

**CAUGHLIN RANCH HOMEOWNERS ASSOCIATION
MINUTES OF THE BOARD OF DIRECTORS' QUARTERLY MEETING
September, 16, 2009, 7:00 P.M.**

The following issues were discussed at the September 16, 2009 meeting of the Board of Directors of the Caughlin Ranch Homeowners ("Association" or "CRHA"). The meeting was held pursuant to notice on September 16, 2009, at 7:00 p.m. at the Caughlin Ranch Elementary School, 4885 Village Green Parkway, Reno, Nevada. The following Directors were in attendance William Magrath, Jeannie Cassinelli, Millie Burke, Chris Simon, Gina Pedrini and Michael Chern. Also in attendance were Michael Trudell, General Manager, Linda Marino, Administrative Assistant, Katrina Rehkop, Secretary, Randy Lisenby, Landscape Supervisor, Eric Kronowetter, the Association's Accountant, Michael Lyons, the Association's Insurance Agent and Michele Stone, Attorney Michael Chapman Law Firm, Legal Counsel for the Association. Attached is a sign in sheet for the members who attended.

HOMEOWNER COMMENTS

Chairman Magrath called the meeting to order. He asked if there were any member's comments. There being none, the first agenda item was discussed.

LANDSCAPE SUPERVISOR'S REPORT

Randy Lisenby, Landscape Supervisor reported the crew is continuing regular tasks including mowing, and fertilizing. The crew has repaired several broken main lines at Village Green Park, and they are in the process of repairing four more. The crew have also started on several of the water conservation projects. A Deercreek homeowner asked about the work being done along Caughlin Creek Road. Randy stated that area is part of the water conservation project. The homeowner stated that the residents should have been informed "so they can stop wasting time with sending e-mails back and forth." Mr. Lisenby concluded that there are 950 bushes and 120 trees have just been delivered for various projects, including the median planting on upper Caughlin Parkway.

CONSENT AGENDA

The Board approved the following consent agenda items: The Board reviewed the Summary log of CC&R violations, Homeowner' Complaints and Concerns report and crew updates. The Board took no further action.

The Board was provided an updated on the transition to lockbox service. No further action was required.

The Board approved the appointment of three homeowners to serve on the Caughlin Ranch Neighborhood Advisory Committee. The new Advisory Committee members are Norman Huckle of the Caughlin Creek, Al Dennis of Mayberry Meadows and Cassandra Smith of Evergreen subdivision. It was acknowledged that Wayne Wiswell, a Heritage on the Green homeowner, is currently an Advisory Committee member. Mr. Wiswell's application for reappointment was also approved.

ACCOUNTANTS COMMENTS FROM THE SAS 112 LETTER

The Manager informed the Board that at the request of the Board, he has asked that the Eric Kronawetter, of Albright, Pershing & Association was in attendance to provide his response to the Statement of Auditing Standards letter (SAS 112) recommendation provided by The CFO Group from the annual audit. He stated that item one was the auditor's recommendation regarding payment process for corporate credit card. The Board should not authorize the manager to sign the check as a second signature. Eric agreed. He reported on item 2, the auditor's have a couple of suggestions to maximize the interest income. He reported that this was not an accounting issue. He stated that he is neutral on this issue and in today's environment one could be tempted to maximize your investment

income and disburse the funds at the same time. He indicated that the present status on the investment funds in his opinion is fine it is simply a recommendation to attempt to generate greater interest returns. He reported on item 3: Capitalization of fixed assets: He stated currently purchases are posted to an expense account rather than a fixed asset account. The way the auditor recommends would conflict with the way the Association's budget is prepared. If you buy a lawn mower, you have to budget the expense. The purchases are posted to expenses as opposed to fixed asset. If you didn't post it you would end up as a budget deficit for the amount of the purchase. There could be an adjusted journal entry at the end of the year.

He reported on item 4. The auditors recommend capitalize anything over \$1,000. Eric stated this is a common threshold and he agrees. He stated item 5 is a disaster recovery plan for nightly backup on the computers. Eric reported that this is not an accounting issue.

The Board discussed the Disaster recovery plan. The Manager identified the policy of storing the back up media in a fire proof safe. There was discussion regarding off site storage of back up media. Eric reported that the legislature just passed a law about taking personal data off site. The Manager was directed to investigate this and report back in the form of a policy.

Eric reported on item 5 and 6 he stated that the auditors feel the Association should have a disaster recovery plan and any disposal of old computer equipment the hard drive should be reformat or pull them out and destroy. He reported that this is not an accounting issue and stated that the Association should contact the IT consultants. The Board agreed. He reported on item 7, coupon books Eric agrees with there recommendation. However, he stated that the coupon books would not indicate if a member has an outstanding balance. He reported that other association uses coupon books, however a separate statement must be sent to any member with an outstanding balance. The Board agreed. He reported on item 8 the replacement of funds transfers. He stated there are some transfers remaining from the end of 2008 that need to be repaid. The Board discussed the transfers of funds.

The Manager explained there is \$20K borrowed from the Park Tax Reserve Account was spent for the 2007 flood repairs. A Board member asked if the Association does not spend the \$39K this year for the Caughlin Club repair there will be a huge surplus from the 2009 budget due to funds not spent on Alum Creek repairs. The money cannot simply be transferred or rolled into another account. Eric stated a possible solution is to revise the budget for next year and if there is a deficit, then there is a deficit. Director Burke asked if we can transfer those funds into an operating reserve account. Eric affirmed that would be appropriate. There is an NRS provision that cites three provisions for disbursement of surplus funds; refund to the members, reduce the assessment for next year, or provide the funds into reserve fund. Chairman Magrath stated that if there is excess money that can be used in future expenses. By doing that, it is a pro-rata refund to the members as it prevents a raise in assessments. The Board discussed the \$39K in order to complete the project in 2010 for the Caughlin Club. The Manager was directed to revise the budget accordingly. Upon a motion and a second the Board unanimously approved the transfer to the reserves for the repairs in 2010.

The Board motion to restrict the Manager from signing any credit card payment checks from any cards he is authorized to sign on. Upon a motion and second the Board unanimously approved the recommendation.

The Manager stated that the Board approve the SAS 112 comments from the Association Accountant and instruct CRHA to proceed with the recommendation provided. There was no additional action required from the SAS 112 letter.

REVISION TO THE DRAFT 2010 BUDGET

The Manager reported on the revised 2010 budget. The Manager provided the Board with the changes requested by the Board and confirmed that the changes were implemented. He reported there had been questions on landscaping expense allocated. Chairman Magrath asked about the items that were below the 2009 budgeted amounts. The Manager explained after clarification with landscape supervisor, these items were adjusted. He reported that line 62 materials and supplies was increased from \$25K to \$32K. The irrigation repair line item was increased to \$24,069. There were a number of changes that were made that were a technical correction. Manager Trudell had contact the Association landlord for possible reduction in the monthly rent. The landlord agreed and reduced the monthly rent by \$50.00, providing CRHA signs a three year lease for the rental space located at 1100 Caughlin Crossing. The Board directed the Manager to provide the lease agreement for the Board to review and place this item on the next agenda. The Board authorized the Manager to revise this amount reflecting the revised amount for the 2010 budget. The Manager stated that there is no increase in membership assessment for 2010.

Mike Lyons of the Nevada Insurance was in attendance to answer any questions the Board may have regarding the insurance benefits for CRHA employees. He reported that Hometown Health is providing an agreement that will prevent an increase in the rate for 2010 group medical insurance coverage. He reported that the Association pays \$78K annual for Hometown Health insurance for the Caughlin Ranch for employees and their dependents. Manager Trudell stated that there was an \$11K increase allocated in the 2010 budget. It was reported that the group insurance currently has 24 members on the policy. The employee's portion comes directly out of the employees pay and a journal entry is made for adjustment. Chairman Magrath stated that if there is no rate increase, the Manager is to make the adjustment to the group medical line item on the 2010 budget. He noted that benefit subcommittee would possible contact Michael Lyons regarding health insurance benefits. The Board agreed and no further action was taken.

Chairman Magrath stated that the main purpose of this meeting is to review the revisions to the 2010 draft budget, as recommended by the Board at its September 2, 2009 Board/Budget meeting.

LETTERS TO THE EDITOR FOR THE CAUGHLIN RANCHER

Chairman Magrath stated the Caughlin Rancher was always intended to be informational. Not as a forum for individual opinions. Director Simon made a motion to continue with keeping the Caughlin Rancher informational. Chairman Magrath directed the Manager to place a bulletin in the next Caughlin Rancher identifying that personal opinions are not expressed in the Caughlin Rancher. Upon a motion and a second the Board unanimously approved the Board policy not to allow homeowners the ability to provide comments in the Caughlin Rancher.

DISCUSSION OF EMPLOYEE BENEFITS AND REQUEST TO ESTABLISH SUB-COMMITTEE

The Board discussed the request to establish an employee benefits sub-committee. Director Cassinelli asked that this be postponed until the new board members are elected to give them an opportunity to participate as well as not to overwhelm the remaining members. The Board agreed and directed the Manager to place this item on the agenda for the first meeting in January after the new board takes office.

UPDATE ALTERNATIVES TO IMPROVE IRRIGATION

Director Chern provided the Board with an update. He stated that the sub-committee has recently met. He reported that goals and guidelines have been established for the sub-committee. He stated that the intent of the committee is to have finite time span and to report to the Board for the goals for next year. He offered the information to anyone who has an interest. Director Pedrini clarified that the end of

season necessitates certain action will not be completed until the next irrigation season begins. The Board agreed and no further action was taken.

ADMINISTRATIVE FINE STRUCTURE

The Manager provided the Board with an update in the Administrative Fine Structure. The Manager stated that the legislative session was finalized. He stated current fines structure that are less than \$100 per occurrence can be increased, and the continuation fine can be increased. He stated that the maximum fine remains at \$100 per fine. The Manager noted that if the Board wanted to increase the fine structure the Association would be to send a new fine structure to the entire membership. The Board discussed the current Administrative Rules and Fine Structure and agreed that the existing fine structure not be increased at this time. No action was taken.

COMMON AREA MAINTENANCE-HILLSIDE AREAS

Chairman Magrath reported that this issue pertains to a developer that comes in for initial development. He added when the developer disturbs the elevation of a property line, there is an issue and some homeowners have requested that the association maintenance obligation, the Board disagrees. He stated that it is the Board policy not to take on that added expense. He concluded that the burden will remain with the homeowners to build an adequate retaining wall. No further action was taken by the Board.

APPROVAL OF THE MAY 6TH AND JULY 8, 2009 MINUTES

Chairman Magrath stated there have been several discussions and edits regarding the agenda item on the minutes for the Caughlin Creek irrigation reimbursement. Director Burke prepared a transcript for attaching to the minutes. Discussion followed current procedures for the minutes. It was clarified that there is a digit recording is made at every meeting and kept as a permanent record available for anyone to review at any time. He stated it was suggested that staff should prepare an actual transcription. Chairman Magrath stated this would be an excessive burden for CRHA staff. He stated that the Board recently adopted a policy regarding the minutes. Director Chern asked for clarification about why this issue has been raised and it only pertains to the Caughlin Creek irrigation reimbursement issue. Director Burke feels that this item needs a clear understanding for future Board members or anyone else who needs clarification regarding this issue. Director Chern asked why the recording of the current tape be sent out to be transcribe. Chairman Magrath stated the stenographer would not transcribe the recording identifying an individual comments and homeowners comments because the reporter was not present at the meeting. Director Burke stated that she is not comfortable with the minutes as written. Chairman Magrath stated that the minutes be postpone and directed staff to place this item on the agenda for the next meeting. Reference will be made to the transcript but it will not be attached. Chairman Magrath wants to see disclosure on the agenda that the meetings are recorded and comments made may potentially become permanent record in the minutes.

JUNIPER TRAILS FENCE POLICY

Chairman Magrath reported that several fences were damaged during the Hawken fire, and have not been replaced or repaired. Chairman Magrath stated that the Board policy on fence are historically, any fence that borders an individual lot and common areas are the responsibility of the property owner. Director Pedrini clarified that the cause of the damage is not a factor. The fences need to be restored to original conditions. The Board agreed and directed CRHA staff to notify any Juniper Trails members whose split rail fence needs to be repair or replaced. No further action was taken.

CAUGHLIN CLUB PROPERTY BOUNDARY ADJUSTMENTS AND TRANSFER

Manager Trudell and Legal Counsel Chapman reviewed the boundary line adjustment and the drainage issue. Manager Trudell noted that both parcels 2 and 3 are located in unincorporated Washoe County. It is recommended that these parcels be deeded over to the County with Caughlin Ranch being

responsible for the maintenance as is done with the park and other common area land. The Manager's opinion is that the County will accept these parcels. The hold up is that the County employees who were historically part of the original structure of the agreements have retired. The Manager will work with the County to get this issue on the agenda for the County Commission and seek acceptance of the parcels. This will cause a delay but it can be done. Director Chern has a concern that the property owners may change their minds. Chairman Magrath does not want CRHA to be in the middle and wants the owners to be encouraged to work with the County directly in the event that the county has stipulations that CRHA would be responsible for.

STEAMBOAT DITCH AGREEMENT/RULES REGULATIONS

Chairman Magrath indicated that a letter from the Steamboat Ditch Company grossly understates Caughlin Ranch's water rights. It is understood that the letter received was intended as a generic letter which did not identify the unique agreements between CRHA and the Steamboat Ditch Company. Manager Trudell feels that the details can be worked out with the Steamboat Ditch Company. There needs to be clarification regarding acres of water rights as opposed to water used. He stated we haven't lost any rights, but the issue is getting them to deliver the water we are entitled to. There is not a dispute about how many water rights that we have; only over getting what we are entitled to. Our ponds are considered a recreation area and the acreage is calculated as such. Director Burke asked why this issue gets raised so frequently. Manager Trudell explained that we are responding to the generic letter. Chairman Magrath stated that is concerned regarding the language in the letter identified trespassing. Manager Trudell agrees and stated that the agreement the association has with the Steamboat Ditch Company allows for usage of ditch.

BOARD OF DIRECTORS ELECTION/CANDIDATE APPLICATION

The Board discussed the election ballot for the Board of Directors. The Board noted that the membership would for three Board members. The Board noted that all candidates are in good standing. The Manager reported that the Association received five applications for candidacy. The following candidates have submitted their applications for the Board: Michele Attaway, Juniper Trails, Mike Heffner, Caughlin Creek/Deercreek, Al Dennis, Mayberry Meadows, Norman Huckle, Caughlin Creek and Ken Walter of Alum Creek. The Board discussed the election ballot and the statements of qualifications were reviewed. The Manager reported the Association has made arrangements to have the CPA firm of Grant Thornton conduct the counting of the ballots in conformance with state law. He stated the deadline to receive the ballots at Grant Thornton's office will be on November 2 at 5:00 p.m. A members' meeting will be held at Grant Thornton's office for the public ballot count on November 6th at 1:30 p.m. The results of the election are to be announced at the annual homeowners' meeting on November 12th. Upon a motion and a second, the Board unanimously approved the election ballot for distribution to the membership.

Chairman Magrath stated that he would like the Board to consider nominations for president at the November 18 meeting. Chairman Magrath indicated that the November 18, 2009 is his last meeting as a Board Member and the new officers will take effect on November 21, 2009. The Board agreed. The Board took no further action.

The Board discussed the Candidate forum night. The Manager stated the Board instructed CRHA staff at its September 2, 2009 meeting to contact school and schedule a Candidate Forum night the first week in October on a Wednesday. CRHA scheduled the Candidate Forum night for October 7th. Manager Trudell explained the advance notice required to be able to reserve the school for the meeting. The Board indicated that some of the candidates would not be available. The Board directed CRHA staff to notify the candidates of the October 7, 2009 at 7:00 p.m. No further action was taken.

HOMEOWNERS COMPLAINTS AND CONCERNS

The Manager reported that the association received a complaint from a Cottages homeowner regarding the median landscaping on Greenwich Way. The resident has requested to plant flowers and may not feel that the natural vegetation is adequate and has chosen to provide additional plant material. She stated that the landscape supervisor refused to provide water. Chairman Magrath asked if water was ever provided in that area. Manager Trudell stated that there is not drip line in that immediate area. The Manager was directed to clarify this issue and report back to the Board.

CAUGHLIN CREEK IRRIGATION

The Board discussed the subcommittee that was appointed at the last meeting to work with the Caughlin Creek Board on this issue. The Manager reported that the Caughlin Creek Board has to comply with the NRS requirements of timely notices to convene a meeting. Clarification was made regarding the committee's task and it will cover all issues, past and present.

ANNUAL HOMEOWNER MEETING INFORMATION PACKET

Manager Trudell discussed the sample provided and identified the information that has historically provided in this packet. Chairman Magrath added that when the 2010 budget is sent to the entire membership it will be revised to a condensed summary format and the title will be changed to the 2010 Proposed Budget Summary. He stated that the full size budget and the reserve studies will be available for review by the Association's members at the Association's office. Chairman Magrath explained the budget process. Manager Trudell stated that unless a majority of the homeowners reject the proposed 2010 budget (either in person or by proxy) at the Annual Homeowners' Meeting, the 2010 budget is automatically ratified. He added that the Board will approve the final 2010 budget at the November 18, 2009 Board meeting. Chairman asked is there were any other questions or comments regarding the 2010 budget. Upon a motion and a second the Board approved the draft 2010 budget to be sent to the membership and to be presented at the Caughlin Ranch Homeowner's annual meeting will be held on November 12, 2009.

BONUS STRUCTURE FOR THE SEASONAL EMPLOYEES

Chairman Magrath stated there had been concern over the historical bonuses and policies for the Caughlin Ranch employees. He reported that the Board has adopted an evaluation procedure for all full time employees. The Manager will conduct the evaluation process for staff and provide the Board with its recommendation. The Board will evaluate the General Manager. The new policy for salaries and bonuses was implemented last year. He stated that all employees whose salaries are at or exceed the 75th percentile for the range (approved for that salary) are eligible for a wage increase to cost of living increase, based on the Consumer Price Index (CPI). The CPI for January 2009 to July 2009 is 1.6. He stated the Board reduced the amount budgeted for 2009 from \$26,145 to \$10,000. He stated bonuses are based for extraordinary circumstances and goals. Chairman Magrath stated the policy for bonus structure for the seasonal employees is any seasonal employee who returns to Caughlin Ranch the following year will be eligible for a bonus. He stated at the end of the October the seasonal employees will be provided a luncheon. No further action was taken by the Board.

STRATEGIC PLANNING SESSION RESCHEDULE DATE

The Board stated that the original scheduled date for the Strategic Planning Session was August 29, 2009. Due to a conflict the Board has reschedules the SPS for October 10, 2009 at Dickson Realty at 9:00 a.m. The Board directed CRHA staff to provide the membership with the new date and time. The Manager noted that the rescheduled date will be included with the ballot packet. Director Cassinelli directed Manager Trudell to invite the candidates to that session.

A homeowner asked for a status on the RFPs for the gate repair in Caughlin Creek. The Manager reported that he contacted the contractors who did not respond and not one phone call was returned.

The Board has accepted the bid from Northern Nevada Concrete and will begin within the next two weeks. He stated that recently the private streets and pathway system were resealed that would have interfered with the work because of the exit gate closure.

Chairman Magrath asked if there were any other questions or comments from the members present. There being no additional comments the Board motion to adjourn the meeting. The meeting was adjourned at 9:00 p.m.

Mildred Burke
Secretary