



Financial Statements
December 31, 2017

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, 2017, 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.

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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, 2017, 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.

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 12 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 13 through 18 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 15 and 16, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Elko, Nevada
June 5, 2018

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Financial Statements
December 31, 2017

Spring Creek Association

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Spring Creek Association
Balance Sheet
December 31, 2017

| | Operating Fund | Property Fund | Replacement Fund | Total |
|---|---------------------|---------------------|---------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 937,703 | \$ 1,059 | \$ 38,563 | \$ 977,325 |
| Short-term investments | 284,976 | - | 2,664,671 | 2,949,647 |
| Assessments receivable | 125,066 | - | - | 125,066 |
| Due from Elko County School District - road improvements | - | 200,000 | - | 200,000 |
| Accrued interest receivable | 98 | 111 | 3,308 | 3,517 |
| Inventories | 6,626 | - | - | 6,626 |
| Prepaid insurance | 81,449 | - | - | 81,449 |
| Lots owned | 7,927 | - | - | 7,927 |
| | <u>1,443,845</u> | <u>201,170</u> | <u>2,706,542</u> | <u>4,351,557</u> |
| Capital assets | | | | |
| Land and land improvements | - | 3,652,226 | - | 3,652,226 |
| Buildings | - | 4,022,427 | - | 4,022,427 |
| Equipment | - | 2,884,378 | - | 2,884,378 |
| | - | 10,559,031 | - | 10,559,031 |
| Accumulated depreciation | - | (4,249,383) | - | (4,249,383) |
| | - | 6,309,648 | - | 6,309,648 |
| | <u>-</u> | <u>6,309,648</u> | <u>-</u> | <u>6,309,648</u> |
| Total assets | <u>\$ 1,443,845</u> | <u>\$ 6,510,818</u> | <u>\$ 2,706,542</u> | <u>\$ 10,661,205</u> |
| Current Liabilities | | | | |
| Accrued payroll and related expenses | \$ 68,061 | \$ - | \$ - | \$ 68,061 |
| Assessments received in advance | 362,698 | - | - | 362,698 |
| Accounts payable | 86,825 | - | - | 86,825 |
| Security deposits | 1,100 | - | - | 1,100 |
| | <u>518,684</u> | <u>-</u> | <u>-</u> | <u>518,684</u> |
| Total current liabilities | <u>518,684</u> | <u>-</u> | <u>-</u> | <u>518,684</u> |
| Fund balances | <u>925,161</u> | <u>6,510,818</u> | <u>2,706,542</u> | <u>10,142,521</u> |
| | <u>\$ 1,443,845</u> | <u>\$ 6,510,818</u> | <u>\$ 2,706,542</u> | <u>\$ 10,661,205</u> |

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Spring Creek Association
Statement of Revenues, Expenses, and Changes in Fund Balances
Year Ended December 31, 2017

| | Operating Fund | Property Fund | Replacement Fund | Total |
|---|-------------------|---------------------|---------------------|----------------------|
| Revenues | | | | |
| Assessments | \$ 3,353,642 | \$ - | \$ - | \$ 3,353,642 |
| Interest income | 2,247 | - | 19,246 | 21,493 |
| Other general income | 491,670 | - | - | 491,670 |
| Golf course | 223,167 | - | - | 223,167 |
| Horse Palace | 48,820 | - | - | 48,820 |
| Trap and skeet | 25,254 | - | - | 25,254 |
| Buildings and facilities | 53,210 | - | - | 53,210 |
| Roads and road construction | 190,000 | - | - | 190,000 |
| Total revenues | 4,388,010 | - | 19,246 | 4,407,256 |
| Expenses | | | | |
| General expenses | 1,036,741 | - | - | 1,036,741 |
| Golf course | 465,220 | - | - | 465,220 |
| Horse Palace | 142,450 | - | - | 142,450 |
| Trap and skeet | 8,735 | - | - | 8,735 |
| Buildings and facilities | 393,989 | - | - | 393,989 |
| Roads and road construction | 1,821,591 | - | - | 1,821,591 |
| Security | 69,545 | - | - | 69,545 |
| Depreciation | - | 298,782 | - | 298,782 |
| Total expenses | 3,938,271 | 298,782 | - | 4,237,053 |
| Net of Revenues and Expenses Before Gains | 449,739 | (298,782) | 19,246 | 170,203 |
| Gain on Sale of Lots Owned | 71,752 | - | - | 71,752 |
| Net of Revenues Over (Under) Expenses | 521,491 | (298,782) | 19,246 | 241,955 |
| Beginning Fund Balances | 1,131,071 | 5,932,199 | 2,837,296 | 9,900,566 |
| Interfund Transfers | | | | |
| Capital replacement reserve | (250,000) | - | 250,000 | - |
| Fairway Community Center | 202,979 | 197,021 | (400,000) | - |
| Capital asset additions | (461,380) | 461,380 | - | - |
| Sale of lot inventory to Elko County School District | (200,000) | 200,000 | - | - |
| Golf course reserve | (19,000) | 19,000 | - | - |
| | (727,401) | 877,401 | (150,000) | - |
| Ending Fund Balances | \$ 925,161 | \$ 6,510,818 | \$ 2,706,542 | \$ 10,142,521 |

| | Operating Fund | Property Fund |
|---|---------------------|-------------------|
| Operating Activities | | |
| Excess of revenues over (under) expenses | \$ 521,491 | \$ (298,782) |
| Adjustments to reconcile changes in fund balances to net cash provided (used) by operating activities: | | |
| Depreciation | - | 298,782 |
| Gain on sale of lots owned | (71,752) | - |
| Loss on disposal of capital assets | 5,788 | - |
| Unrealized gain (loss) on investments held to maturity | 133 | - |
| (Increase) decrease in operating assets: | | |
| Assessments receivable | 16,012 | - |
| Inventories | (1,335) | - |
| Prepaid insurance | 50,265 | - |
| Increase (decrease) in operating liabilities: | | |
| Accrued payroll and related expenses | (5,980) | - |
| Assessments received in advance | 9,973 | - |
| Accounts payable | 51,720 | - |
| Security deposits | (1,800) | - |
| Net cash from (used for) operating activities | <u>574,515</u> | <u>-</u> |
| Investing Activities | | |
| Purchase of capital assets | (801,158) | (216,021) |
| Sale of lots owned | 72,961 | - |
| Purchase of investments | (950,000) | - |
| Sale of investments | 950,000 | - |
| Net cash from (used for) investing activities | <u>(728,197)</u> | <u>(216,021)</u> |
| Financing Activities | | |
| Transfers in between funds | 202,979 | 216,021 |
| Transfers out between funds | (269,000) | - |
| Net cash from (used for) financing activities | (66,021) | 216,021 |
| Net change in cash and cash equivalents | (219,703) | - |
| Cash and Cash Equivalents, Beginning of Year | <u>1,157,406</u> | <u>1,059</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 937,703</u> | <u>\$ 1,059</u> |
| Noncash Capital Activities | | |
| Lot sold to Elko County School District in exchange for future road improvements | <u>\$ 200,000</u> | <u>\$ -</u> |
| Transfer of Due From Elko County School District | <u>\$ (200,000)</u> | <u>\$ 200,000</u> |
| Gain on sale of lot sold | <u>\$ 17,020</u> | <u>\$ -</u> |
| Transfer of capital assets to Property Fund | <u>\$ (461,380)</u> | <u>\$ 461,380</u> |

See Notes to Financial Statements

Spring Creek Association
Statement of Cash Flows
Year Ended December 31, 2017

| Replacement Fund | Total |
|---------------------|--------------------|
| \$ 19,246 | \$ 241,955 |
| - | 298,782 |
| - | (71,752) |
| - | 5,788 |
| (1,788) | (1,655) |
| - | 16,012 |
| - | (1,335) |
| - | 50,265 |
| - | (5,980) |
| - | 9,973 |
| - | 51,720 |
| - | (1,800) |
| <u>17,458</u> | <u>591,973</u> |
| - | (1,017,179) |
| - | 72,961 |
| (2,945,000) | (3,895,000) |
| <u>2,565,000</u> | <u>3,515,000</u> |
| <u>(380,000)</u> | <u>(1,324,218)</u> |
| 250,000 | 669,000 |
| <u>(400,000)</u> | <u>(669,000)</u> |
| (150,000) | - |
| (512,542) | (732,245) |
| <u>551,105</u> | <u>1,709,570</u> |
| <u>\$ 38,563</u> | <u>\$ 977,325</u> |
| <u>\$ -</u> | <u>\$ 200,000</u> |
| <u>\$ -</u> | <u>\$ -</u> |
| <u>\$ -</u> | <u>\$ 17,020</u> |
| <u>\$ -</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.

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

As of January 1, 2017, the Association adopted Accounting Standards Update (ASU) 2015-11, *Inventory: Simplifying the Measurement in Inventory*. This update requires inventory to be 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. Adoption of this accounting standard is on a prospective basis. Cost is determined by the first-in, first-out method. No reserve for obsolescence was deemed necessary in 2017. Inventories consist of 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 2017. 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, 2017 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, 2017 totaled \$717,971.

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.

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, 2017, the Association is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2014.

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, 2017, 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 \$2,500 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 2017 was \$22,416.

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 | Amount |
|------------|-----------|
| 2018 | \$ 6,666 |
| 2019 | 5,802 |
| 2020 | 5,802 |
| 2021 | 5,802 |
| 2022 | 5,802 |
| Thereafter | 59,950 |
| Total | \$ 89,824 |

Note 6 - Leases

The Association has two operating leases for office equipment in effect at December 31, 2017, with monthly payments aggregating to \$413. Lease expense was \$4,952 for the current year. Future obligations under these leases are:

| Year | Amount |
|-------|-----------|
| 2018 | \$ 4,952 |
| 2019 | 4,952 |
| 2020 | 4,311 |
| 2021 | 2,388 |
| 2022 | 1,194 |
| Total | \$ 17,797 |

Note 7 - Assessment Increases Designated for Capital Assets

| | 2016 | 2017 |
|---|---------------------|-------------------|
| <u>Assessment increase designated to Operating Fund capital assets:</u> | | |
| 2016 increase of \$1 per month approved January 27, 2016 | \$ 65,076 | \$ 65,706 |
| 2017 increase of \$2 per month approved November 16, 2016 | n/a | 128,976 |
| | <u>\$ 65,076</u> | <u>\$ 194,682</u> |
| | | |
| <u>Capital assets funded by:</u> | | |
| Operating Fund | \$ 995,132 | \$ 258,401 |
| Property Fund | 522,000 | 400,000 |
| Replacement Fund | 490,000 | 19,000 |
| | <u>\$ 2,007,132</u> | <u>\$ 677,401</u> |
| | | |
| Assessment increase designated to assets remaining (unspent) | \$ - | \$ - |

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 road work is expected to begin in 2018. 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 transaction has not yet taken place due to zoning issues which are being addressed.

Note 9 - Commitments

On September 27, 2017, the Board approved a proposal for a road and pavement management plan for \$147,600. Approximately \$51,000 was paid as of December 31, 2017, leaving a commitment of approximately \$96,600.

Note 10 - Subsequent Events

The financial statements were available to be issued on and subsequent events were evaluated through June 5, 2018, the following subsequent events were noted:

- On February 28, 2018, the Board approved spending up to \$40,000 to purchase a CAT enclosed cab loader.
- On March 28, 2018, the Board approved the purchase of rubber mulch and playground equipment for approximately \$49,300.
- On April 23, 2018, the Board approved the donation of approximately 5 acres of land near the Schuckmann's Sports Complex to the Boys and Girls Club of Elko to be used for construction of a recreation center and a Boys and Girls Club center, with the following contingencies:
 - The construction must commence within 5 years
 - If the Boys & Girls Club ceases to exist, all assets on the property will revert back to the Spring Creek Association, including the building and any improvements.
- On April 25, 2018, the Board approved the sale of a parcel of land located on Parkchester Way for \$79,000.
- On April 25, 2018, the Board approved the purchase of an outdoor movie screen and projector package for approximately \$18,000.

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Required Supplementary Information
December 31, 2017

Spring Creek Association

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Spring Creek Association
 Required Supplementary Information on Major Future Repairs and Replacements
 Year Ended December 31, 2017

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 |
|---------------------|--|---|
| Equipment | 0 - 19 | \$ 2,790,311 |
| Furniture | 0 - 8 | 14,087 |
| Lighting | 0 - 3 | 34,356 |
| Roads | 0 - 5 | 3,500,000 |
| Fencing | 0 - 9 | 69,431 |
| Roofing | 0 - 23 | 25,127 |
| Building components | 0 - 40 | 2,251,895 |
| Hardscape | 0 - 20 | 242,059 |
| Total | | <u>\$ 8,927,266</u> |

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Supplementary Information
December 31, 2017

Spring Creek Association

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Spring Creek Association
Schedule of Revenues and Expenses – Budget and Actual
Year Ended December 31, 2017

| <u>Operating Fund</u> | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|--|-------------------|---------------------|-------------------|
| Revenues | | | |
| Assessments | \$ 3,353,642 | \$ 3,349,776 | \$ 3,866 |
| Interest income | 2,247 | 3,200 | (953) |
| Other general income | 491,670 | 348,338 | 143,332 |
| Golf course | 223,167 | 228,700 | (5,533) |
| Horse Palace | 48,820 | 58,505 | (9,685) |
| Trap and skeet | 25,254 | 5,500 | 19,754 |
| Buildings and facilities | 53,210 | 33,200 | 20,010 |
| Roads and road construction | 190,000 | 190,000 | - |
| Total Revenues | 4,388,010 | 4,217,219 | 170,791 |
| Expenses | | | |
| General expenses | 1,036,741 | 1,251,958 | 215,217 |
| Golf course | 465,220 | 667,128 | 201,908 |
| Horse Palace | 142,450 | 192,268 | 49,818 |
| Trap and skeet | 8,735 | 16,960 | 8,225 |
| Buildings and facilities | 393,989 | 461,661 | 67,672 |
| Roads and road construction | 1,821,591 | 1,837,960 | 16,369 |
| Security | 69,545 | 82,234 | 12,689 |
| Total Expenses | 3,938,271 | 4,510,169 | 571,898 |
| Net of Revenues and Expenses Before Gains | \$ 449,739 | \$ (292,950) | \$ 742,689 |

Spring Creek Association
Schedule of Revenues and Expenses – Budget and Actual
Year Ended December 31, 2017

| <u>Property Fund</u> | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|--|---------------------|---------------------|---------------------|
| Revenues | | | |
| Interest income | \$ - | \$ - | \$ - |
| Expenses | | | |
| Depreciation | <u>298,782</u> | <u>-</u> | <u>(298,782)</u> |
| Excess of revenues over (under) expenses | <u>\$ (298,782)</u> | <u>\$ -</u> | <u>\$ (298,782)</u> |
| | | | |
| <u>Replacement Fund</u> | | | |
| Revenues | | | |
| Interest income | \$ 19,246 | \$ - | \$ 19,246 |
| Expenses | | | |
| Major repairs and replacements | <u>-</u> | <u>407,050</u> | <u>407,050</u> |
| Excess of revenues over (under) expenses | <u>\$ 19,246</u> | <u>\$ (407,050)</u> | <u>\$ 426,296</u> |

Spring Creek Association
 Test of Assessment Limitations (unaudited)
 Year Ended December 31, 2017

| Year Ending | CPI Index | Index Change % | Maximum Assessment per CPI | Actual Assessment |
|-------------|--------------|----------------|----------------------------------|----------------------|
| | | | \$ | \$ |
| 1971 | 40.3 | | 144 | 0 |
| 1972 | 41.6 | 1.30 | 146 | 0 |
| 1973 | 43.9 | 2.30 | 149 | 0 |
| 1974 | 48.6 | 4.70 | 156 | 48 |
| 1975 | 53.2 | 4.60 | 163 | 60 |
| 1976 | 56.5 | 3.30 | 168 | 72 |
| 1977 | 60.3 | 3.80 | 174 | 84 |
| 1978 | 64.5 | 4.20 | 181 | 93 |
| 1979 | 71.5 | 7.00 | 194 | 105 |
| 1980 | 81.8 | 10.30 | 214 | 126 |
| 1981 | 89.8 | 8.00 | 231 | 153 |
| 1982 | 95.8 | 6.00 | 245 | 168 |
| 1983 | 99.2 | 3.40 | 253 | 180 |
| 1984 | 103.4 | 4.20 | 264 | 180 |
| 1985 | 107.3 | 3.90 | 274 | 186 |
| 1986 | 108.9 | 1.60 | 278 | 186 |
| 1987 | 113.1 | 4.20 | 290 | 192 |
| 1988 | 117.5 | 4.40 | 303 | 192 |
| 1989 | 123.8 | 6.30 | 322 | 204 |
| 1990 | 129.2 | 5.40 | 339 | 228 |
| 1991 | 135.6 | 6.40 | 361 | 228 |
| 1992 | 139.7 | 4.10 | 376 | 228 |
| 1993 | 144.2 | 4.50 | 393 | 228 |
| 1994 | 147.5 | 3.30 | 406 | 264 |
| 1995 | 152.2 | 4.70 | 425 | 264 |
| 1996 | 156.6 | 4.40 | 444 | 288 |
| 1997 | 160.1 | 3.50 | 460 | 288 |
| 1998 | 162.8 | 2.70 | 472 | 300 |
| 1999 | 166.2 | 3.40 | 488 | 300 |
| 2000 | 171.5 | 5.30 | 514 | 336 |
| 2001 | 177.7 | 6.20 | 546 | 336 |
| 2002 | 179.8 | 2.10 | 557 | 336 |
| 2003 | 183.5 | 3.70 | 578 | 336 |
| 2004 | 189.1 | 5.60 | 610 | 336 |

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Spring Creek Association
 Test of Assessment Limitations (unaudited)
 Year Ended December 31, 2017

| Year Ending | CPI Index | Index Change % | Maximum Assessment per CPI | Actual Assessment |
|-------------|--------------|----------------|----------------------------------|----------------------|
| 2005 | 194.4 | 5.30 | \$ 642 | \$ 372 |
| 2006 | 202.5 | 8.10 | 694 | 372 |
| 2007 | 207.949 | 5.45 | 732 | 408 |
| 2008 | 216.632 | 8.68 | 796 | 468 |
| 2009 | 213.856 | -2.78 | 796 | 468 |
| 2010 | 218.178 | 4.32 | 830 | 540 |
| 2011 | 225.964 | 7.79 | 895 | 540 |
| 2012 | 229.815 | 3.85 | 929 | 540 |
| 2013 | 232.945 | 3.13 | 958 | 552 |
| 2014 | 237.900 | 4.96 | 1,005 | 576 |
| 2015 | 237.805 | -0.09 | 1,005 | 588 |
| 2016 | 240.229 | 2.42 | 1,029 | 600 |
| 2017 | 244.733 | 4.50 | 1,075 | 624 |

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.

| | General | Golf Course | Horse Palace | Trap and Skeet |
|---|---------------------|---------------------|--------------------|-------------------|
| Revenues | | | | |
| Assessments | \$ 3,353,642 | \$ - | \$ - | \$ - |
| Interest income | 2,247 | - | - | - |
| Other revenues per Schedule of Other Revenues | 491,670 | 223,167 | 48,820 | 25,254 |
| Total Revenues | 3,847,559 | 223,167 | 48,820 | 25,254 |
| Expenses | | | | |
| Salaries and related expenses | 451,703 | 147,904 | 41,138 | - |
| Repairs and maintenance | 3,033 | 52,468 | 23,810 | 2,706 |
| Insurance | 128,785 | 10,424 | 22,958 | 1,755 |
| Utilities | 15,393 | 148,376 | 29,107 | 4,274 |
| Postage | 11,999 | - | - | - |
| Contract services | - | 58,178 | - | - |
| Fuel and oil | 178 | 3,919 | 1,372 | - |
| Taxes and licenses | 6,470 | 119 | - | - |
| Special events | - | - | - | - |
| Advertising | 568 | - | - | - |
| Financial and computer services | 44,766 | 5,509 | - | - |
| Legal | 242,723 | - | - | - |
| Other administrative expenses | 44,358 | 4,222 | - | - |
| Purchased services | 56,196 | - | - | - |
| Rents | 3,719 | 1,175 | - | - |
| Supplies | 3,867 | 13,443 | 902 | - |
| Fertilizer | - | 17,286 | - | - |
| Chemicals - weed abatement | - | - | - | - |
| Travel and education | 770 | - | - | - |
| Other expenses | 22,213 | 2,197 | 23,163 | - |
| Total Expenses | 1,036,741 | 465,220 | 142,450 | 8,735 |
| Excess of Revenues Over (Under) Expenses | \$ 2,810,818 | \$ (242,053) | \$ (93,630) | \$ 16,519 |

Spring Creek Association
Schedule of Operating Departmental Revenues and Expenses
Year Ended December 31, 2017

| Buildings and Facilities | Roads and Road Construction | Security | Total Operating Fund |
|-----------------------------|-----------------------------------|--------------------|----------------------------|
| \$ - | \$ - | \$ - | \$ 3,353,642 |
| - | - | - | 2,247 |
| 53,210 | 190,000 | - | 1,032,121 |
| 53,210 | 190,000 | - | 4,388,010 |
| 192,582 | 589,258 | 56,979 | 1,479,564 |
| 35,286 | 970,653 | 1,242 | 1,089,198 |
| 6,583 | 19,903 | 2,665 | 193,073 |
| 76,890 | 12,950 | 308 | 287,298 |
| - | - | - | 11,999 |
| - | - | - | 58,178 |
| 6,295 | 63,740 | 5,076 | 80,580 |
| 663 | 12,439 | 489 | 20,180 |
| 23,529 | - | - | 23,529 |
| - | - | - | 568 |
| 104 | 1,689 | - | 52,068 |
| - | - | - | 242,723 |
| 1,571 | 265 | - | 50,416 |
| 10,140 | 64,025 | - | 130,361 |
| 946 | - | - | 5,840 |
| 13,440 | 72,712 | 2,786 | 107,150 |
| 6,787 | - | - | 24,073 |
| 2,283 | 5,201 | - | 7,484 |
| 76 | 724 | - | 1,570 |
| 16,814 | 8,032 | - | 72,419 |
| 393,989 | 1,821,591 | 69,545 | 3,938,271 |
| <u>\$ (340,779)</u> | <u>\$ (1,631,591)</u> | <u>\$ (69,545)</u> | <u>\$ 449,739</u> |

| | General | Golf Course | Horse Palace |
|-----------------------------------|-------------------|-------------------|------------------|
| Revenues | | | |
| Lease fees | \$ 35,128 | \$ 16,750 | \$ 1,575 |
| Pasture lease | 102 | - | - |
| Legal revenue | 174,702 | - | - |
| Late fees | 82,210 | - | - |
| Owner transfer fees | 120,599 | - | - |
| Other income | 12,619 | 4,259 | 300 |
| Return check fees | 2,770 | - | - |
| Grants | - | - | - |
| Green fees | - | 71,926 | - |
| Cart rental | - | 44,224 | - |
| Golf annual pass | - | 55,775 | - |
| Cart trail fees and storage | - | 20,188 | - |
| Tournaments | - | 8,709 | - |
| Catering fees | - | 1,336 | - |
| Ranch Hand Rodeo | - | - | 12,790 |
| Stall and corral rental | - | - | 12,379 |
| Facility rental | - | - | 4,560 |
| Utility reimbursement | - | - | 1,395 |
| Bar revenue | - | - | 875 |
| Non-property owner pass | - | - | 11,346 |
| Player use fees | - | - | - |
| Billboard rental | - | - | 3,600 |
| Special events | - | - | - |
| Targets thrown | - | - | - |
| Lead recycling revenue | - | - | - |
| Campground and parks | - | - | - |
| Committee of Architecture revenue | 63,540 | - | - |
| | <u>\$ 491,670</u> | <u>\$ 223,167</u> | <u>\$ 48,820</u> |

Spring Creek Association
 Schedule of Other Revenues
 Year Ended December 31, 2017

| Trap and Skeet | Buildings and Facilities | Roads and Road Construction | Total Funds |
|-------------------|-----------------------------|-----------------------------------|---------------------|
| \$ - | \$ - | \$ - | \$ 53,453 |
| - | 1,920 | - | 2,022 |
| - | - | - | 174,702 |
| - | - | - | 82,210 |
| - | - | - | 120,599 |
| - | 14 | - | 17,192 |
| - | - | - | 2,770 |
| - | - | 190,000 | 190,000 |
| - | - | - | 71,926 |
| - | - | - | 44,224 |
| - | - | - | 55,775 |
| - | - | - | 20,188 |
| - | - | - | 8,709 |
| - | - | - | 1,336 |
| - | - | - | 12,790 |
| - | - | - | 12,379 |
| - | - | - | 4,560 |
| - | 100 | - | 1,495 |
| - | - | - | 875 |
| - | - | - | 11,346 |
| - | 22,185 | - | 22,185 |
| - | - | - | 3,600 |
| - | 23,016 | - | 23,016 |
| 3,792 | - | - | 3,792 |
| 21,462 | - | - | 21,462 |
| - | 5,975 | - | 5,975 |
| - | - | - | 63,540 |
| <u>\$ 25,254</u> | <u>\$ 53,210</u> | <u>\$ 190,000</u> | <u>\$ 1,032,121</u> |

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