



Financial Statements
December 31, 2019

Spring Creek Association



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Independent Auditor's Report

The Board of Directors
Spring Creek Association
Spring Creek, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Spring Creek Association (the Association) which comprise the balance sheet as of December 31, 2019, and the related statement 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 association'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 association'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 Spring Creek Association as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 11 to the financial statements, a certain error resulting in the understatement of amounts previously reported for insurance refund receivables and revenue as of December 31, 2018, were discovered during the current year. Accordingly, an adjustment has been made to fund balance as of December 31, 2018 to correct the error. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Major Future Repairs and Replacements on page 14 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 15 through 20 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and, except for Test of Assessment Limitations marked "unaudited" on pages 17 and 18, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the Test of Assessments Limitations marked "unaudited" has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the Test of Assessments Limitations marked "unaudited", on which we express no opinion or any assurance, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Elko, Nevada
October 22, 2020

Spring Creek Association

Balance Sheet

December 31, 2019

	Operating Fund	Property Fund	Replacement Fund	Total
Assets				
Cash and cash equivalents	\$ 634,825	\$ 21,272	\$ 1,027,132	\$ 1,683,229
Cash and cash equivalents - designated for future capital expenses	309,171	-	-	309,171
Short-term investments	-	-	1,809,188	1,809,188
Assessments receivable	123,114	-	-	123,114
Other receivable - insurance	12,917	-	-	12,917
Accrued interest receivable	98	111	15,914	16,123
Inventories	31,483	-	-	31,483
Prepaid insurance	82,598	-	-	82,598
Lots owned	7,427	-	-	7,427
Due to (from) other funds	48,751	(16,875)	(31,876)	-
	<u>1,250,384</u>	<u>4,508</u>	<u>2,820,358</u>	<u>4,075,250</u>
Long-term investments	-	-	474,600	474,600
Capital assets				
Land and land improvements	-	4,647,600	-	4,647,600
Buildings	-	4,065,735	-	4,065,735
Equipment	-	3,263,967	-	3,263,967
Construction in progress	-	31,877	-	31,877
	-	12,009,179	-	12,009,179
Accumulated depreciation	-	(4,930,186)	-	(4,930,186)
	-	7,078,993	-	7,078,993
Total assets	<u>\$ 1,250,384</u>	<u>\$ 7,083,501</u>	<u>\$ 3,294,958</u>	<u>\$ 11,628,843</u>
Current Liabilities				
Accrued payroll and related expenses	\$ 105,472	\$ -	\$ -	\$ 105,472
Assessments received in advance	439,355	-	-	439,355
Accounts payable	149,894	-	-	149,894
Security deposits	1,900	-	-	1,900
Total current liabilities	696,621	-	-	696,621
Fund balances	<u>553,763</u>	<u>7,083,501</u>	<u>3,294,958</u>	<u>10,932,222</u>
	<u>\$ 1,250,384</u>	<u>\$ 7,083,501</u>	<u>\$ 3,294,958</u>	<u>\$ 11,628,843</u>

See Notes to Financial Statements

Spring Creek Association
Statement of Revenues, Expenses, and Changes in Fund Balances
Year Ended December 31, 2019

	Operating Fund	Property Fund	Replacement Fund	Total
Revenues				
Assessments	\$ 3,806,790	\$ -	\$ -	\$ 3,806,790
Interest income	7,158	37	74,467	81,662
Other general income	564,106	-	-	564,106
Golf course	353,383	-	-	353,383
Horse Palace	32,330	-	-	32,330
Trap and skeet	4,887	-	-	4,887
Buildings and facilities	44,718	-	-	44,718
Roads and road construction	190,000	-	-	190,000
Total revenues	<u>5,003,372</u>	<u>37</u>	<u>74,467</u>	<u>5,077,876</u>
Expenses				
General expenses	1,172,565	-	-	1,172,565
Golf course	697,876	-	-	697,876
Horse Palace	148,229	-	-	148,229
Trap and skeet	9,278	-	-	9,278
Buildings and facilities	620,384	-	-	620,384
Roads and road construction	2,054,892	-	-	2,054,892
Security	80,412	-	-	80,412
Depreciation	-	408,194	-	408,194
Total expenses	<u>4,783,636</u>	<u>408,194</u>	<u>-</u>	<u>5,191,830</u>
Excess (Deficiency) of Revenues Over Expenses Before Gains	<u>219,736</u>	<u>(408,157)</u>	<u>74,467</u>	<u>(113,954)</u>
Contributed asset - Parkchester Drive	408,803	-	-	408,803
Gain on disposal of capital assets	105,455	5,000	-	110,455
Gain on sale of lots owned	30,000	-	-	30,000
	<u>544,258</u>	<u>5,000</u>	<u>-</u>	<u>549,258</u>
Excess (Deficiency) of Revenues Over expenses	<u>763,994</u>	<u>(403,157)</u>	<u>74,467</u>	<u>435,304</u>
Beginning Fund Balances, as Originally Reported	942,612	6,475,950	3,002,367	10,420,929
Prior period restatement	75,989	-	-	75,989
Beginning Fund Balances, as Restated	<u>1,018,601</u>	<u>6,475,950</u>	<u>3,002,367</u>	<u>10,496,918</u>
Interfund Transfers				
Capital replacement reserve	(250,000)	-	250,000	-
Capital asset additions	(962,832)	994,708	(31,876)	-
Gain from trade-in of golf carts	5,000	(5,000)	-	-
Golf course reserve	(21,000)	21,000	-	-
	<u>(1,228,832)</u>	<u>1,010,708</u>	<u>218,124</u>	<u>-</u>
Ending Fund Balances	<u>\$ 553,763</u>	<u>\$ 7,083,501</u>	<u>\$ 3,294,958</u>	<u>\$ 10,932,222</u>

See Notes to Financial Statements

Spring Creek Association
Statement of Cash Flows
Year Ended December 31, 2019

	Operating Fund	Property Fund	Replacement Fund	Total
Operating Activities				
Excess (deficiency) of revenues over expenses	\$ 763,994	\$ (403,157)	\$ 74,467	\$ 435,304
Adjustments to reconcile changes in fund balances to net cash from (used for) operating activities:				
Depreciation	-	408,194	-	408,194
Contributed capital asset - Parkchester Drive improvements	(408,803)	-	-	(408,803)
Gain on disposal of capital assets	-	(5,000)	-	(5,000)
Unrealized gain (loss) on investments held to maturity	151	-	(7,742)	(7,591)
Changes in operating assets:				
Assessments receivable	10,053	-	-	10,053
Grants receivable	190,000	-	-	190,000
Other receivable - insurance	63,403	-	-	63,403
Inventories	(11,778)	-	-	(11,778)
Prepaid insurance	(2,502)	-	-	(2,502)
Changes in operating liabilities:				
Accrued payroll and related expenses	7,941	-	-	7,941
Assessments received in advance	64,269	-	-	64,269
Accounts payable	88,653	-	-	88,653
Net Cash from Operating Activities	<u>765,381</u>	<u>37</u>	<u>66,725</u>	<u>832,143</u>
Investing Activities				
Purchase of capital assets	(549,031)	(37,875)	(31,876)	(618,782)
Purchase of investments	(570,000)	-	(3,322,867)	(3,892,867)
Sale of investments	760,000	-	2,945,000	3,705,000
Net Cash used for Investing Activities	<u>(359,031)</u>	<u>(37,875)</u>	<u>(409,743)</u>	<u>(806,649)</u>
Financing Activities				
Due to/from other funds	(48,751)	16,875	31,876	-
Transfers in between funds	-	21,000	250,000	271,000
Transfers out between funds	(271,000)	-	-	(271,000)
Net Cash from (used for) Financing Activities	<u>(319,751)</u>	<u>37,875</u>	<u>281,876</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	86,599	37	(61,142)	25,494
Cash and Cash Equivalents, Beginning of Year	<u>857,397</u>	<u>21,235</u>	<u>1,088,274</u>	<u>1,966,906</u>
Cash and Cash Equivalents, End of Year	<u>\$ 943,996</u>	<u>\$ 21,272</u>	<u>\$ 1,027,132</u>	<u>\$ 1,992,400</u>

Spring Creek Association
Statement of Cash Flows
Year Ended December 31, 2019

	Operating Fund	Property Fund	Replacement Fund	Total
Cash and Cash Equivalents Consist of				
Cash and cash equivalents	\$ 634,825	\$ 21,272	\$ 1,027,132	\$ 1,683,229
Cash and cash equivalents - designated for future capital expenses	<u>309,171</u>	<u>-</u>	<u>-</u>	<u>309,171</u>
	<u>\$ 943,996</u>	<u>\$ 21,272</u>	<u>\$ 1,027,132</u>	<u>\$ 1,992,400</u>
Supplemental Disclosure of Non-cash Investing and Financing Activities				
Contributed capital asset - Parkchester Drive improvements donated by Elko County School District	<u>\$ 408,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,803</u>
Transfer of Due From Elko County School District to capital assets	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,000</u>
Gain on trade-in of fully depreciated golf carts	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Transfer of capital assets to Property Fund	<u>\$ (962,832)</u>	<u>\$ 994,708</u>	<u>\$ (31,876)</u>	<u>\$ -</u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Organizational Data

Spring Creek Association began operations on April 8, 1971, was later incorporated on April 8, 1983 and is a non-stock, non-profit cooperative corporation formed as a residential real estate management association. The Association is responsible for preserving, maintaining, and operating the common areas of a 5,420 lot planned development totaling 23.4 square miles located in Spring Creek, Nevada.

Accounting Method

The Association maintains its books of account on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned and all other revenues are recognized as the facilities are used or the revenue is earned. Expenses are recognized when goods or services are received, whether paid or not.

Fund Accounting

To ensure observance of limitations and restrictions on the use of financial resources, the Association has segregated its activities into three funds: the operating fund, property fund and the replacement fund. The operating fund accounts for all current operating transactions of the Association. The property fund accounts for all real and personal property purchased with Association funds, and the depreciation expense associated with that property. The replacement fund accounts for amounts set aside to provide for the future repair and replacement of the Association's common areas.

Cash and Cash Equivalents

The Association considers all highly liquid investments with an initial maturity at the date of purchase of three months or less as cash and cash equivalents.

Investments

Nevada Revised Statutes (NRS 116.311395) sets forth acceptable investments for Nevada common-interest ownership associations. The Association has not adopted a formal investment policy that would further limit its investment choices.

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments.

Inventories

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Cost is determined by the first-in, first-out method. No reserve for obsolescence was deemed necessary in 2019. Inventories consist of golf pro shop merchandise, gasoline and diesel fuels.

Lots Owned

Association-owned lots were acquired through purchase and are recorded at cost less any write-downs to fair value. Fair value write-downs are reported as asset impairments on the statement of revenues and expenses, and changes in fund balances. No asset impairment was recorded for 2019. These lots held are available for sale.

Capital Assets

Certain real property common areas acquired by the Association from the developer are capitalized on the Association financial statements at the estimated fair market value at date of transfer. Assets purchased after that date are recorded at cost. Common areas maintained include the golf course and pro shop, park and fishing area, trap and skeet facilities, equestrian center, and other common areas and landscaping.

Personal property purchased by the Association is capitalized on the Association's financial statements at cost. Depreciation is computed using the straight-line method for all assets over the following estimated useful lives:

Land improvements	10 to 31.50 years
Buildings	5 to 40 years
Equipment	3 to 20 years

Revenue and Revenue Recognition

Revenue is recognized when earned. Association member assessments are recognized over the period to which they pertain. Recreation programs, facility operations and other revenue is recognized when related programs and events occur. Assessments and fees paid in advance are deferred to the applicable period to which they apply.

Association members are subject to annual assessments, due in equal monthly payments, 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 property owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 120 days or more delinquent. The Association considers all assessments receivable at December 31, 2019 to be fully collectible.

Assessments Received in Advance

Assessments received in advance are assessments received before year end that are related to the next fiscal year. These are retained by the Association for use in the subsequent year and are included in liabilities until earned.

Concentrations of Credit Risk

The Association maintains its cash and equivalents in bank deposit accounts and brokerage money market accounts which, at times, may exceed insured limits. The Association has not experienced any losses in such accounts. Board Policy #97-001 Revision 3 requires that all capital reserve accounts have FDIC insurance.

The Association believes it is not exposed to any significant credit risk on cash and equivalents; however bank deposit accounts in excess of the Federal Deposit Insurance Corporation (FDIC) coverage at December 31, 2019 totaled \$969,718.

Interest Income

Interest income is allocated to the various funds based on the actual earnings of the financial accounts held by each fund.

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, the 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. Actual results could differ from those estimates.

Future Changes in Accounting Principles

Provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive revenue recognition model for all contracts with customers, was delayed for private companies to fiscal years beginning after December 15, 2019. The new model will require revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services.

FASB Accounting Standards Codification Topic 842, *Leases* (Topic 842), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. This standard was delayed to fiscal years beginning after December 15, 2021.

The Association has opted to defer implementation of Topics 606 and 842 until required.

Note 2 - Replacement Fund

State statutes and the Association's governing documents do not require funds to be accumulated for the replacement of its common areas or for general operations. However, the Association has designated certain monies for such purpose. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. Although the Association is not subject to state statutes requiring preparation of a reserve study, the Association prepared a reserve study as of November 5, 2009. Estimated replacement costs were calculated using a pooled calculation with provisions for inflation of 1.25%, interest earnings of 2%, and no provision for taxes.

Note 3 - Income Taxes

The Association is exempt from federal income taxes under Internal Revenue Code Section 501(c)(4). The Association was granted this status by the Internal Revenue Service on September 13, 2002.

As a social welfare organization, the Association is exempt from taxation of all revenues and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of the Association's property.

The Association is taxed on the net income of any business activities unrelated to its exempt purpose. Net nonexempt function income, which includes rental income, is taxed at 15% by the federal government. As of December 31, 2019, the Association is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2016.

The Association evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2019, the unrecognized tax benefit accrual was zero. The Association will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Note 4 - Employee Benefit Plans

The Association established a 401(k) retirement plan for all eligible employees who meet certain eligibility criteria such as age, term of employment, etc. Eligible employees may elect to contribute to the plan a portion of their gross salary (subject to federal tax law limits). The Association currently matches up to \$3,500 of the employee's contributions. The amount of the Association's contribution to the plan is optional and is determined annually by the Association's Board of Directors. The total 401(k) match for 2019 was \$43,650.

Note 5 - Lease Income

The Association is the lessor in a number of month-to-month and short term leases for property such as land rental, kiosk sign use, concessions space rental, and house rental. Long term leases include sign pole rental and land use leases which terminate at various dates through April 2033. Amounts anticipated to be received from the long term leases for the next five years and thereafter are listed below:

Year Ended December 30,	Amount
2020	\$ 10,302
2021	5,802
2022	5,802
2023	5,802
2024	5,802
Thereafter	48,345
Total	\$ 81,855

Note 6 - Leases

The Association has two operating leases for office equipment in effect at December 31, 2019, with monthly payments aggregating to \$413. Lease expense was \$4,952 for the current year. Future obligations under these leases are:

Year Ended December 30,	Amount
2020	\$ 4,311
2021	2,388
2022	1,194
Total	\$ 7,893

Note 7 - Designated for Future Capital Expenses

	2019
<u>Assessment increase designated to Operating Fund for capital assets:</u>	
2016 increase of \$1 per month approved January 27, 2016	\$ 65,076
2017 increase of \$2 per month approved November 16, 2016	128,976
2018 increase of \$5 per month approved October 25, 2017	323,637
Total assessments designated to Operating Fund for capital assets	\$ 517,689
<u>Capital assets funded by:</u>	
Operating Fund	\$ 512,077
Property Fund	37,875
Replacement Fund	31,876
Total capital assets	\$ 581,828
Total assessments designated to Operating Fund for capital assets	\$ 517,689
Operating fund capital asset purchases funded by assessments	(512,077)
Amount carried forward from prior year	303,559
Assessment increase designated for capital expenses - designated cash and cash equivalents	\$ 309,171

Note 8 - Sale of Lots Owned to Elko County School District in Exchange for Road Improvements

On October 25, 2017, the Board approved the sale of two parcels of land to Elko County School District for the construction of a new elementary school. The commercial property exchanged consists of an 11 acre parcel at 106-D 250 Parkchester Drive (050-001-032) and a neighboring 3.46 acre parcel (050-006-001). The appraised value of the land was \$200,000 for the 11 acre parcel and \$40,000 for the 3.46 acre parcel. The agreement includes that the Elko County School District will make road improvements to Parkchester Drive in lieu of paying the appraised value and agreed upon purchase price of the land. The 11 acre parcel was transferred to Elko County School District in December 2017, which resulted in a gain on sale of \$17,020. The 3.46 acre parcel was transferred to Elko County School District in September 2018, which resulted in a gain on sale of \$24,563. The road work was completed in 2019 and the road was donated to the Association with a total estimated fair value at the date of transfer of \$648,803, \$240,000 of this amount was recorded as a due from the Elko County School District in the year of the sale (fiscal year 2018) and \$408,803 was donated in 2019 when the road work was complete.

Note 9 - Commitments and Contingent Liabilities

The following events are Spring Creek Association commitments at December 31, 2019:

- On July 25, 2018, the Board approved a bid for the fabrication and installation of two sets of stairs at the Fairway Community Center for \$23,996. Approximately \$3,900 was paid as of December 31, 2019, leaving a commitment of approximately \$20,100.
- On May 22, 2019, the Board approved construction of new football fields and associated expenses at Schuckmann's Sports Complex, to be paid from Replacement Capital Reserve funds, with an estimated total cost of \$175,505. As of December 31, 2019, \$31,876 had been incurred, leaving a commitment of approximately \$143,629.

Note 10 - Subsequent Events

The financial statements were available to be issued on and subsequent events were evaluated through October 22, 2020, the following subsequent events were noted:

- On January 22, 2020, the Board approved the purchase of a roller for the Roads Department totaling \$29,870 using funds from the carry-forward spending plan.
- On February 26, 2020, the Board approved spending \$125,000 out of the Replacement Capital Reserve for baseball and softball field improvements.
- On May 27, 2020, the Board approved spending up to \$130,000 out of the Replacement Capital Reserve for the purchase of a barrier access system for Association amenity locations.
- On May 27, 2020, the Board approved spending approximately \$141,250 on the 2020 road project.
- On May 27, 2020, the Board approved a plan to spend approximately \$42,000 in grant funds for shooting range improvements.

- On July 22, 2020, the Board approved spending up to \$17,000 for a shed at the marina for the water sports kiosk.
- On July 22, 2020, the Board approved giving \$50,000 to Spring Creek Jr Football out of the Replacement Capital Reserve for bleachers, scoreboards and goal posts.
- On August 26, 2020, the Board approved setting aside \$100,000 to be used towards the intervention and participation in the Great Basin Water rate case.

General Operations

Subsequent to year-end, the Association has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Association is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Association’s financial position is not known.

The following changes were approved by the Board relating to the pandemic:

- On March 25, 2020, the Board approved waiving late fees for April and May 2020.
- On March 27, 2020, the Board approved waiving late fees for June and July 2020.
- On May 1, 2020, it was noted that the Association was approved for the Payroll Protection Program Loan in the amount of \$336,700.

Note 11 - Correction of an Error

During the year ended December 31, 2019, misstatements were identified within the 2018 financial statements relating to a refund of a portion of 2018 health insurance premiums which were incorrectly recorded in 2019. The 2018 fund balance was increased \$75,989 to adjust for the understatement of revenues in the year ended December 31, 2018.

The following summarizes the effect of the restatement:

	Operating Fund
Fund Balance at December 31, 2018, as Originally Reported	\$ 942,612
Insurance refund incorrectly recorded in 2019 instead of 2018	75,989
Fund Balance at December 31, 2018, as Restated	\$ 1,018,601

Spring Creek Association
Major Future Repairs and Replacements
Year Ended December 31, 2019

The Board conducted a study in 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. The Association has assessed the present condition of all common area components; estimated replacement costs relying upon published data, contractor's or engineer's estimates, and previously paid amounts; and estimated remaining lives, relying upon consultants or published data.

The following information is based on the study and presents significant information about the components of common property.

Major Component	Estimated Remaining Life (years)	Estimated Current Replacement Cost
	<u> </u>	<u> </u>
Equipment	0 - 18	\$ 3,164,800
Furniture	0 - 7	14,087
Lighting	0 - 3	41,385
Roads	0 - 5	3,641,121
Fencing	0 - 9	69,431
Roofing	0 - 23	56,896
Building components	0 - 39	4,334,604
Other components	0 - 17	161,490
Hardscape	0 - 20	<u>353,632</u>
Total		<u><u>\$ 11,837,446</u></u>



Supplementary Information
December 31, 2019

Spring Creek Association

Spring Creek Association
Schedule of Revenues and Expenses – Budget and Actual
Year Ended December 31, 2019

Operating Fund	Actual	Budget	Variance
Revenues			
Assessments	\$ 3,806,790	\$ 3,804,024	\$ 2,766
Interest income	7,158	4,300	2,858
Other general income	564,106	388,590	175,516
Golf course	353,383	286,800	66,583
Horse Palace	32,330	40,650	(8,320)
Trap and skeet	4,887	4,500	387
Buildings and facilities	44,718	38,000	6,718
Roads and road construction	190,000	190,000	-
Total revenues	<u>5,003,372</u>	<u>4,756,864</u>	<u>246,508</u>
Expenses			
General expenses	1,172,565	1,305,850	133,285
Golf course	697,876	767,302	69,426
Horse Palace	148,229	157,496	9,267
Trap and skeet	9,278	20,280	11,002
Buildings and facilities	620,384	853,865	233,481
Roads and road construction	2,054,892	1,877,450	(177,442)
Security	80,412	99,621	19,209
Total expenses	<u>4,783,636</u>	<u>5,081,864</u>	<u>298,228</u>
Net of Revenues and Expenses			
Before Gains	<u>\$ 219,736</u>	<u>\$ (325,000)</u>	<u>\$ 544,736</u>

Spring Creek Association
 Schedule of Revenues and Expenses – Budget and Actual
 Year Ended December 31, 2019

<u>Property Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues			
Interest income	\$ 37	\$ -	\$ 37
Expenses			
Depreciation	<u>408,194</u>	<u>-</u>	<u>(408,194)</u>
Excess of revenues over (under) expenses	<u>\$ (408,157)</u>	<u>\$ -</u>	<u>\$ (408,157)</u>
<u>Replacement Fund</u>			
Revenues			
Interest income	\$ 74,467	\$ -	\$ 74,467
Expenses			
Major repairs and replacements	<u>-</u>	<u>275,000</u>	<u>275,000</u>
Excess of revenues over (under) expenses	<u>\$ 74,467</u>	<u>\$ (275,000)</u>	<u>\$ 349,467</u>

Spring Creek Association
 Test of Assessment Limitations (unaudited)
 Year Ended December 31, 2019

Year Ending	CPI Index	Index Change % From Base Year 1971	Maximum Assessment per CPI	Actual Assessment
1971	40.3		\$ 144	\$ 0
1972	41.6	1.30	149	0
1973	43.9	3.60	157	0
1974	48.6	8.30	174	48
1975	53.2	12.90	190	60
1976	56.5	16.20	202	72
1977	60.3	20.00	215	84
1978	64.5	24.20	230	93
1979	71.5	31.20	255	105
1980	81.8	41.50	292	126
1981	89.8	49.50	321	153
1982	95.8	55.50	342	168
1983	99.2	58.90	354	180
1984	103.4	63.10	369	180
1985	107.3	67.00	383	186
1986	108.9	68.60	389	186
1987	113.1	72.80	404	192
1988	117.5	77.20	420	192
1989	123.8	83.50	442	204
1990	129.2	88.90	462	228
1991	135.6	95.30	485	228
1992	139.7	99.40	499	228
1993	144.2	103.90	515	228
1994	147.5	107.20	527	264
1995	152.2	111.90	544	264
1996	156.6	116.30	560	288
1997	160.1	119.80	572	288
1998	162.8	122.50	582	300
1999	166.2	125.90	594	300
2000	171.5	131.20	613	336
2001	177.7	137.40	635	336
2002	179.8	139.50	642	336
2003	183.5	143.20	656	336
2004	189.1	148.80	676	336

Spring Creek Association
 Test of Assessment Limitations (unaudited)
 Year Ended December 31, 2019

<u>Year Ending</u>	<u>CPI Index</u>	<u>Index Change %</u>	<u>Maximum Assessment per CPI</u>	<u>Actual Assessment</u>
2005	194.4	154.10	\$ 695	\$ 372
2006	202.5	162.20	724	372
2007	207.949	167.65	743	408
2008	216.632	176.33	774	468
2009	213.856	173.56	764	468
2010	218.178	177.88	780	540
2011	225.964	185.66	807	540
2012	229.815	189.52	821	540
2013	232.945	192.65	832	552
2014	237.900	197.60	850	576
2015	237.805	197.51	850	588
2016	240.229	199.93	858	600
2017	244.733	204.43	874	624
2018	251.588	211.29	899	684
2019	256.092	215.79	915	708

CPI for All Urban Consumers (CPI-U), May

Rate may be increased by same proportionate rate as the cost of living index of the U.S. Department of Labor using 6/1/71 as base.

Spring Creek Association
Schedule of Operating Departmental Revenues and Expenses
Year Ended December 31, 2019

	General	Golf Course	Horse Palace	Trap and Skeet	Buildings and Facilities	Roads and Road Construction	Security	Total Operating Fund
Revenues								
Assessments	\$ 3,806,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,806,790
Interest income	7,158	-	-	-	-	-	-	7,158
Other revenues per schedule of Other Revenues	564,106	353,383	32,330	4,887	44,718	190,000	-	1,189,424
Total revenues	4,378,054	353,383	32,330	4,887	44,718	190,000	-	5,003,372
Expenses								
Salaries and related expenses	533,823	251,506	44,720	-	359,414	553,447	68,436	1,811,346
Repairs and maintenance	3,653	45,634	16,974	3,585	17,819	1,138,336	985	1,226,986
Insurance	140,986	11,525	25,382	1,940	7,278	24,311	2,946	214,368
Utilities	14,604	225,939	26,678	3,004	111,828	14,572	325	396,950
Postage	16,133	-	-	-	-	-	-	16,133
Contract services	-	59,436	-	-	-	-	-	59,436
Fuel and oil	482	8,917	3,348	-	12,501	98,030	4,444	127,722
Taxes and licenses	8,792	-	-	-	193	14,133	-	23,118
Special events	-	-	-	-	24,708	-	-	24,708
Advertising	412	-	-	-	-	-	-	412
Financial and computer services	38,522	6,853	-	-	-	1,908	-	47,283
Legal	273,799	-	-	-	-	-	-	273,799
Other administrative expenses	39,143	6,706	16	-	793	288	-	46,946
Purchased services	81,998	20	7,580	-	28,413	75,416	-	193,427
Rents	3,446	2,481	8,685	704	3,834	13,157	-	32,307
Supplies	3,679	57,486	834	-	28,014	80,469	3,276	173,758
Fertilizer	-	16,149	-	-	5,727	-	-	21,876
Chemicals - weed abatement	-	-	-	-	187	31,252	-	31,439
Travel and education	4,985	1,762	-	-	-	106	-	6,853
Other expenses	8,108	3,462	14,012	45	19,675	9,467	-	54,769
Total expenses	1,172,565	697,876	148,229	9,278	620,384	2,054,892	80,412	4,783,636
Excess of revenues over (under) expenses	<u>\$ 3,205,489</u>	<u>\$ (344,493)</u>	<u>\$ (115,899)</u>	<u>\$ (4,391)</u>	<u>\$ (575,666)</u>	<u>\$ (1,864,892)</u>	<u>\$ (80,412)</u>	<u>\$ 219,736</u>

Spring Creek Association
Schedule of Other Revenues
Year Ended December 31, 2019

	<u>General</u>	<u>Golf Course</u>	<u>Horse Palace</u>	<u>Trap and Skeet</u>	<u>Buildings and Facilities</u>	<u>Roads and Road Construction</u>	<u>Total Funds</u>
Revenues							
Lease fees	\$ 42,296	\$ 27,600	\$ 75	\$ -	\$ -	\$ -	\$ 69,971
Pasture lease	380	-	603	-	2,171	-	3,154
Legal revenue	219,944	-	-	-	-	-	219,944
Late fees	77,370	-	-	-	-	-	77,370
Owner transfer fees	106,200	-	-	-	-	-	106,200
Group insurance refund	12,584	-	-	-	-	-	12,584
Other income	16,437	4,605	-	-	12	-	21,054
Return check fees	2,080	-	-	-	-	-	2,080
Grants	-	-	-	-	-	190,000	190,000
Green fees	-	99,667	-	-	-	-	99,667
Cart rental	-	61,535	-	-	-	-	61,535
Golf annual pass	-	67,750	-	-	-	-	67,750
Pro shop sales	-	62,668	-	-	-	-	62,668
Cart trail fees and storage	-	24,576	-	-	-	-	24,576
Tournaments	-	4,982	-	-	-	-	4,982
Ranch Hand Rodeo	-	-	11,355	-	-	-	11,355
Stall and corral rental	-	-	200	-	-	-	200
Facility rental	-	-	5,972	-	-	-	5,972
Utility reimbursement	-	-	475	-	25	-	500
Bar revenue	-	-	75	-	-	-	75
Non-property owner pass	-	-	13,575	-	-	-	13,575
Player use fees	-	-	-	-	14,520	-	14,520
Special events	-	-	-	-	23,945	-	23,945
Targets thrown	-	-	-	4,887	-	-	4,887
Campground and parks	-	-	-	-	4,045	-	4,045
Committee of Architecture revenue	86,815	-	-	-	-	-	86,815
	<u>\$ 564,106</u>	<u>\$ 353,383</u>	<u>\$ 32,330</u>	<u>\$ 4,887</u>	<u>\$ 44,718</u>	<u>\$ 190,000</u>	<u>\$ 1,189,424</u>