

**TAHOE TYROL HOMES ASSOCIATION**  
**(A California Nonprofit Mutual Benefit Corporation)**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2019 AND 2018**

**TAHOE TYROL HOMES ASSOCIATION**

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# Michael T. Doody

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members  
Tahoe Tyrol Homes Association  
South Lake Tahoe, California

I have reviewed the accompanying financial statements of the Tahoe Tyrol Homes Association (a California Nonprofit Mutual Benefit Corporation) which comprise the balance sheets as of December 31, 2019 and 2018 and the Statements of Revenues, Expenses and Changes in Fund Balances, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical review procedures to management's financial data and making inquiries of Association 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 the 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.

### **Supplementary Information**

The supplementary information included in the accompanying Schedule of Operating Revenues and Expenses by Department - Budget (Compiled) and Actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information (except the budget, which was compiled without audit or review from information that is the representation of management, on which I do not express an opinion or any other form of assurance) is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the information and, accordingly do not express an opinion on it.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on common property on pages 12 and 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. The required supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

*Michael T. Doody*

Sacramento, California  
February 16, 2020

## TAHOE TYROL HOMES ASSOCIATION

### Balance Sheets

December 31, 2019

(With Summarized Totals for the Year Ended December 31, 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,285	\$ 60,435	\$ 82,720	\$ 79,704
Assessments receivable	881	-	881	1,300
Prepaid expenses	3,963	-	3,963	3,337
Investments (Note 2)	-	54,330	54,330	54,319
Total assets	\$ 27,129	\$ 114,765	\$ 141,894	\$ 138,660
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 4,645	\$ -	\$ 4,645	\$ 1,922
Prepaid member assessments	22,018	-	22,018	18,879
Total liabilities	26,663	-	26,663	20,801
Fund balances	466	114,765	115,231	117,859
Total liabilities and fund balances	\$ 27,129	\$ 114,765	\$ 141,894	\$ 138,660

*See accompanying notes and accountant's report*

**TAHOE TYROL HOMES ASSOCIATION**  
**Statements of Revenues, Expenses, and Changes**  
**in Fund Balances**  
**For the Year Ended December 31, 2019**  
**(With Summarized Totals for the Year Ended December 31, 2018)**

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
<b>REVENUES</b>				
Member assessments	\$ 93,840	\$ 3,600	\$ 97,440	\$ 97,440
Late charges and penalties	762	-	762	370
Post office box rental	1,144	-	1,144	1,063
Interest	13	38	51	45
Miscellaneous	50	-	50	269
<b>Total revenues</b>	<u>95,809</u>	<u>3,638</u>	<u>99,447</u>	<u>99,187</u>
<b>EXPENSES</b>				
Administration	40,322	-	40,322	38,720
Common area maintenance	26,437	-	26,437	26,903
Landscaping	11,640	-	11,640	11,772
Major repairs and replacements	-	4,200	4,200	3,353
Pool maintenance	5,357	-	5,357	5,474
Utilities	14,119	-	14,119	13,000
<b>Total expenses</b>	<u>97,875</u>	<u>4,200</u>	<u>102,075</u>	<u>99,222</u>
Excess (deficit) of revenues over expenses	(2,066)	(562)	(2,628)	(35)
Fund balances, beginning of year	2,532	115,327	117,859	117,894
<b>Fund balances, end of year</b>	<u>\$ 466</u>	<u>\$ 114,765</u>	<u>\$ 115,231</u>	<u>\$ 117,859</u>

*See accompanying notes and accountant's report*

**TAHOE TYROL HOMES ASSOCIATION**

Statements of Cash Flows

For the Year Ended December 31, 2019

(With Summarized Totals for the Year Ended December 31, 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
Cash Flows From Operating Activities:				
Excess (deficit) of revenues over expenses	\$ (2,066)	\$ (562)	\$ (2,628)	\$ (35)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:				
(Increase) decrease in:				
Assessments receivable	419	-	419	25
Prepaid expenses	(626)	-	(626)	(508)
Increase (decrease) in:				
Accounts payable	2,723	-	2,723	943
Prepaid assessments	3,135	-	3,135	2,015
Net cash provided by (used in) operating activities	<u>3,585</u>	<u>(562)</u>	<u>3,023</u>	<u>2,440</u>
Cash Flows From Investing Activities:				
Reinvestment of interest - CD	-	(7)	(7)	(15)
Net increase (decrease) in cash and cash equivalents	3,585	(569)	3,016	2,425
Cash and cash equivalents, beginning of year	18,700	61,004	79,704	77,279
Cash and cash equivalents, end of year	<u>\$ 22,285</u>	<u>\$ 60,435</u>	<u>\$ 82,720</u>	<u>\$ 79,704</u>
Supplemental Disclosure:				
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes and accountant's report*

# TAHOE TYROL HOMES ASSOCIATION

Notes to Financial Statements  
December 31, 2019 and 2018

## Note 1: **Organization and Summary of Significant Accounting Policies**

### A. **Organization**

The Tahoe Tyrol Homes Association (“Association”), was formed in August of 1973 and is a non-profit corporation organized under the Non-Profit Mutual Benefit Corporation Laws of California. The primary purpose of the Association is to own, repair, maintain, and manage certain common areas of the condominium development, to enforce the rules and regulations adopted by the Board of Directors, and to discharge such other lawful duties and responsibilities required pursuant to the Corporations’s Bylaws and the Declaration of Covenants, Conditions, and Restrictions. The Association consists of 116 residential lots and 5 common area lots located in South Lake Tahoe, California.

### B. **Date of Management Review**

In preparing the financial statements, the Association evaluated events and transactions for potential recognition or disclosure through February 16, 2020, the date the financial statements were available to be issued.

### C. **Method of Accounting**

The Association's policy is to prepare its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses when the related liability is incurred.

### D. **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 in the following funds established according to their nature and purposes:

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

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

# TAHOE TYROL HOMES ASSOCIATION

Notes to Financial Statements  
December 31, 2019 and 2018

Note 1: **Organization and Summary of Significant Accounting Policies** (continued)

## E. Income Taxes

Homeowners' associations may elect to be taxed as regular corporations or as homeowners' associations. The Association has elected to be taxed as a homeowners association for both 2019 and 2018. Under that election, the Association is generally taxed on non-exempt function income such as investment earnings at a flat 30% federal and 8.84% state tax rate. Exempt function income, consisting of membership dues and assessments, is exempt from taxation if qualifying criteria are satisfied.

The Association's federal and state income tax returns are generally subject to examination by taxing authorities for three years (four years for California) after the returns are filed, and the Association's federal and state income tax returns for 2016, 2017 and 2018 remain open to examination.

## F. Member Assessments

Association members are subject to assessments that provide funds for the Associations's operating expenses and major repairs and replacements. Association management has considered the Financial Accounting Standards Board (FASB) guidance on Topic 606, *Revenue Recognition from Contracts with Customers*, in the Accounting Standards Codification (ASC) and concluded that association members do not qualify as customers per the definition provided in the ASC. As such, assessment revenue is recognized in the periods in which they are assessed, regardless of when they are collected or expended.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain a collection agency and/or legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The collection policy is explained in greater detail in the annual disclosure document. Because of the collection procedures available to the Board, subject to a reasonable allowance for uncollectible accounts, all assessments are collectible. Accounts receivable at December 31, 2019 and 2018 were \$881 and \$1,300, respectively.

## G. Property and Equipment

Common areas acquired from the developer and related improvements to such property are not capitalized in the Association's financial statements because the economic benefits inure to the individual property owners and not to the Association.

## TAHOE TYROL HOMES ASSOCIATION

Notes to Financial Statements  
December 31, 2019 and 2018

Note 1: **Organization and Summary of Significant Accounting Policies** (continued)

### G. Property and Equipment

Personal property, such as equipment, having a cost of \$1,000 or more acquired by the Association is capitalized in the operating fund at cost and depreciated over its useful life using the straight-line method.

### H. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### I. Cash and Cash Equivalents

For purposes of the *Statements of Cash Flows*, the Association considers investments with a maturity, from the date of purchase, of three months or less as cash and cash equivalents.

### J. Interest Income

Interest income is allocated to the Operating and Replacement Fund in proportion to the interest-bearing deposits of each fund.

### K. Prior Year Summarized Totals

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018 of the prior year, from which the information was derived.

Note 2: **Investments**

A portion of the regular monthly assessments is used to accumulate funds for future major repairs and replacement expenditures. The investments account represents the amount restricted for these purposes and is invested in a certificates of deposit. For the years ended December 31, 2019 and 2018, the Association held one certificate of deposit in the amount of \$54,330 and 54,319, respectively. The certificate of deposit is insured by the FDIC for up to \$250,000.

## TAHOE TYROL HOMES ASSOCIATION

Notes to Financial Statements  
December 31, 2019 and 2018

Note 3: **Replacement Fund**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for normal operations. At December 31, 2019 and 2018, these funds aggregated \$114,765 and \$115,323, respectively.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Fund. Funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. Should the ultimate amount of required expenditures exceed the amount of funds available, the Association is authorized to levy a special assessment against the homeowners, provided there is a 51% majority vote from all voting members.

Note 4: **Commitments and Contingencies**

The Association enters into contracts for the management and for maintenance of common property. These contracts are renewable and can be cancelled by notice of either party.

**SUPPLEMENTARY INFORMATION**

**TAHOE TYROL HOMES ASSOCIATION**  
Schedule of Operating Revenues and Expenses-  
Budget (Compiled) and Actual by Department  
December 31, 2019

	Budget	Actual	Variance
<b>OPERATING REVENUES</b>			
Member assessments	\$ 93,840	\$ 93,840	\$ -
Late charges, collection costs and penalties	-	762	762
Post office box rental	968	1,144	176
Interest	-	13	13
Miscellaneous	-	50	50
Total operating revenues	94,808	95,809	1,001
<b>OPERATING EXPENSES</b>			
<b>Administration</b>			
Management fee	23,340	23,340	-
Insurance	9,000	8,731	269
Accounting and review	1,500	1,450	50
Legal	-	1,052	(1,052)
Office expense	3,000	3,137	(137)
Postage and bulk mailings	-	713	(713)
Meetings	2,100	1,060	1,040
Communications	200	117	83
Property taxes	-	305	(305)
Secretary of state - filing fees	-	95	(95)
Social	300	322	(22)
Total administration	39,440	40,322	(882)
<b>Common area maintenance</b>			
General repairs and maintenance	11,000	11,883	(883)
Patrol service	12,672	12,825	(153)
Snow removal	1,200	1,200	-
Exterior building	-	529	(529)
Total common area maintenance	24,872	26,437	(1,565)
<b>Landscaping</b>			
Tree maintenance	10,000	11,640	(1,640)
Plants, bark and soil	1,000	-	1,000
Total landscaping	11,000	11,640	(640)

*See accompanying notes and accountant's report*

**TAHOE TYROL HOMES ASSOCIATION**

Schedule of Operating Revenues and Expenses-  
Budget (Compiled) and Actual by Department - Continued

December 31, 2019

	Budget	Actual	Variance
Pool maintenance			
Pool and spa repairs	\$ 1,000	\$ 496	\$ 504
Chemicals	3,850	4,041	(191)
Inspection fee	786	820	(34)
Total pool maintenance	5,636	5,357	279
Utilities			
Gas	6,360	7,587	(1,227)
Electricity	4,200	2,978	1,222
Water and sewer	3,300	3,554	(254)
Total utilities	13,860	14,119	(259)
Income taxes	-	-	-
Total operating expenses	94,808	97,875	(3,067)
Excess (deficit) of operating revenues over operating expenses	\$ -	\$ (2,066)	\$ (2,066)

*See accompanying notes and accountant's report*

## TAHOE TYROL HOMES ASSOCIATION

### Supplementary Information on Future Major Repairs and Replacements (Unaudited) For the Year Ended December 31, 2019

The Association engaged the services of an independent consultant to conduct an update to their reserve study in 2019 year. The study is effective for the 2020 year. The purpose of the study is to forecast the Association's ability to repair or replace major components as they wear out in future years. It should be noted that the reserve study is not an engineering report.

The "Cash Flow" method was used as the basis for the replacement forecast. The Cash Flow method focuses on the contributions necessary, over a thirty-year time horizon, to offset the variable annual forecasted expenditures made from the Replacement Fund. One of the objectives of the Cash Flow method is to always maintain a positive replacement cash balance over the thirty-year horizon. The forecast assumes a 2.5% cost inflation factor for components and a 2.5%, before-tax, return on invested funds.

At December 31, 2019, the Association was approximately 156% funded.

The forecasted expenditures outlined in the study are for budgetary purposes only. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. Also, any latent defects are excluded from the reserve study.

Presented on the following page is a summary of the reserve study update and presents significant information about the components of the common property. The complete reserve study is available from the Association and is also included in the annual disclosure document.

**TAHOE TYROL HOMES ASSOCIATION**

Schedule of Supplementary Information on Future Major Repairs  
and Replacements (Compiled)

For the Year Ended December 31, 2019

Component	Estimated Current Replacement Cost	Estimated Useful Life (Yrs.)	Estimated Remaining Useful Life (Yrs.)	2020 Replacement Contribution
Paving	\$ 22,599	2-20	1-3	\$ 869
Concrete	20,003	25-25	16-16	294
Painting - exterior	11,491	3-8	1-4	493
Structural repairs	5,493	5-5	1-1	279
Roofing	9,875	25-25	21-21	164
Rehabilitation	8,669	15-30	3-3	106
Gate equipment	582	5-5	1-1	30
Pool	19,799	5-20	1-8	472
Spa	9,681	5-10	1-4	316
Recreation	7,183	20-30	1-14	82
Fencing	3,102	2-2	2-2	135
Signage	2,100	8-8	2-2	68
Mechanical equipment	1,815	15-20	1-1	28
Flooring	3,128	12-12	2-2	68
Miscellaneous	13,449	1-30	1-6	836
Reserve study	1,500	3-3	0-0	124
Undesignated	1,077	1-1	1-1	136
Total	<u>\$ 141,546</u>			<u>\$ 4,500</u>