

SPRING CREEK HOMEOWNERS' ASSOCIATION

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

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SPRING CREEK HOMEOWNERS' ASSOCIATION
FINANCIAL STATEMENTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

September 20, 2019

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, 2018 and 2017, 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. Ant. PC

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

SPRING CREEK HOMEOWNERS' ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Totals	
			2018	2017
ASSETS				
Cash, including interest-bearing deposits	\$ 344,216	\$ -	\$ 344,216	\$ 382,864
Investments - cash (Note #4)	-	28,960	28,960	277,758
Investments - securities (Note #4)	-	1,765,962	1,765,962	2,207,661
Assessments receivable (Note #3)	51,457	-	51,457	40,117
Prepaid income tax	-	-	-	-
Prepaid expenses	34,564	-	34,564	22,579
Due from operating fund	-	94,352	94,352	140,101
Due to replacement fund	(94,352)	-	(94,352)	(140,101)
Other receivables	-	9,503	9,503	5,500
Total current assets	335,885	1,898,777	2,234,662	2,936,479
Fixed assets	80,000	-	80,000	80,000
Accumulated depreciation	(8,546)	-	(8,546)	(6,495)
Net fixed assets	71,454	-	71,454	73,505
Total assets	<u>\$ 407,339</u>	<u>\$ 1,898,777</u>	<u>\$ 2,306,116</u>	<u>\$ 3,009,984</u>
LIABILITIES				
Accounts payable	\$ 56,069	\$ -	\$ 56,069	\$ 63,535
Income tax payable	-	136,454	136,454	59,288
Advanced homeowner assessments	262,387	-	262,387	317,924
Homeowner construction deposits	70,713	-	70,713	73,171
Accrued Expenses	6,892	-	6,892	83,894
Total current liabilities	396,061	136,454	532,515	597,812
Deferred tax liability, current year	-	29,670	29,670	196,182
Deferred tax liability, prior period adjustment	-	-	-	-
deferred taxes	-	-	-	-
Total liabilities	396,061	166,124	562,185	793,994
FUND BALANCES				
Accumulated excess of revenues over expenses	11,278	2,295,356	2,306,634	1,477,970
Accumulated other comprehensive income (loss)	-	(562,703)	(562,703)	738,020
(Note #7)	-	-	-	-
Total fund balances	11,278	1,732,653	1,743,931	2,215,990
Total liabilities and fund balances	<u>\$ 407,339</u>	<u>\$ 1,898,777</u>	<u>\$ 2,306,116</u>	<u>\$ 3,009,984</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Totals	
			2018	2017
REVENUES				
Assessments	\$ 1,487,170	\$ 243,013	\$ 1,730,183	\$ 1,443,467
Interest income	274	-	274	72,655
Other income	3,319	52,948	56,267	3,988
Total revenues	<u>1,490,763</u>	<u>295,961</u>	<u>1,786,724</u>	<u>1,520,110</u>
EXPENSES				
Operating expenses - schedule of expenses	1,400,119		1,400,119	1,299,093
Replacement other - schedule of expenses		899,796	899,796	662,264
Total expenses	<u>1,400,119</u>	<u>899,796</u>	<u>2,299,915</u>	<u>1,961,357</u>
Excess (deficiency) of revenues over expenses, operating	<u>90,644</u>	<u>(603,835)</u>	<u>(513,191)</u>	<u>(441,247)</u>
OTHER REVENUE (EXPENSE)				
Net realized gains (losses) on securities	-	667,535	667,535	227,686
Total other revenue (expense)	<u>-</u>	<u>667,535</u>	<u>667,535</u>	<u>227,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES, OPERATING	<u>90,644</u>	<u>63,700</u>	<u>154,344</u>	<u>(213,561)</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Totals	
			2018	2017
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES, OPERATING	90,644	63,700	154,344	(213,561)
OTHER COMPREHENSIVE INCOME (NOTE 7)				
Unrealized gains (losses) on securities:				
Unrealized holding losses arising during period		(51,823)	(51,823)	268,849
Less: reclassification adjustment for gains included in excess of revenues over expenses		(741,092)	(741,092)	(200,676)
	-		-	-
Other comprehensive income before tax	-	(792,915)	(792,915)	68,173
Income tax expense related to items of other comprehensive income	-	166,512	166,512	98,268
Other comprehensive income net of tax	-	(626,403)	(626,403)	166,441
Comprehensive income	\$ 90,644	\$ (562,703)	\$ (472,059)	\$ (47,120)
Fund Balance - Beginning of year	\$ (79,368)	\$ 2,295,358	\$ 2,215,990	\$ 2,263,110
Total Comprehensive Income	90,644	(562,703)	(472,059)	(47,120)
Fund Balance - End of year	<u>\$ 11,276</u>	<u>\$ 1,732,655</u>	<u>\$ 1,743,931</u>	<u>\$ 2,215,990</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Totals	
			2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	90,644	(603,835)	(513,191)	\$ (441,247)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by by operating activities:				
(Increase) decrease in assets:				
Assessments receivable	(11,340)		(11,340)	(29,943)
Prepaid income tax			-	-
Prepaid expenses	(11,985)		(11,985)	(22,579)
Other assets			-	8
Other receivables		(4,003)	(4,003)	(5,500)
Depreciation add back	2,051		2,051	2,051
Increase (decrease) in liabilities:				
Accounts payable	(7,466)		(7,466)	17,290
Income tax payable		77,166	77,166	53,707
Advanced homeowner assessments	(55,537)		(55,537)	41,430
Homeowner construction deposits	(2,458)		(2,458)	2,544
Other Accruals	3,192	(80,193)	(77,001)	59,082
Net cash provided by operating activities	7,101	(610,865)	(603,764)	(323,157)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of securities	-	1,962,382	1,962,382	477,586
Purchase of securities	-	(1,646,064)	(1,646,064)	(50,944)
Net cash used by investing activities	-	316,318	316,318	426,642
CASH FLOWS FROM FINANCING ACTIVITIES				
Inter-fund transfers	(45,749)	45,749	-	-
Net cash provided (used) by financing activities	(45,749)	45,749	-	-
NET INCREASE (DECREASE) IN CASH	(38,648)	(248,798)	(287,446)	103,485
CASH AT BEGINNING OF YEAR	382,864	277,758	660,622	557,137
CASH AT END OF YEAR	<u>\$ 344,216</u>	<u>\$ 28,960</u>	<u>\$ 373,176</u>	<u>\$ 660,622</u>
SUPPLEMENTAL DISCLOSURE				
Income taxes paid			\$ 1,181	\$ 8,039

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 30, 2019, 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, 2018 and 2017 assessments receivable are \$51,457 and \$40,117 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. Late fees are charged at the greater of \$25 or 1.5% per month. At December 31, 2018, eight lots and \$26,132.24 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, 2018 AND 2017

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>(8,546)</u>
	<u>\$71,454</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, 2018 AND 2017

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

Rounding Convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. The rounding convention is applied to each amount displayed in a column, whether detail item or total.

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:

	2018	2017
Building policy	\$ 24,000,000	\$ 24,000,000
Earthquake	\$ 28,585,157	\$ 28,585,157

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 (losses) of \$(792,915) and \$68,173 in 2018 and 2017, 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, 2017, from which the summarized information was derived.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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, 2018 and 2017 are shown in Note 7 – Other Comprehensive Income.

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 hierarchical 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	
			2018	2017
Beginning balance - fair value	\$ 277,758	\$ 2,207,660	\$ 2,485,418	\$ 2,485,585
Net cash in/out	(305,398)	(316,318)	(621,716)	(368,548)
Realized earnings (losses)	56,600	667,535	724,135	300,216
Unrealized gains (losses)	-	(792,915)	(792,915)	68,165
Ending balance - fair value	<u>\$ 28,960</u>	<u>\$ 1,765,962</u>	<u>\$ 1,794,922</u>	<u>\$ 2,485,418</u>

Net unrealized and realized gain on securities is as follows:

Unrealized gain (loss)	\$ (792,915)	\$ 68,165
Realized gain (loss)	<u>667,535</u>	<u>227,686</u>
Net unrealized and realized gain on securities	<u>\$ (125,380)</u>	<u>\$ 295,851</u>

Net realized gain on securities available for sale:

Security sales proceeds	\$ 1,962,382	\$ 477,586
Basis of securities sold	<u>(1,294,847)</u>	<u>(249,900)</u>
Realized gain (loss) on sales of securities	<u>\$ 667,535</u>	<u>\$ 227,686</u>

The cost of each security available for sale is adjusted to fair market value annually. This adjusted fair market value is the basis used to compute unrealized gains and losses. The cost basis of each security is also tracked and used to compute realized gains and losses.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 corporation using form 1120 because it resulted in lower taxes. Under this scenario, the Association is taxed on all income and expenses related to its operations with a Section 277 limitation preventing the Association from showing a loss as a result of its exempt function expenses and / or netting nonexempt income with an operating loss. Nonexempt function income includes interest, investment income and revenues from non-members. Operating expenses related to the nonexempt income are allocated to offset a portion of the taxable income. The resulting income is taxed at 21% on form 1120.

Income tax expense in 2018 and 2017 was \$136,454 and \$59,288 respectively. The taxes were higher in the current year due to the Association selling more securities to finance needed repairs. The federal income tax returns of the Association for 2018, 2017, 2016 and 2015 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 \$1,898,777 consist of cash, including interest bearing monies of \$28,960, taxable and tax-exempt investments including accrued interest totaling \$1,765,962, other receivables of \$9,503, and an inter-fund receivable of \$94,352 as of December 31, 2018. 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. A new study for Harvest Dance and Spirit Dance was completed in January of 2019. For Project Common the last study was updated in 2015. The study's estimated replacement costs are adjusted to provide for inflation for the years between the date of the study and the current year.

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

	2018	2017
Replacement fund		
Assessments – Project Common	\$ 36,456	\$ 44,779
Assessments – Spirit Dance	113,962	113,279
Assessments – Harvest Dance	<u>92,595</u>	<u>76,936</u>
	<u>\$ 243,013</u>	<u>\$ 234,994</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE #6 - COMMITMENTS AND CONTINGENCIES (continued)

Future major repairs and replacements (continued)

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

In January 2018, the Association received from Thompson Palmer incorrect tax advice related to offset capital gains with reserve expense. Based on this guidance, the Association undertook a strategy to liquidate investments and realize capital gains, which then created a tax liability of about \$136,000. The incorrect advice was realized when the 2017 Federal Tax Returns were being prepared. The Association is seeking reimbursement for this tax liability with ongoing discussions.

In February 2019, the Association received a letter from an attorney representing an anonymous group of Homeowners called the SC Neighbors. Subsequently, Clay Cook was disclosed as a party within this group. The letter identified a number of questions related to operations within the Association and requested numerous documents to be produced. The Association notified the Directors and Officers policy carrier and coverage is being provided for legal counsel related to this matter. Currently, the SC Neighbors are seeking numerous documents to be produced or a time scheduled for document inspection. The Association has requested that all members of the SC Neighbors be identified before a time is scheduled.

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 which is reported on the balance sheet and statement of comprehensive income and changes in fund balances.

The cost of each security available for sale is adjusted to fair market value annually. This adjusted fair market value is the basis used to compute unrealized gains and losses for the period. These are reported in other comprehensive income rather than on the statement of revenues and expenses. This reduces volatility in the statement of revenues and expenses as the fair market values of securities move up and down. When a security is sold, the realized gain or loss is recognized on the statement of revenues and expenses with an offsetting entry to move the accumulated unrealized gains or losses from other comprehensive income. Potential taxes related to the unrealized gains and losses are also reported in other comprehensive income.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE #7 – OTHER COMPREHENSIVE INCOME (continued)

The components of other comprehensive income for 2018 and 2017 including the prior period adjustment are as follows:

	2018	2017
Other comprehensive Income		
Unrealized holding gains (losses) during period	<u>\$ (792,915)</u>	<u>\$ 68,173</u>
Increase (decrease) in current year of other comprehensive income from unrealized holding gains (losses) during period (losses)	<u>\$ (792,915)</u>	<u>\$ 68,173</u>
Changes in accumulated other comprehensive income		
Accumulated other comprehensive income, beginning	\$ 934,202	\$ 866,029
Unrealized holding gains (losses) during period	(51,823)	268,849
Less reclassification adjustment for gains (losses) included in excess (deficiency) of revenues over expenses	<u>(741,092)</u>	<u>(200,676)</u>
Unrealized gains (losses) available for sale securities	(792,915)	68,173
Accumulated other comprehensive income (loss), before taxes	141,287	934,202
Estimated taxes on other comprehensive income		
Beginning accumulated tax (expense) benefit	(196,182)	(294,450)
Current year tax (expense) benefit	166,512	98,268
Total deferred taxes	<u>(29,670)</u>	<u>(196,182)</u>
Total accumulated other comprehensive income (loss), net of tax	<u>\$ 111,617</u>	<u>\$ 738,020</u>
Total current year change in other comprehensive income unrealized gains (losses) available for sale securities and current year tax (expense) benefit	(626,403)	166,441

Note #8 – CREDIT AND MARKET RISK

The Association's financial instruments consist of cash, investments, and homeowner receivables. At December 31, 2018 and 2017, cash and cash equivalents exceeding federally insured limits totaled \$0 and \$33,687. Investments amounting to \$1,794,922 and \$2,485,418 were uninsured at December 31, 2018 and 2017, respectively. Receivables are due from unit owners and are considered collectible.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 \$784,082 and \$648,445 in 2018 and 2017, respectively. The Association owed \$35,341 and \$33,854 at 2018 and 2017 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 2018 and 2017 year end for these improvements.

In 2018, Spring Creek Improvement & Service District reimbursed the Association \$30,682 of expenses as follows: water expenses \$23,447, sewer system \$1,034 and roads \$6,201.

NOTE#11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2019, 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, 2018

Periodically, a reserve study determines the replacement value of the inventory of infrastructure items as of the date of the study. A new study for Harvest Dance and Spirit Dance was completed in January of 2019. For Project Common the last study was updated in 2015. The study's estimated replacement costs are adjusted to provide for inflation for the years between the date of the study and the current year.

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 2018 Budget Allocation	Percent of Total Budget Allocation
Project common components				
Equipment, water, sewer and common	2-54	16,389,751	\$ 36,456	15.04%
Sub-total		16,389,751	36,456	15.04%
Site common components				
Spirit Dance Subdivision	0-17	5,010,000	113,279	46.75%
Harvest Dance Subdivision	2-20	5,112,000	92,595	38.21%
Sub-total		10,122,000	205,874	84.96%
Total		<u>\$ 26,511,751</u>	<u>\$ 242,330</u>	<u>100.00%</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2018

	Beginning Balance 2018	Sources (Uses)				Ending Balance 2018
		Assessments	Fund Expenses	Earnings Gain (Loss)		
				Realized	Unrealized**	
Project Common	\$ 461,776	\$ 36,456	\$ (99,959)	\$ 116,390	\$ (125,004)	\$ 389,659
Site (subdivision)						
Spirit Dance						
Major repairs	975,871	113,962	(504,924)	223,747	(240,306)	568,350
Harvest Dance						
Major repairs	852,471	92,595	(157,669)	241,460	(259,330)	769,527
Sun Dance*						
Major repairs	5,239	-	-	1,641	(1,762)	5,118
Sub-total	1,833,581	206,557	(662,593)	466,848	(501,398)	1,342,995
Total reserve fund	\$ 2,295,357	\$ 243,013	\$ (762,552)	\$ 583,238	\$ (626,402)	\$ 1,732,654

* 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, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018	2017
OPERATING EXPENSES		
Administration and accounting	82,680	78,960
Security	131,280	131,280
Maintenance	114,161	110,159
Accounting fees	440	9,750
Credit card commissions & discounts	41,987	29,105
Depreciation	2,051	2,051
Directors expense	(5)	2,103
Lease - JH Land Trust	7,000	7,000
Environmental	12,060	16,383
Firewood	47,419	29,243
Insurance	147,973	132,505
Legal	17,558	28,855
Management fees	70,140	52,680
Other operating expenses and supplies	20,417	12,510
Penalties and interest	-	264
Property taxes	3,908	3,962
Recreational facilities	112,203	85,421
Repairs and maintenance		
Building	2,908	20,243
Landscaping	9,251	11,234
Roads and paths	199,781	185,697
Trash removal	37,129	28,428
Telephone	62,426	59,856
Tractor	1,290	1,590
Transportation	98,019	95,130
Water and sewer	178,043	164,684
Total operating expenses	1,400,119	1,299,093
REPLACEMENT FUND EXPENSES		
Brokerage fees	246	308
Foreign taxes	544	408
Income Tax	136,454	59,288
Site common - Harvest Dance	157,669	356,288
Site common - Spirit Dance	504,924	67,770
Project common	99,959	178,202
Total replacement fund expenses	899,796	662,264

SPRING CREEK HOMEOWNERS' ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Assessments	\$ 1,487,170	\$ 1,487,170	\$ (0)	\$ 1,208,472
Interest income	-	274	274	125
Other	-	3,319	3,319	3,319
	1,487,170	1,490,763	3,593	1,211,916
OPERATING EXPENSES				
Administration and accounting	82,680	82,680	-	71,352
Security	131,280	131,280	-	101,520
Maintenance	139,800	114,161	25,639	56,072
Accounting fees	7,500	440	7,060	8,890
Credit card commissions & discounts	22,703	41,987	(19,284)	29,494
Depreciation	-	2,051	(2,051)	2,051
Directors expense	1,380	(5)	1,385	-
Lease - JH Land Trust	7,000	7,000	-	7,000
Environmental	18,000	12,060	5,940	519
Firewood	32,970	47,419	(14,449)	24,095
Income Tax	8,800	-	8,800	8,039
Insurance	162,414	147,973	14,441	70,873
Legal	24,000	17,558	6,442	32,231
Management fees	70,140	70,140	-	56,700
Operating Reserve	48,000	-	48,000	-
Other operating expenses and supplies	26,710	20,417	6,293	24,535
Penalties and interest	-	-	-	-
Property taxes	4,558	3,908	650	3,949
Recreational facilities	110,093	112,203	(2,110)	71,652
Repairs and maintenance	-	-	-	-
Building	-	2,908	(2,908)	498
Landscaping	5,200	9,251	(4,051)	34,267
Roads and paths	211,976	199,781	12,195	200,576
Trash removal	19,475	37,129	(17,654)	22,262
Telephone	61,920	62,426	(506)	40,135
Tractor	3,000	1,290	1,710	2,563
Transportation	98,019	98,019	-	74,902
Water and sewer	189,254	178,043	11,211	161,760
Total operating expenses	1,486,872	1,400,119	86,753	1,105,935
Excess of operating fund revenues over (under) operating fund expenses	\$ 298	\$ 90,644	\$ 90,346	\$ 105,981

SPRING CREEK HOMEOWNERS' ASSOCIATION
SCHEDULE OF RESERVE FUND REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Project Common	\$ 36,456	\$ 36,456	\$ -	\$ 44,779
Spirit Dance	113,962	113,962	-	113,279
Harvest Dance	92,595	92,595	-	76,936
Interest income	-	-	-	72,531
	<u>243,013</u>	<u>243,013</u>	<u>-</u>	<u>307,525</u>
OPERATING EXPENSES				
Brokerage fees	-	246	(246)	308
Foreign taxes	-	544	(544)	408
Income Tax	-	136,454	(136,454)	59,288
Site common - Harvest Dance	583,800	157,669	426,131	356,288
Site common - Spirit Dance	456,050	504,924	(48,874)	67,770
Project common	94,250	99,958	(5,708)	178,202
Total operating expenses	<u>1,134,100</u>	<u>899,795</u>	<u>234,305</u>	<u>662,264</u>
Excess of reserve fund revenues over (under) operating fund expenses	<u>\$ (891,087)</u>	<u>\$ (656,783)</u>	<u>\$ 234,305</u>	<u>\$ (354,739)</u>