

*DESERT GREENS 2001 HOME OWNERS ASSOCIATION
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015*



HILBURN & LEIN, CPAs
A PROFESSIONAL CORPORATION

DESERT GREENS 2001 HOME OWNERS ASSOCIATION

DECEMBER 31, 2015

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HILBURN & LEIN, CPAs
A PROFESSIONAL CORPORATION

Gary W. Lein, CPA
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Cory Puga, CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Desert Greens 2001 Home Owners Association
Pahrump, Nevada

We have audited the accompanying financial statements of Desert Greens 2001 Home Owners Association, which comprise the balance sheet as of December 31, 2015, and the related statements of revenue and expenses, and changes in fund balance 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 Desert Greens 2001 Home Owners Association as of December 31, 2015, 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.

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Reserve Analysis on page 9 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.

Other Matters

The Schedule of Revenues and Expenses - Budget and Actual on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William Stern CPA

Las Vegas, Nevada
June 25, 2018

**DESERT GREENS 2001 HOME OWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2015**

ASSETS

	OPERATING FUND	RESERVE FUND	TOTAL
Cash - Note 3	\$ 28,069	\$ 195,903	\$ 223,972
Certificate of Deposit	-	93,315	93,315
Assessments Receivable, Net of Allowance for Doubtful Accounts of \$2,540	3,335	-	3,335
Declarant Assessments Receivable	25,926	-	25,926
Due (to)/from Funds	(2,675)	2,675	-
Personal Property, Net of Accumulated Depreciation of \$58,734	4,187	-	4,187
TOTAL ASSETS	\$ 58,842	\$ 291,893	\$ 350,735

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 14,782	\$ -	\$ 14,782
Prepaid Assessments	19,471	-	19,471
	34,253	-	34,253
FUND BALANCES	24,589	291,893	316,482
TOTAL LIABILITIES AND FUND BALANCES	\$ 58,842	\$ 291,893	\$ 350,735

The accompanying notes are an integral part of these financial statements

DESERT GREENS 2001 HOME OWNERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	OPERATING FUND	RESERVE FUND	TOTAL
REVENUES			
Member Assessments	\$ 291,380	\$ 40,060	\$ 331,440
Late Fees	1,260	-	1,260
Interest Income	-	779	779
RV Parking Fees	8,000	-	8,000
Other Income	7,359	-	7,359
	<u>307,999</u>	<u>40,839</u>	<u>348,838</u>
EXPENSES			
Repairs and Maintenance	29,005	14,750	43,755
Equipment Repairs	4,676	-	4,676
Landscaping	6,766	-	6,766
Insurance	11,822	-	11,822
Legal and Accounting	10,325	-	10,325
Bad Debts Expense	2,447	-	2,447
Depreciation	1,187	-	1,187
Office Expense	1,030	-	1,030
Salaries and Wages	112,580	-	112,580
Payroll Burden and Benefits	18,217	-	18,217
Telephone	3,169	-	3,169
Trash Removal	21,750	-	21,750
Electricity	25,215	-	25,215
Water	56,106	-	56,106
Community Activities	1,562	-	1,562
Miscellaneous	282	40	322
	<u>306,139</u>	<u>14,790</u>	<u>320,929</u>
EXCESS OF REVENUES OVER EXPENSES	1,860	26,049	27,909
Fund Balances at Beginning of Year	20,056	268,517	288,573
Inter-Fund Transfers:			
Allocation of Personal Property	2,673	(2,673)	-
FUND BALANCES AT END OF YEAR	<u>\$ 24,589</u>	<u>\$ 291,893</u>	<u>\$ 316,482</u>

The accompanying notes are an integral part of these financial statements

**DESERT GREENS 2001 HOME OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of Revenues over Expenses	\$ 1,860	\$ 26,049	\$ 27,909
ADJUSTMENTS TO RECONCILE EXCESS REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Bad Debts Expense	2,447	-	2,447
Depreciation Expense	1,187	-	1,187
Interest on Certificate of Deposit	-	(176)	(176)
Changes in:			
Assessments Receivable	(3,722)	-	(3,722)
Declarant Assessments Receivable	6,000	-	6,000
Accounts Payable	4,606	(592)	4,014
Prepaid Assessments	(6,611)	-	(6,611)
	<u>3,907</u>	<u>(768)</u>	<u>3,139</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,767</u>	<u>25,281</u>	<u>31,048</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES			
Purchase of Personal Property	(2,674)	-	(2,674)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES			
Inter-Fund Transfers	2,673	(2,673)	-
NET INCREASE IN CASH	5,766	22,608	28,374
Cash at Beginning of Year	<u>22,303</u>	<u>173,295</u>	<u>195,598</u>
CASH AT END OF YEAR	<u>\$ 28,069</u>	<u>\$ 195,903</u>	<u>\$ 223,972</u>
SUPPLEMENTARY INFORMATION:			
Cash Paid for Federal Income Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**DESERT GREENS 2001 HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - ORGANIZATION

Desert Greens 2001 Home Owners Association was incorporated on January 3, 2002. The Association is a statutory planned unit development in Pahrump, Nevada, organized as a domestic non-profit corporation for purposes of maintaining and preserving the common property. The Association consisted of 292 annexed lots.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING METHOD

Desert Greens 2001 Home Owners Association maintains its records on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, and expenses are recognized when goods or services are received, whether paid or not.

FUND ACCOUNTING

The Association uses fund accounting which requires funds, such as operating funds, for day-to-day expenses and reserve funds, designated for future major repairs and replacements of the common property, to be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally made in accordance with an annual budget, or as approved by the Board of Directors. Disbursements from the reserve and other designated funds may be made only for their designated purposes.

ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent assessments, late fees, and fines due from owners.

It is the Association's policy to assess late fees on assessments over 30 days past due, and place liens against the properties of owners whose assessments are 90 days or more past due. For assessments considered uncollectable, the Association uses the allowance method for doubtful accounts, and charges assessments to operations in the period they are considered uncollectible. Also included in the allowance, are estimated uncollectable fines and/or late fees which are offset against current year fine and/or late fee income. When estimating the allowance for doubtful accounts, the Association considers factors such as historical losses, existing economic conditions, and the likelihood of collecting assessments beyond the nine month super priority lien.

PROPERTY AND EQUIPMENT

Real property and common areas annexed to the Association by the declarant are not capitalized on the Association's financial statements. Common property, which consists of asphalt and concrete, fencing, lighting, pool and spa, community center, nine hole executive golf course, gates, signage, monument, and various landscaping are restricted to use by the Association's members, their tenants, and guests. Such property provides no probable future economic benefit to the Association, and such ownership is only a legal formality that has no effect on the financial position of the Association. Replacements and improvements to the real property and common areas are also not capitalized. According to the Association's governing documents, a majority of all owners must approve dispositions of any common real property.

Personal property purchased, with Association funds to which the Association holds the title, is capitalized at cost and depreciated over their estimated useful lives using the straight-line method of depreciation.

**DESERT GREENS 2001 HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make certain estimates and assumptions that affect amounts reported in the statements and accompanying notes. Assets, liabilities, and contingency disclosures require estimates as of the date of the financial statements. Revenues and expenses require estimates during the reporting period. Actual results could differ from those estimates.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date the financial statements were issued.

CASH FLOW STATEMENT

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

NOTE 3 - CASH

Cash at December 31, 2015, as represented on the balance sheet is detailed as follows:

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>
Petty Cash	\$ 440	\$ -
Meadows Bank:		
General Checking	27,629	-
Money Market Account	-	185,291
US Bank:		
Money Market Account	-	10,612
	<u>\$ 28,069</u>	<u>\$ 195,903</u>

NOTE 4 - RESERVE FUND

The Association's governing documents require the establishment of a reserve fund to accumulate cash for future major repairs and replacements of the common property. The governing documents and state statute requires the Association to have a reserve study conducted to estimate the remaining useful lives of the common property components, and determine estimated funding requirements. In 2015, the Association engaged an independent specialist to conduct a reserve study.

According to the reserve study, the recommended reserve contribution for 2015 was \$42,000. The Association assessed \$40,060 and transferred an additional \$2,673 for reserve funding in 2015. These reserve funds are accumulated based on estimated future costs. Actual expenditures may vary from these estimates, and the variance may be material. At December 31, 2015, the Association had \$291,893 in accumulated reserve funds.

**DESERT GREENS 2001 HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 5 - FEDERAL INCOME TAXES

For the year ended December 31, 2015, the Association elected to file as a corporation in accordance with Internal Revenue Code Section 277. Under that section, the Association qualifies as a tax exempt association for all income and expenses related to its membership activities which is the management, maintenance and care of Association common area property. The net non-membership income from earned interest was taxed at 15%. For 2015, the Association owed no federal income tax. Federal tax filings are subject to audit by the Internal Revenue Service. Tax year open under the statute of limitations is 2015.

SUPPLEMENTARY FINANCIAL INFORMATION

**DESERT GREENS 2001 HOME OWNERS ASSOCIATION
SCHEDULE OF RESERVE ANALYSIS
DECEMBER 31, 2015**

(UNAUDITED)

The Association engaged an independent specialist to conduct a Reserve Study in 2015 to estimate the remaining useful lives and the replacement costs of the common property components. Replacement cost projections are based on future estimated replacement costs with assumed values of interest at 1.5% and inflation at 3%. The study uses the full funding method, which funds the reserve by attaining and maintaining the cumulative reserve at or near the full funding goal.

MAJOR COMPONENT	ESTIMATED REMAINING USEFUL LIFE	ESTIMATED FUTURE REPLACE- MENT COST
Asphalt/Concrete	0 - 15	\$ 629,363
Reserve Study	0	1,688
Monuments and Signs	0	1,093
Pool and Spa Area	0 - 1	41,905
Walls, Fences, and Gates	0 - 8	77,724
Golf Course Equipment	0	11,458
Clubhouse	0 - 13	115,494
Lighting	3 - 12	61,831
Landscape/Irrigation	0 - 5	62,284
		<u>\$ 1,002,840</u>

At December 31, 2015, the Association had \$291,893 accumulated, unallocated reserve funds.

(See Independent Auditors' Report)

**DESERT GREENS 2001 HOME OWNERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>OPERATING FUND</u>	<u>ACTUAL</u>	<u>BUDGET</u> <u>(UNAUDITED)</u>	<u>VARIANCE</u> <u>FAVORABLE/</u> <u>(UNFAVORABLE)</u> <u>(UNAUDITED)</u>
REVENUES			
Member Assessments	\$ 291,380	\$ 291,380	\$ -
Late Fees	1,260	2,100	(840)
RV Parking Fees	8,000	8,970	(970)
Other Income	7,359	5,672	1,687
	<u>307,999</u>	<u>308,122</u>	<u>(123)</u>
EXPENSES			
Repairs and Maintenance	29,005	37,495	8,490
Equipment Repairs	4,676	-	(4,676)
Landscaping	6,766	10,900	4,134
Insurance	11,822	11,600	(222)
Legal and Accounting	10,325	12,550	2,225
Bad Debts Expense	2,447	875	(1,572)
Depreciation	1,187	-	(1,187)
Office Expense	1,030	835	(195)
Salaries and Wages	112,580	104,750	(7,830)
Payroll Burden and Benefits	18,217	13,675	(4,542)
Telephone	3,169	3,120	(49)
Trash Removal	21,750	22,000	250
Electricity	25,215	54,000	28,785
Water	56,106	51,000	(5,106)
Community Activities	1,562	1,760	198
Miscellaneous	282	240	(42)
	<u>306,139</u>	<u>324,800</u>	<u>18,661</u>
EXCESS OF REVENUES OR (EXPENSES)	<u>\$ 1,860</u>	<u>\$ (16,678)</u>	<u>\$ 18,538</u>
<u>RESERVE FUND</u>			
REVENUES			
Member Assessments	\$ 40,060	\$ 40,060	\$ -
Interest Income	779	-	779
	<u>40,839</u>	<u>40,060</u>	<u>779</u>
EXPENSES			
Common Area Repairs	14,750	15,000	250
Bank Charges	40	-	(40)
	<u>14,790</u>	<u>15,000</u>	<u>210</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 26,049</u>	<u>\$ 25,060</u>	<u>\$ 989</u>

(See Independent Auditors' Report)