

GOLD RIDGE FOREST  
PROPERTY OWNER'S ASSOCIATION

FINANCIAL STATEMENTS,  
ACCOUNTANT'S REVIEW REPORT  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

# Roberts & Company, Inc.

CERTIFIED PUBLIC ACCOUNTANT

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of  
Gold Ridge Forest Property Owners Association  
Pollock Pines, California

I have reviewed the accompanying financial statements of Gold Ridge Forest Property Owners Association (a corporation), which comprise the balance sheet as of December 31, 2019 and the related statements of revenues, expenses, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Roberts & Company, Inc.*

CERTIFIED PUBLIC ACCOUNTANT

May 22, 2020

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GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2019

	Operating Fund	Reserve Fund	Total Funds
<b>Assets</b>			
Cash and cash equivalents - NOTE 1	\$ 111,964	\$ 439,971	\$ 551,935
Assessments receivable - NOTE 1 net of \$8,500 of doubtful accounts	13,473		13,473
Prepaid expenses	1,971		1,971
Building and equipment net of \$362 accumulated depreciation	4,974		4,974
Land - NOTE 1	51,400		51,400
Total assets	\$ 183,782	\$ 439,971	\$ 623,753
<b>Liabilities</b>			
Accounts payable	\$ 1,019	\$	\$ 1,019
Payroll taxes payable	1,339		1,339
Deferred income - NOTE 3	28,290		28,290
Total liabilities	\$ 30,648	\$ -	\$ 30,648
<b>Fund balances</b>			
Operating	\$ 153,134	\$	\$ 153,134
Reserve - NOTE 4		439,971	439,971
Total fund balances	\$ 153,134	\$ 439,971	\$ 593,105
Total liabilities and fund balances	\$ 183,782	\$ 439,971	\$ 623,753

See the accompanying notes and  
the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
<b>Revenues</b>			
Assessment dues	\$ 242,779	\$	\$ 242,779
Late fees/interest	2,305		2,305
Interest income	3	2,996	2,999
Transfer escrow fees	7,550		7,550
Rental income	4,600		4,600
Miscellaneous income	3,022		3,022
	<u>\$ 260,259</u>	<u>\$ 2,996</u>	<u>\$ 263,255</u>
<b>Expenses</b>			
Administrative expense	\$ 49,815	\$	\$ 49,815
Employee expense	83,467		83,467
Greenbelt expense	31,248		31,248
Recreation expense	28,761		28,761
Reserve study		250	250
	<u>\$ 193,291</u>	<u>\$ 250</u>	<u>\$ 193,541</u>
Excess of revenue over expenses	\$ 66,968	\$ 2,746	\$ 69,714
Interfund transfers	(54,437)	54,437	-
Beginning fund balances	<u>140,603</u>	<u>382,787</u>	<u>523,390</u>
Ending fund balances	<u>\$ 153,134</u>	<u>\$ 439,971</u>	<u>\$ 593,105</u>

See the accompanying notes and  
the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Reserve Fund	Total Funds
Cash Flows from Operating Activities			
Cash received from members	\$ 253,519	\$	\$ 253,519
Cash paid to vendors and employees	(184,124)	(250)	(184,374)
Interest income	3	2,996	2,999
	<u>\$ 69,398</u>	<u>\$ 2,746</u>	<u>\$ 72,144</u>
Cash Flows from Investing Activities			
Purchase of property and equipment	\$ (5,336)	\$	\$ (5,336)
	<u>\$ (5,336)</u>	<u>\$</u>	<u>\$ (5,336)</u>
Cash Flows from Financing Activities			
Interfund transfers	\$ (54,437)	\$ 54,437	\$ -
	<u>\$ (54,437)</u>	<u>\$ 54,437</u>	<u>\$ -</u>
Net increase in cash	\$ 9,625	\$ 57,183	\$ 66,808
Cash - January 1	<u>102,339</u>	<u>382,788</u>	<u>485,127</u>
Cash - December 31	<u>\$ 111,964</u>	<u>\$ 439,971</u>	<u>\$ 551,935</u>

Summary of non-cash transactions: None

	Operating Fund	Reserve Fund	Total Funds
Excess of revenue over expenses	\$ 66,968	\$ 2,746	\$ 69,714
Cash from operating activities			
Adjustments to reconcile changes in net asstes			
Depreciation	\$ 362	\$	\$ 362
Changes in assets and liabilities:			
(Increase) in assessments receivable	\$ (7,132)	\$	\$ (7,132)
(Increase) in prepaid tax	(101)		(101)
Decrease in prepaid expenses	301		301
(Decrease) in accounts payable	(64)		(64)
Increase in payroll liabilities payable	170		170
Increase in allowance for doubtful accounts	8,500		8,500
Increase in deferred income	394		394
Net cash from operating activities	<u>\$ 69,398</u>	<u>\$ 2,746</u>	<u>\$ 72,144</u>

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Gold Ridge Property Owners Association, which was incorporated November 15, 1971, is formed as a mutual benefit non-profit corporation. The Association is organized to provide for the management, maintenance and preservation of the property and improvements for the benefits of the owners. The property maintained by the Association includes the clubhouse, swimming pools, tennis courts and similar properties. The development consists of 627 lots located in Pollock Pines, California.

Accounting method The Association prepares its financial statements on the accrual basis of accounting whereby income and expenses are recognized when earned and incurred. Fund accounting is employed by the Association which requires that funds, such as operating and reserve funds, be classified separately for accounting and reporting purposes. The Operating Fund is used to account for the financial resources available for the Association's general operations, such as maintenance, recreation and administration. The Reserve Fund has been established to meet the replacement and major repair obligations of the Association with regard to the common area components.

Assessments Receivable The Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens and foreclosing on the property of the unit owner. Some assessments are not subject to these collection remedies. The Directors believe that for 2019, \$8,500 of the assessments receivable will be uncollectible and have established an allowance for doubtful accounts accordingly.

Accounts are considered delinquent if not paid by the 15th day of the billing quarter.

Property and Equipment Land and buildings are recorded at their contributed value. Equipment is recorded at cost.

Depreciation is computed on the straight-line basis over the following useful lives:

Equipment	5-10 years
Lodge	30 years

New replacements and improvements to common property that is owned by the Association and not directly associated with the units is capitalized on the books of the Association when it is expected to last longer than 1 year and costs more than \$1,000.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Cash Cash consists of checking and savings account balances and cash equivalents that are limited to short-term highly liquid investments that are readily convertible to cash and have an original maturity of three months or less.

Use of estimates Generally accepted accounting principles require management to make assumptions in estimates that affect the amount reported in the financial statements for assets, liabilities, revenues and expenses. In addition, assumptions and estimates are used to determine disclosure for contingencies, commitments and other matters discussed in the notes to the financial statements. Actual results could differ from those estimates.

NOTE 2: INCOME TAXES

Homeowner associations may be taxed either as a homeowner association or as a regular corporation. For the year ended December 31, 2019, the Association was taxed as a regular corporation. The federal tax rate was 15% and the state tax rate was 8.84%. The Association is exempt with regards to the state minimum franchise fee. The Association is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. The Association tax returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed. The tax returns subject to examination would be for the periods ending December 31, 2015, 2016, 2017, 2018, and

NOTE 3: DEFERRED INCOME

Deferred income consists of prepaid assessments from members.

NOTE 4: REPLACEMENT FUNDING PROGRAM

The Association is funding replacement reserve accounts for the future repair and replacement of Association common areas as disclosed in NOTE 1. These funds are held in separate interest bearing accounts and certificates of deposit to be used exclusively for the future major repair or replacement of these common area facilities. Funds are being accumulated based on estimated future costs; however, actual expenditures may vary from these estimates and the variations may be material.



GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4: REPLACEMENT FUNDING PROGRAM (Continued)

A study of the replacement fund components, their replacement cost, remaining lives, and method of funding was prepared by a licensed appraiser for 2019, updated December 10, 2019. The Board has decided to fund reserves based upon the estimates in this study. According to association bylaws and California Civil Code, a new study of replacement fund components and reserve account requirements is due to be conducted every three years.

If additional funds are needed, the Association has the right, subject to certain limitations, to increase quarterly assessments, pass special assessments, or delay replacement of property if these funds are found to be inadequate for all future costs.

NOTE 5: DISPOSITION OF ASSOCIATION PROPERTY

Without the vote or written assent of a majority of the voting power of the Association, the Board of Directors cannot sell or dispose of any property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that fiscal year. This limitation does not apply to the sale or disposition of lots acquired by the Association in foreclosure proceedings.

NOTE 6: EVALUATION OF SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 21st, the day before the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION  
FUTURE MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2019

A reserve study was prepared by Browning Reserve Group on December 10, 2019, to estimate the remaining useful lives and the replacement costs of the components of the Association's common property. This study was designed to forecast reserve funding requirements for the fiscal year 2019 and subsequent fiscal years. The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method". This is a method of developing a reserve funding plan with expenditures from the reserve fund. The study assumes interest and inflation rates of 2.5%.

The Reserve Study is not an engineering report. The costs outlined in the study are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report. It should be noted that no destructive testing was performed.

For 2019, the addition to the reserve was \$67,587 representing \$64,591 from the operating fund and \$2,996 of interest earned on reserve cash balances. A total of \$10,154 was transferred from the reserve fund to the operating fund for asset replacements and repairs.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
OPERATING FUND ACTIVITY  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Revenues			
Assessment dues	\$ 242,779	\$ 243,362	\$ (583)
Rental income	4,600	3,000	1,600
Late fees	2,305	2,200	105
Interest income	3	-	3
Transfer escrow fees	7,550	6,000	1,550
Key fob deposit	1,400	500	900
Other income	1,622	1,080	542
Total revenue	<u>\$ 260,259</u>	<u>\$ 256,142</u>	<u>\$ 4,117</u>

See the accompanying notes and  
the Independent Accountant's Review Report.

GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
OPERATING FUND ACTIVITY  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Administrative Expense			
Accounting	\$ 9,070	\$ 9,000	\$ 70
Legal	3,560	1,000	2,560
Insurance expense	9,823	9,000	823
Bad debt	8,067	2,000	6,067
Collection fee expense	428	1,500	(1,072)
Phone fax & internet	2,692	3,000	(308)
Supplies	1,449	1,200	249
Postage & delivery	2,254	2,000	254
Mileage	1,052	750	302
Phone	340	-	340
Electricity - lodge	1,380	1,800	(420)
Garbage	1,653	1,550	103
Lodge - water	463	600	(137)
Subscription & dues	-	40	(40)
Snow removal	595	950	(355)
Propane	1,457	1,800	(343)
Security	1,119	1,300	(181)
Outside services	3,593	3,900	(307)
Elections	575	575	-
Lodge/office maintenance	261	600	(339)
Bank service fees	12	-	12
Permits & licenses	35	-	35
Income taxes - federal	(109)	-	(109)
Income taxes - state	46	80	(34)
Total administrative expense	<u>\$ 49,815</u>	<u>\$ 42,645</u>	<u>\$ 7,170</u>
Employee expense			
Employee salaries	\$ 74,628	\$ 81,030	\$ (6,402)
Payroll taxes	6,684	7,300	(616)
Workers compensation	2,156	3,000	(844)
Total employee expense	<u>\$ 83,468</u>	<u>\$ 91,330</u>	<u>\$ (7,862)</u>

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GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
OPERATING FUND ACTIVITY  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Greenbelt Expense			
Greenbelt	\$ 31,248	\$ 36,000	\$ (4,752)
Total greenbelt expense	<u>\$ 31,248</u>	<u>\$ 36,000</u>	<u>\$ (4,752)</u>
Recreation Expense			
Depreciation	\$ 362	\$ -	\$ 362
Pool keys and re-keying	242	200	42
Pool chemicals	6,460	4,000	2,460
Pool supplies	2,049	350	1,699
Pool repairs	421	400	21
Pool electricity	8,048	6,500	1,548
Pool health permits	984	1,000	(16)
Janitorial supplies	878	700	178
Pool propane	36	100	(64)
Pool water	2,645	2,250	395
Pool/rec outside services	1,993	1,200	793
Recreation grounds/maintenance	4,355	2,000	2,355
Events - expense	261	500	(239)
Tennis court maintenance	26	200	(174)
Total recreation expense	<u>\$ 28,760</u>	<u>\$ 19,400</u>	<u>\$ 9,360</u>
Total expense	<u>\$ 193,291</u>	<u>\$ 189,375</u>	<u>\$ 3,916</u>
Excess revenue over expenses	<u><u>\$ 66,968</u></u>	<u><u>\$ 66,767</u></u>	<u><u>\$ 201</u></u>

See the accompanying notes and  
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GOLD RIDGE FOREST  
PROPERTY OWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION  
FUTURE MAJOR REPAIRS AND REPLACEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

The following table is based on the Reserve Study, and presents significant information about the components of common property.

Reserve Component	Current Replacement Cost	Current Remaining Life	2019 Fully Funded Balance	Cash Reserve at 12/31/19
Paving	\$ 103,620	1-7	\$ 69,897	\$ 53,459
Concrete	72,189	1-6	65,210	37,243
Painting: exterior	18,376	1-6	12,292	9,480
Painting: interior	7,087	1-5	3,949	3,656
Structural repairs	40,481	1-13	23,754	20,885
Roofing	64,143	5-29	16,107	33,092
Rehab	68,937	1-25	17,575	35,566
Pool	166,106	0-18	105,371	85,697
Recreation	6,430	3-5	4,822	3,317
Tennis court	69,198	1-5	53,837	35,700
Basketball/sports court	530	6-6	132	273
Fencing	50,990	0-16	31,729	26,306
Lighting	9,756	1-1	9,106	5,033
Signage	8,471	1-8	5,011	4,370
Office equipment	6,277	1-3	4,532	3,238
Mechanical equipment	18,902	5-11	8,380	9,752
Furnishings	6,204	1-16	3,899	3,201
Audio/visual	361	4-4	120	186
Safety/access	18,527	1-5	4,491	9,558
Flooring	18,815	7-12	8,087	9,707
Outdoor equipment	63,405	0-9	43,923	32,712
Appliances	6,524	1-11	2,300	3,366
Miscellaneous	24,472	1-14	11,316	12,625
Reserve study	2,000	1-1	1,333	1,032
Undesignated	997	0-0	997	514
<b>Totals</b>	<b>\$ 852,798</b>		<b>\$ 508,170</b>	<b>\$ 439,968</b>
Percent funded				86.58%
2020 Board proposed funding				\$ 66,787
Reserve Study funding recommendations				
2020				\$ 66,787
2021				\$ 68,791
2022				\$ 70,855
2023				\$ 72,981

See the accompanying notes and  
the Independent Accountant's Review Report.