	-	6,072
TOTAL CONTRACT SERVICES	150,856	-	-	150,856
LANDSCAPING COSTS				
Landscape Maintenance	1,107,000	-	-	1,107,000
Landscape Extras	128,367	-	-	128,367
Landscape Other	83,269	-	-	83,269
Soccer Field Landscape Maintenance	47,885	-	-	47,885
Trees and Shrubs	180,126	-	-	180,126
Irrigation Repair	44,221	-	-	44,221
Landscape Supplies	2,571	-	-	2,571
TOTAL LANDSCAPING COSTS	1,593,439	-	-	1,593,439
REPAIRS AND MAINTENANCE				
Drywell Maintenance	4,732	-	-	4,732
A/C Heat Repairs	1,061	-	-	1,061
Building Maintenance	10,053	-	-	10,053
Electrical Repair	5,127	-	-	5,127
Fences/Walls	393	-	-	393
Lake Repairs	813	-	-	813
Pump Station Repairs	12,240	-	-	12,240
Park Equipment Repair	4,388	-	-	4,388
Pool Repairs	17,434	-	-	17,434
Pool Access System	2,316	-	-	2,316
Signage	849	-	-	849
Vandalism	2,643	-	-	2,643
TOTAL REPAIRS AND MAINTENANCE	62,049	-	-	62,049
PARTS AND SUPPLIES				
Mailbox	353	-	-	353
Cleaning Supplies	8,202	-	-	8,202
Doggie Station Bags	3,774	-	-	3,774
Electrical Supplies	7,214	-	-	7,214
Hardware	3,840	-	-	3,840
Pool Parts and Supplies	25,048	-	-	25,048
Pool Keys	3,412	-	-	3,412
Lake Chemicals/Fish	16,639	-	-	16,639
TOTAL PARTS AND SUPPLIES	68,482	-	-	68,482

(CONTINUED)

See independent auditor's report.

**POWER RANCH COMMUNITY ASSOCIATION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>MASTER ASSOCIATION</u>				
	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
TAXES				
Real Estate Taxes	53	-	-	53
Income Taxes	50	-	-	50
TOTAL TAXES	103	-	-	103
INSURANCE				
Association Master Policy	18,698	-	-	18,698
Directors and Officers	6,025	-	-	6,025
Excess Liability	13,864	-	-	13,864
Workers' Compensation	381	-	-	381
Automotive	2,638	-	-	2,638
TOTAL INSURANCE	41,606	-	-	41,606
BAD DEBT EXPENSE	(4,572)	-	-	(4,572)
OTHER OPERATING EXPENSES				
Depreciation	-	-	66,643	66,643
Amortization	-	-	4,489	4,489
TOTAL OTHER OPERATING EXPENSES	-	-	71,132	71,132
MAJOR REPAIRS AND REPLACEMENTS	-	395,566	156,757	552,323
TOTAL EXPENSES	3,465,276	395,566	227,889	4,088,731
EXCESS REVENUES (EXPENSES)	1,204,680	(373,726)	(227,818)	603,136
FUND BALANCES				
BEGINNING OF YEAR	485,273	3,551,023	1,168,681	5,204,977
TRANSFERS BETWEEN FUNDS				
Contributions to Reserves	(760,380)	760,380	-	-
Contributions to Capital	(104,000)	-	104,000	-
Total Transfers Between Funds	(864,380)	760,380	104,000	-
FUND BALANCES END OF YEAR	\$ 825,573	\$ 3,937,677	\$ 1,044,863	\$ 5,808,113

See independent auditor's report.

**POWER RANCH COMMUNITY ASSOCIATION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

NEIGHBORHOOD 9

	OPERATING FUND	REPLACEMENT FUND	CAPITAL IMPROVEMENT FUND	TOTAL
REVENUES				
Neighborhood Assessments	\$ 466,231	\$ -	\$ -	\$ 466,231
Working Capital Fee	22,250	-	-	22,250
Interest Income	-	3,101	-	3,101
TOTAL REVENUES	488,481	3,101	-	491,582
EXPENSES				
Bad Debt Expense	(3,163)	-	-	(3,163)
General Maintenance and Pool	29,485	-	-	29,485
License, Fees	1,485	-	-	1,485
Telephone	2,629	-	-	2,629
Cleaning & Janitorial	6,830	-	-	6,830
Hardware	64	-	-	64
Landscape Maintenance	117,000	-	-	117,000
Landscape Extras	12,759	-	-	12,759
Tree Trimming	7,144	-	-	7,144
Pest Control	2,220	-	-	2,220
Pool Service	21,408	-	-	21,408
Pool Chemical Monitoring	1,440	-	-	1,440
Pool Access System	1,474	-	-	1,474
Building Repairs	1,174	-	-	1,174
Irrigation Supplies	1,595	-	-	1,595
Pool Repairs	20,270	-	-	20,270
Miscellaneous	1,488	-	-	1,488
Cleaning Supplies	855	-	-	855
Electrical Supplies	247	-	-	247
Pool Supplies	21,797	-	-	21,797
Pool Key Card	1,523	-	-	1,523
Electricity	36,171	-	-	36,171
Gas	25,826	-	-	25,826
Water	41,547	-	-	41,547
Master Policy	6,570	-	-	6,570
Major Repairs and Replacements	-	40,656	-	40,656
TOTAL EXPENSES	359,838	40,656	-	400,494
EXCESS REVENUES (EXPENSES)	128,643	(37,555)	-	91,088
FUND BALANCES				
BEGINNING OF YEAR	84,254	315,240	-	399,494
TRANSFERS BETWEEN FUNDS				
Contributions to Reserves	(93,600)	93,600	-	-
Total Transfers Between Funds	(93,600)	93,600	-	-
FUND BALANCES				
END OF YEAR	\$ 119,297	\$ 371,285	\$ -	\$ 490,582

See independent auditor's report.

**POWER RANCH COMMUNITY ASSOCIATION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

NEIGHBORHOOD 10 - PARCELS D and E

	OPERATING FUND	REPLACEMENT FUND	CAPITAL IMPROVEMENT FUND	TOTAL
REVENUES				
Neighborhood Assessments	\$ 77,280	\$ -	\$ -	\$ 77,280
Interest Income	-	212	-	212
TOTAL REVENUES	<u>77,280</u>	<u>212</u>	<u>-</u>	<u>77,492</u>
EXPENSES				
Bad Debt Expense	915	-	-	915
Landscaping	30,240	-	-	30,240
Tree Trimming	4,571	-	-	4,571
Landscape Extras	5,234	-	-	5,234
Electric	3,618	-	-	3,618
Miscellaneous	355	-	-	355
Leased Lighting	12,269	-	-	12,269
Water	13,842	-	-	13,842
Major Repairs and Replacements	-	10,472	-	10,472
TOTAL EXPENSES	<u>71,044</u>	<u>10,472</u>	<u>-</u>	<u>81,516</u>
EXCESS REVENUES (EXPENSES)	6,236	(10,260)	-	(4,024)
FUND BALANCES				
BEGINNING OF YEAR	47,277	106,002	-	153,279
TRANSFERS BETWEEN FUNDS				
Contributions to Reserves	(9,720)	9,720	-	-
Total Transfers Between Funds	<u>(9,720)</u>	<u>9,720</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
END OF YEAR	<u>\$ 43,793</u>	<u>\$ 105,462</u>	<u>\$ -</u>	<u>\$ 149,255</u>

See independent auditor's report.