

SPRING CREEK HOMEOWNERS' ASSOCIATION

Financial Statements and
Supplementary Information
with Independent Accountant's Review Report

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SPRING CREEK HOMEOWNERS' ASSOCIATION
FINANCIAL STATEMENTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

September 26, 2018

To the Board of Directors
Spring Creek Homeowners' Association
Jackson, Wyoming

We have reviewed the accompanying balance sheet of Spring Creek Homeowners' Association as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included on the schedules of expenses and the schedule of operating fund revenues and expenses – budget to actual on pages 18 -19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property on pages 15 and 16 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. Such information is the responsibility of management. We have not audited or reviewed such information and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it.

Thompson Palmer & Associates PC

Thompson, Palmer and Associates, P.C.
Certified Public Accountants

SPRING CREEK HOMEOWNERS' ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Totals	
			2017	2016
ASSETS				
Cash, including interest-bearing deposits	\$ 382,864	\$ -	\$ 382,864	\$ 410,005
Investments - cash (Note #4)	-	277,758	277,758	147,132
Investments - securities (Note #4)	-	2,207,661	2,207,661	2,338,453
Assessments receivable (Note #3)	40,117	-	40,117	10,174
Prepaid income tax	-	-	-	-
Prepaid expenses	22,579	-	22,579	-
Due from operating fund	-	140,101	140,101	89,655
Due to replacement fund	(140,101)	-	(140,101)	(89,655)
Other receivables	-	5,500	5,500	-
Total current assets	305,459	2,631,020	2,936,479	2,905,764
Fixed assets	80,000	-	80,000	80,000
Accumulated depreciation	(6,495)	-	(6,495)	(4,444)
Net fixed assets	73,505	-	73,505	75,556
Total assets	<u>\$ 378,964</u>	<u>\$ 2,631,020</u>	<u>\$ 3,009,984</u>	<u>\$ 2,981,320</u>
LIABILITIES				
Accounts payable	\$ 63,535	\$ -	\$ 63,535	\$ 46,245
Income tax payable	-	59,288	59,288	5,581
Advanced homeowner assessments	317,924	-	317,924	276,494
Homeowner construction deposits	73,171	-	73,171	70,627
Accrued Expenses	3,702	80,192	83,894	24,813
Total current liabilities	458,332	139,480	597,812	423,760
Deferred tax liability, current year	-	196,182	196,182	-
Deferred tax liability, prior period adjustment	-	-	-	-
deferred taxes	-	-	-	294,450
Total liabilities	458,332	335,662	793,994	718,210
FUND BALANCES				
Accumulated excess of revenues over expenses	(79,368)	1,557,338	1,477,970	1,691,531
Accumulated other comprehensive income (loss)	-	738,020	738,020	866,029
(Note #7)	-	-	-	-
Accumulated other comprehensive income prior	-	-	-	-
period adjustment, deferred taxes	-	-	-	(294,450)
Total fund balances	(79,368)	2,295,358	2,215,990	2,263,110
Total liabilities and fund balances	<u>\$ 378,964</u>	<u>\$ 2,631,020</u>	<u>\$ 3,009,984</u>	<u>\$ 2,981,320</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Totals	
			2017	2016
REVENUES				
Assessments	\$ 1,208,472	\$ 234,995	\$ 1,443,467	\$ 1,319,137
Interest income	125	72,530	72,655	79,256
Other income	3,988	-	3,988	45,367
Total revenues	1,212,585	307,525	1,520,110	1,443,760
EXPENSES				
Operating expenses - schedule of expenses	1,299,093		1,299,093	1,105,935
Replacement other - schedule of expenses		662,264	662,264	633,510
Total expenses	1,299,093	662,264	1,961,357	1,739,445
Excess (deficiency) of revenues over expenses, operating	(86,508)	(354,739)	(441,247)	(295,685)
OTHER REVENUE (EXPENSE)				
Net realized gains (losses) on securities	-	227,686	227,686	(2,338)
Total other revenue (expense)	-	227,686	227,686	(2,338)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES, OPERATING	(86,508)	(127,053)	(213,561)	(298,023)

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Totals	
			2017	2016
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES, OPERATING	<u>(86,508)</u>	<u>(127,053)</u>	<u>(213,561)</u>	<u>(298,023)</u>
OTHER COMPREHENSIVE INCOME (NOTE 7)				
Total other comprehensive income (loss), net of tax		166,441	166,441	195,658
Total other comprehensive income (loss), net of tax prior period adjustment deferred taxes	-	-	-	(66,524)
Total comprehensive income	<u>\$ (86,508)</u>	<u>\$ 39,388</u>	<u>\$ (47,120)</u>	<u>\$ (168,889)</u>
Fund Balance - Beginning of year	\$ 7,140	\$ 2,255,970	\$ 2,263,110	\$ 2,659,925
Total Comprehensive Income prior period financials	(86,508)	39,388	(47,120)	(102,365)
Total Comprehensive Income prior period adjustment, deferred taxes				(294,450)
Fund Balance - End of year	<u>\$ (79,368)</u>	<u>\$ 2,295,358</u>	<u>\$ 2,215,990</u>	<u>\$ 2,263,110</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Totals	
			2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	(86,508)	(354,739)	(441,247)	\$ (295,685)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by by operating activities:				
(Increase) decrease in assets:				
Assessments receivable	(29,943)	-	(29,943)	47,929
Prepaid income tax	-	-	-	2,458
Prepaid expenses	(22,579)	-	(22,579)	-
Other assets	8	-	8	-
Other receivables	-	(5,500)	(5,500)	16,381
Depreciation add back	2,051		2,051	2,051
Increase (decrease) in liabilities:				
Accounts payable	17,290	-	17,290	379
Income tax payable	(5,581)	59,288	53,707	-
Advanced homeowner assessments	41,430	-	41,430	(131,506)
Homeowner construction deposits	2,544		2,544	(4,958)
Other Accruals	3,701	55,381	59,082	(1,815)
Net cash provided by operating activities	(77,587)	(245,570)	(323,157)	(364,766)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of securities	-	477,586	477,586	350,949
Purchase of securities	-	(50,944)	(50,944)	(3,252)
Net cash used by investing activities	-	426,642	426,642	347,697
CASH FLOWS FROM FINANCING ACTIVITIES				
Inter-fund transfers	50,446	(50,446)	-	-
Net cash provided (used) by financing activities	50,446	(50,446)	-	-
NET INCREASE (DECREASE) IN CASH	(27,141)	130,626	103,485	(17,069)
CASH AT BEGINNING OF YEAR	410,005	147,132	557,137	574,206
CASH AT END OF YEAR	<u>\$ 382,864</u>	<u>\$ 277,758</u>	<u>\$ 660,622</u>	<u>\$ 557,137</u>
SUPPLEMENTAL DISCLOSURE				
Income taxes paid			\$ 8,039	\$ 5,581

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE #1 – NATURE OF ORGANIZATION

Spring Creek Homeowners' Association is a non-profit association incorporated September 8, 1982, in the State of Wyoming. The Association is responsible for the insurance, operations and maintenance of the common facilities at Spring Creek Ranch, located in Teton County, Wyoming. Property or "Unit" owners, within Spring Creek Ranch, are members of the Association. Unit owners may also be members of subsidiary associations for particular subdivisions. The Association is governed by articles of incorporation, by-laws and declaration of covenants, conditions and restrictions.

NOTE #2 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 26, 2018, the date that the financial statements were available to be issued.

NOTE #3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The financial statements are presented on the accrual basis. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds, established according to their nature and purpose:

Operating fund - Used to account for financial resources available for the general operations of the Association.

Replacement fund - Used to accumulate financial resources designated for future major repairs and replacements.

Assessments receivable

The Association levies monthly assessments upon its members to pay operating costs and fund major repairs and replacements. The Association may file liens and take legal action against any member whose monthly payments are delinquent. As of December 31, 2017 and 2016 assessments receivable are \$40,117 and \$10,174 respectively.

Assessments are due on the first of the month, past due on the first of the next month, and are delinquent when they are more than 90 days in arrears. At December 31, 2017, six owners and \$26,524.17 of assessments were delinquent. The Association feels that all monies are collectible.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE #3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

The infrastructure, including roads, utilities, and related buildings, within the Association boundaries are property of the Spring Creek Improvement and Service District (SCISD). Under agreement, the Association manages and maintains this infrastructure with the ability to request reimbursement from the SCISD for any major expenditure. Association expenditures to maintain these assets will be expensed as incurred.

The Association also maintains the common area and exterior of the Harvest Dance and Spirit Dance subdivisions. Association expenditures to maintain these assets are expensed as incurred and charged to the respective subdivision's operating or reserve funds.

Per the CC&Rs, the Association cannot sell common real property without 100% positive approval of all homeowners. Common property must be used as outlined in the CC&Rs.

Expenditures for new asset acquisitions may be capitalized if significant.

Property and equipment are recorded at cost and consist of the following:

Hot Tub	\$80,000
Less accumulated depreciation	<u>(6,495)</u>
	<u>\$73,505</u>

Depreciation

Property and equipment are being depreciated over their estimated useful lives using the straight-line method.

Accounting estimates

In conformity with accounting principles generally accepted in the United States of America, the preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from estimates.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE #3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance

It is the responsibility of the Association to provide liability and property damage insurance coverage for the common elements, including certain building exteriors, and the limited common elements of the project. Costs of the insurance are charged to the owners and prorated among the owners as set forth in the declarations. The building policy and earthquake coverage amounts are as follows:

	2017	2016
Building policy	\$ 24,000,000	\$ 23,319,322
Earthquake	\$ 28,585,157	\$ 50,000,000

Statement of cash flows

Cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less.

The Association records its investments that are classified as "available for sale" at their fair market value. In accordance with this method of reporting investments, the Association recorded unrealized gains of \$68,173 and \$195,658 in 2017 and 2016, respectively. See Note 7 – Other Comprehensive Income.

Comparative information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Deferred Income Taxes

Deferred income taxes reflect the temporary differences between the tax basis of assets and liabilities and the reported amounts of these assets and liabilities for financial reporting purposes. The Association's net unrealized gain and deferred tax liability as of December 31, 2017 and 2016 are shown in Note 7 – Other Comprehensive Income.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE #4 – INVESTMENTS – FAIR VALUE

The Association conforms to generally accepted accounting principles, which require debt and equity securities that are classified as available for sale to be recorded at "fair value" on the financial statements. Fair value measurements establish a hierarchal framework for disclosure of and measurement of investments at fair value defined as Level I, II, and III inputs. These inputs are based on a number of factors, including the type of investment and the characteristics specific to the investment. The Association's investments are all considered to be Level I inputs as they are based on quoted market prices.

	Cash	Securities	Totals	
			2017	2016
Beginning balance - fair value	\$ 147,132	\$ 2,338,454	\$ 2,485,586	\$ 2,559,767
Net cash in/out	58,096	(426,652)	(368,556)	(346,604)
Realized earnings (losses)	72,530	227,686	300,216	76,765
Unrealized gains (losses)	-	68,173	68,173	\$ 195,658
Ending balance - fair value	<u>\$ 277,758</u>	<u>\$ 2,207,661</u>	<u>\$ 2,485,419</u>	<u>\$ 2,485,586</u>

Net unrealized and realized gain on securities is as follows:

Unrealized gain (loss)	\$ 68,173	\$ 195,658
Realized gain (loss)	<u>227,686</u>	<u>(2,338)</u>
Net unrealized and realized gain on securities	<u>\$ 295,859</u>	<u>\$ 193,320</u>

Net realized gain on securities available for sale:

Security sales proceeds	\$ 477,586	\$ 350,949
Basis of securities sold	<u>(249,900)</u>	<u>(353,287)</u>
Realized gain (loss) on sales of securities	<u>\$ 227,686</u>	<u>\$ (2,338)</u>

The cost of securities available for sale is adjusted to fair market value annually. This adjusted fair market value is the basis used to compute realized gains and losses.

NOTE #5 - INCOME TAXES

Each year, Associations may elect to be taxed either as homeowners associations or as regular corporations with Internal Revenue Code Section 277 exceptions. This current year the Association elected to file as a homeowners association using form 1120-H under Internal Revenue Code Section 528 because it resulted in lower taxes. Under that section, the Association is not taxed on income and expenses related to its exempt purpose, which is the management, maintenance and care of Association property. Net nonexempt function income which includes interest, investment income and revenues from non-members is taxed at 30%. Certain expenses were allocated to offset a portion of the taxable income.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE #5 – INCOME TAXES (CONTINUED)

Income tax expense in 2017 and 2016 are \$59,288 and \$8,039 respectively. The federal income tax returns of the Association for 2017, 2016, 2015 and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

NOTE #6 - COMMITMENTS AND CONTINGENCIES

Future major repairs and replacements

The Association has budgeted for funds to be accumulated to offset costs of future major repairs and replacements. The Association seeks to accumulate fifty percent of the replacement costs over the useful lives of the Project Common facilities, and to accumulate funds for specific repairs and maintenance of the Spirit Dance and Harvest Dance sites.

The replacement funds totaling \$2,631,019 consist of cash, including interest bearing monies of \$277,758, taxable and tax-exempt investments, including accrued interest totaling \$2,207,661, other receivables of \$5,500, and an inter-fund receivable of \$140,101 as of December 31, 2017. The fund is generally not available for operating purposes. It is the Associations' policy to retain the interest earned on such funds in the reserve fund for future major repairs and replacements.

Periodically, a reserve study determines the replacement value of the inventory of infrastructure items as of the date of the study. This reserve study is updated periodically with the last update occurring in 2015. For the years between the date of the study and the current year, the study's estimated replacement costs are adjusted to provide for inflation.

The Association is funding for such major repairs and replacements as follows:

	2017	2016
Replacement fund		
Assessments – Project Common	\$ 44,779	\$ 39,773
Assessments – Spirit Dance	113,279	105,103
Assessments – Harvest Dance	<u>76,936</u>	<u>71,362</u>
	<u>\$ 234,994</u>	<u>\$ 216,238</u>

Amounts accumulated in the replacement fund may not be adequate to meet future needs. However, if additional funds are needed, the Board of Directors of the Association has the right to increase regular assessments; and the Association has the right, subject to member approval, to levy emergency assessments, to levy special assessments, or to borrow. The Association may delay major repairs and replacements until funds are available.

Litigation

At December 31, 2017, the Association was not involved in any active or pending litigation.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE #7 – OTHER COMPREHENSIVE INCOME

The Association complies with the provisions of FASB ASC 220, *Comprehensive Income*, which establishes rules for the reporting and presentation of comprehensive income and its components. Accounting principles generally require that recognized revenue, expense, gains and losses be included in net income. However, certain changes in assets and liabilities such as unrealized gain and loss on available for sale securities, are reported as a separate component of comprehensive income.

Deferred taxes on unrealized gains and losses were not recognized in prior years. The Association began recording an estimate for income tax on unrealized gains and losses in the current year which resulted in a prior period adjustment of beginning accumulated tax expense of \$227,925 and a 2016 current year tax expense of \$66,524.

The components of other comprehensive income for 2017 and 2016 including the prior period adjustment are as follows:

	2017	2016
Other comprehensive Income		
Unrealized holding gains (losses) during period	<u>\$ 68,173</u>	<u>\$ 195,658</u>
Increase (decrease) in current year of other comprehensive income from unrealized holding gains (losses) during period	<u>\$ 68,173</u>	<u>\$ 195,658</u>
Changes in accumulated other comprehensive income		
Accumulated other comprehensive income, beginning	\$ 866,029	\$ 670,371
Unrealized holding gains (losses) during period	268,849	193,997
Less reclassification adjustment for gains included in excess (deficiency) of revenues over expenses	<u>(200,676)</u>	<u>1,661</u>
Unrealized gains (losses) available for sale securities	68,173	195,658
Accumulated other comprehensive income (loss), before taxes	934,202	866,029
Estimated taxes on other comprehensive income		
Beginning accumulated tax (expense) benefit	(294,450)	
Beginning accumulated tax (expense) benefit, prior period adjustment		(227,926)
Current year tax (expense) benefit	98,268	
Current year tax (expense) benefit, prior period adjustment		<u>(66,524)</u>
Total deferred taxes	<u>(196,182)</u>	<u>(294,450)</u>
Total accumulated other comprehensive income (loss), net of tax	<u>\$ 738,020</u>	<u>\$ 571,579</u>
Total current year change in other comprehensive income Unrealized gains (losses) available for sale securities and current year tax (expense) benefit	166,441	129,134

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Note #8 – CREDIT AND MARKET RISK

The Association's financial instruments consist of cash, investments, and homeowner receivables. At December 31, 2017 and 2016, cash and cash equivalents exceeding federally insured limits totaled \$33,687 and \$39,119. Investments amounting to \$2,207,661 and \$2,338,454 were uninsured at December 31, 2017 and 2016, respectively. Receivables are due from unit owners and are considered collectible.

Note #9 – CONCENTRATIONS

Spring Creek Ranch is located in the greater Jackson Hole Wyoming area – a popular vacation destination as well as place to live. The Association is exposed to risks associated with conditions affecting the economy, real estate, tourism and weather for its geographical area.

NOTE #10 – RELATED PARTIES

Spring Creek Ranch Management Company, LLC

Spring Creek Ranch Management Company, LLC ("SCRMC"), of which Stephen Price and Derek Goodson are principals, provides various services to the Association. SCRMC operates under a written agreement with the Association. Except for maintenance services, all fees are fixed by either contract or the current year's budget. Maintenance services are billed according to time and materials. The books are reviewed annually by an independent accounting firm, and the policy of the Board is to have the books audited at least every five years. Stephen Price is a member of the Association's Board and recused himself in all matters related to SCRMC and the Association. Derek Goodson has been appointed by the Board as the Association's Assistant Treasurer.

The Association paid Spring Creek Ranch Management Company LLC \$648,444.65 and \$585,523.10 in 2017 and 2016, respectively. The Association owed \$33,853.60 and \$24,943.54 at 2017 and 2016 year end for December fees.

Spring Creek Improvement & Service District

The boundaries of the Association are almost identical to the boundaries of the Spring Creek Improvement & Service District; therefore, the Association and the District have the common goal to appropriately maintain the infrastructure within the boundaries. In March 2011, the Association and the District entered into an agreement to provide services within their boundaries. As part of the agreement, the Association may pay for improvements or advance funds to the District to perform improvements. If such amounts are paid by the Association, they may request reimbursement from the District. The District owed the Association \$0 and \$0 at 2017 and 2016 year end for these improvements.

NOTE #11 – PRIOR PERIOD ADJUSTMENT

FASB ASC 220, *Comprehensive Income*, with respect to other comprehensive income was implemented by the Association in 2014. At that time the Association's investment policy was to hold dividend paying investments indefinitely. That strategy changed in 2017 and it became necessary to include a deferred tax liability on the financial statements. Because the statements are comparative, this required a prior period adjustment to deferred income taxes and other comprehensive income for the 2016 period.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE#12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2017, the date on which the financial statements were available to be issued.

SPRING CREEK HOMEOWNERS' ASSOCIATION
 REQUIRED SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2017

Periodically, a reserve study determines the replacement value of the inventory of infrastructure items as of the date of the study. This reserve study is updated periodically with the last update occurring in 2015. For the years between the date of the study and the current year, the study's estimated replacement costs are adjusted to provide for inflation.

The following information is based on the 2005 study and presents significant information about the components of common and site property.

	Estimated Remaining Useful Life Years	Estimated Current Replacement Cost	Fiscal Year 2017 Budget Allocation	Percent of Total Budget Allocation
Project common components				
Equipment, water, sewer and common	2-54	\$ 15,912,380	\$ 44,777	19.05%
Sub-total		<u>15,912,380</u>	<u>44,777</u>	<u>19.05%</u>
Site common components				
Spirit Dance Subdivision	0-17	3,885,369	113,279	48.20%
Harvest Dance Subdivision	2-20	<u>2,220,521</u>	<u>76,975</u>	<u>32.75%</u>
Sub-total		<u>6,105,890</u>	<u>190,254</u>	<u>80.95%</u>
Total		<u><u>\$ 22,018,270</u></u>	<u><u>\$ 235,031</u></u>	<u><u>100.00%</u></u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017

	Beginning Balance 2017	Sources (Uses)				Ending Balance 2017
		Assessments	Fund Expenses	Earnings Gain (Loss)		
				Realized	Unrealized**	
Project Common	\$ 614,777	\$ 44,779	\$ (237,490)	\$ 69,354	\$ (29,644)	\$ 461,776
Site (subdivision)						
Spirit Dance Major repairs	865,971	113,279	(67,771)	112,462	(48,070)	975,871
Harvest Dance Major repairs	1,064,795	76,936	(356,288)	117,067	(50,039)	852,471
Sun Dance* Major repairs	4,885	-	-	618	(264)	5,239
Sub-total	1,935,651	190,215	(424,059)	230,147	(98,373)	1,833,581
Total reserve fund	\$ 2,550,428	\$ 234,994	\$ (661,549)	\$ 299,501	\$ (128,017)	\$ 2,295,357

* The association is not responsible for major repairs within the Sun Dance subdivision.

**Includes the tax provision for unrealized gains.

SPRING CREEK HOMEOWNERS' ASSOCIATION
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017	2016
OPERATING EXPENSES		
Administration and accounting	78,960	71,352
Security	131,280	101,520
Maintenance	110,159	56,072
Accounting fees	9,750	8,890
Credit card commissions & discounts	29,105	29,494
Depreciation	2,051	2,051
Directors expense	2,103	
Lease - JH Land Trust	7,000	7,000
Environmental	16,383	519
Firewood	29,243	24,095
Insurance	132,505	70,873
Legal	28,855	32,231
Management fees	52,680	56,700
Other operating expenses and supplies	12,510	24,535
Penalties and interest	264	-
Property taxes	3,962	3,949
Recreational facilities	85,421	71,652
Repairs and maintenance		
Building	20,243	498
Landscaping	11,234	34,267
Roads and paths	185,697	200,576
Trash removal	28,428	22,262
Telephone	59,856	40,135
Tractor	1,590	2,563
Transportation	95,130	74,902
Water and sewer	164,684	161,760
Total operating expenses	1,299,093	1,097,896
REPLACEMENT FUND EXPENSES		
Brokerage fees	308	308
Foreign taxes	408	408
Income Tax	59,288	8,039
Site common - Harvest Dance	356,288	187,267
Site common - Spirit Dance	67,770	241,054
Project common	178,202	204,473
Total replacement fund expenses	662,264	641,549

SPRING CREEK HOMEOWNERS' ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Assessments	\$ 1,208,637	\$ 1,208,472	\$ (165)	\$ 1,102,903
Interest income	-	125	125	153
Other	-	3,988	3,988	45,367
	1,208,637	1,212,585	3,948	1,148,423
OPERATING EXPENSES				
Administration and accounting	78,960	78,960	-	71,352
Security	131,280	131,280	-	101,520
Maintenance	96,580	110,159	(13,579)	56,072
Accounting fees	7,500	9,750	(2,250)	8,890
Credit card commissions & discounts	22,852	29,105	(6,253)	29,494
Depreciation	-	2,051	(2,051)	2,051
Directors expense	1,380	2,103	(723)	-
Lease - JH Land Trust	7,000	7,000	-	7,000
Environmental	21,000	16,383	4,617	519
Firewood	40,019	29,243	10,776	24,095
Income Tax	8,800	-	8,800	8,039
Insurance	81,630	132,505	(50,875)	70,873
Legal	24,000	28,855	(4,855)	32,231
Management fees	52,680	52,680	-	56,700
Operating Reserve	(27,000)	-	(27,000)	
Other operating expenses and supplies	22,510	12,510	10,000	24,535
Penalties and interest	-	264	(264)	-
Property taxes	5,072	3,962	1,110	3,949
Recreational facilities	90,713	85,421	5,292	71,652
Repairs and maintenance	-			
Building	-	20,243	(20,243)	498
Landscaping	5,200	11,234	(6,034)	34,267
Roads and paths	199,360	185,697	13,663	200,576
Trash removal	16,579	28,428	(11,849)	22,262
Telephone	59,856	59,856	-	40,135
Tractor	3,000	1,590	1,410	2,563
Transportation	95,130	95,130	-	74,902
Water and sewer	164,244	164,684	(440)	161,760
Total operating expenses	1,208,345	1,299,093	(90,748)	1,105,935
Excess of operating fund revenues over (under) operating fund expenses	\$ 292	\$ (86,508)	\$ (86,800)	\$ 42,488

SPRING CREEK HOMEOWNERS' ASSOCIATION
SCHEDULE OF RESERVE FUND REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Project Common	\$ 44,778	\$ 44,779	\$ 1	\$ 39,770
Spirit Dance	113,279	113,279	-	105,102
Harvest Dance	76,975	76,936	(39)	71,362
Interest income	-	72,531	72,531	79,103
	<u>235,032</u>	<u>307,525</u>	<u>72,493</u>	<u>295,337</u>
OPERATING EXPENSES				
Brokerage fees	-	308	(308)	308
Foreign taxes	-	408	(408)	408
Income Tax	-	59,288	(59,288)	-
Site common - Harvest Dance	283,500	356,288	(72,788)	187,267
Site common - Spirit Dance	107,100	67,770	39,330	241,054
Project common	150,500	178,202	(27,702)	204,473
Total operating expenses	<u>541,100</u>	<u>662,264</u>	<u>(121,164)</u>	<u>633,510</u>
Excess of reserve fund revenues over (under) operating fund expenses	<u>\$ (306,068)</u>	<u>\$ (354,739)</u>	<u>\$ (48,671)</u>	<u>\$ (338,173)</u>