

The Park at Quail Creek Homeowners' Association, Inc.

Reviewed Financial Statements

For the Year Ended December 31, 2016

The Park at Quail Creek Homeowners' Association, Inc.

Reviewed Financial Statements

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
The Park at Quail Creek Homeowners' Association, Inc.
Austin, Texas

We have reviewed the accompanying financial statements of The Park at Quail Creek Homeowners' Association, Inc., which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical review 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 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.

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.

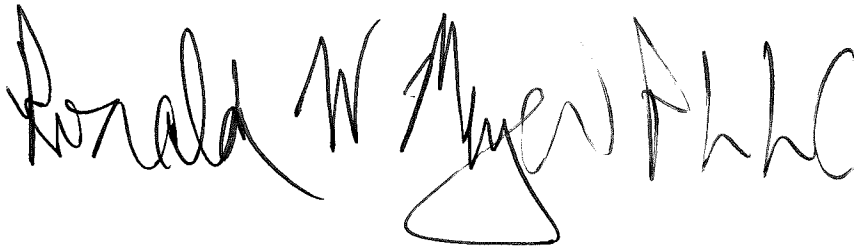
Accountant's Conclusion on the Financial Statements

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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the required supplementary information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our conclusion on the basic financial statements is not affected by the missing information.

Austin, Texas
October 23, 2017

A handwritten signature in black ink that reads "Ronald W. Meyer Ph.D." The signature is written in a cursive style with a large, stylized initial 'R' and 'M'.

The Park at Quail Creek Homeowners' Association, Inc.

Balance Sheet

December 31, 2016

	<u>2016</u>
Assets	
Current Assets	
Cash - Undesignated	\$ 18,713
Cash - Designated	83,960
Due from Operating to Reserves	12,203
Accounts Receivable, net	12,773
Prepaid Insurance	27,842
Total Current Assets	<u>155,491</u>
Fixed Assets	
Furniture and Fixtures	15,983
Exterior Lighting	9,517
Clubhouse and Pool	106,874
Land	438,127
Accumulated Depreciation	<u>(123,635)</u>
Total Fixed Assets	<u>446,866</u>
 Total Assets	 <u><u>\$ 602,357</u></u>
Liabilities and Members' Equity	
Current Liabilities	
Due to Reserves from Operating	\$ 12,203
Insurance Payable	26,331
Resident Refunds	2,063
Pool Key Deposits	695
Prepaid Assessments	18,141
Total Current Liabilities	<u>59,433</u>
Fund Balance	
Developer Contributions	441,029
Fund Balance	101,895
Total Fund Balance	<u>542,924</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 602,357</u></u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balance

For the Year Ended December 31, 2016

	<u>2016</u>
Revenues	
Assessment Income	\$ 485,485
User Fee Income	1,315
Collections Income	10,224
Violation Fines	1,000
Interest Income	<u>141</u>
Total Revenues	<u>498,165</u>
Expenses	
Taxes and Insurance	
Insurance	<u>93,361</u>
Total Taxes and Insurance	<u>93,361</u>
Utilities	
Electricity	6,227
Water and Sewer Service	56,823
Maintenance - Recycling	7,768
Telephone	<u>2,286</u>
Total Utilities	<u>73,104</u>
Landscaping and Contracted Services	
Landscape Maintenance	72,547
Tree Maintenance	17,941
Porter	5,900
Pest Control	7,845
Pool Management	12,387
Trash Removal	<u>43,382</u>
Total Landscaping and Contracted Services	<u>160,002</u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balance
(continued)

For the Year Ended December 31, 2016

	<u>2016</u>
Repair and Maintenance	
Landscape Repair and Maintenance	295
Irrigation Repair and Maintenance	3,312
Building Repair and Maintenance	6,672
General Repair and Maintenance	25,035
Gutter Repair and Maintenance	3,374
Lighting Supplies/Repair and Maintenance	3,009
Maintenance Labor	1,880
Street Repair and Maintenance	4,366
Mileage	98
Other Supplies/Repair & Maintenance	83
Depreciation	1,595
Total Repairs and Maintenance	<u>49,719</u>
General and Administrative	
General Administrative	4
Bank Charges	13
Collection Expense	7,501
Office Reimbursements	6,233
Postage	779
Newsletter Services	871
Additional Site Visits	300
Alarm System Expenses	518
Surveillance Cameras	3,908
Total General and Administrative	<u>20,127</u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balance
(continued)

For the Year Ended December 31, 2016

	2016
Professional Services	
Permits and Licenses	200
Audit and Tax Services	367
Legal Services - Collections	880
Legal Services - Deed Restrictions	308
Management Fees	45,105
Other Professional Services	(1,048)
Total Professional Services	45,812
Other Expenses	50,139
Total Operating Fund Expenses	492,264
Capital/Reserve Expenses	
Legal	7,423
Other	6,500
Total Capital/Reserve Expenses	13,923
Total Expenses	506,187
Excess of Revenues Over/(Under) Expenses	(8,022)
Beginning Fund Balance	550,946
Ending Fund Balance	\$ 542,924

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2016

	<u>2016</u>
Cash Flows from Operating Activities:	
Excess of Revenues Over Expenses	\$ (8,022)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	\$ 1,595
Changes in Operating Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	18,551
(Increase) Decrease in Prepaid Insurance	(11,486)
Increase (Decrease) in Insurance Payable	26,331
Increase (Decrease) in Resident Refunds	(40)
Increase (Decrease) in Pool Key Deposits	(15)
Increase (Decrease) in Prepaid Assessments	<u>690</u>
Net Cash Provided By Operating Activities	<u>27,604</u>
Cash Flows from Investing Activities:	
Fixed Asset Acquisitions	<u>-</u>
Net Cash Provided/(Used) by Investing Activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	27,604
Cash and Cash Equivalents at Beginning of Year	<u>75,069</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 102,673</u></u>
Summary of Cash Accounts	
Undesignated	\$ 18,713
Designated	<u>83,960</u>
	<u><u>\$ 102,673</u></u>
Supplemental Disclosure	
Income Taxes Paid	<u><u>\$ -</u></u>
Interest Paid	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 1 - Nature of Organization

The Park at Quail Creek Homeowners' Association, Inc. (the Association) was incorporated on December 6, 1971 under the Texas Non-profit Corporation Act for the purpose of operating, managing, and administering the affairs of its membership. This is a 196 unit residential townhome association located in Travis County, Texas.

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 October 23, 2017, the date that the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

Basis of Accounting

The Association uses the accrual basis method of accounting. Using this method of accounting, revenues and accounts receivables are recognized when earned regardless of when cash is received. Revenues received prior to being earned are reported as prepaid assessments. Expenses and accounts payable are recognized when the obligation is incurred regardless of when cash is disbursed. Expenses paid before being obligated are reported as prepaid expenses.

The Association's governing documents provide certain guidelines for governing its financial activities. 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 - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

The Park at Quail Creek Homeowners' Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 3 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts in checking and money market accounts, time deposits, certificates of deposits and all highly liquid instruments with maturities of twelve months or less.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenditures, future capital expenditures, and major repairs and replacements. Assessments receivable at December 31, 2016 represents amounts due from homeowners. Prepaid assessments at December 31, 2016 represent assessments paid in advance by homeowners. The allowance for bad debts was \$0 at December 31, 2016. Excess assessments at the end of the year are retained by the Association for use in future years.

Fixed Assets

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of the real property directly associated with the townhomes. Property and equipment acquired by the Association are recorded at cost and property contributed to the Association by the developer is recorded at estimated fair value at the date of contribution.

Depreciation

Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Park at Quail Creek Homeowners' Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 4 - Federal Income Taxes

The Association has elected to be taxed under Internal Revenue Code Section 528 which allows the Association to exclude exempt function income from gross income. Exempt function income consists of owners assessments or other fees the Association receives from members as owners of the Association services. Taxable non-member income arises from amounts received from non-members of the Association including interest earned on reserve funds. Income tax of \$0 for 2016 is reflected in these financial statements.

The Association should no longer be subject to IRS examination for tax years prior to 2013.

Note 5 - Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$47,883 at December 31, 2016, are held in separate accounts and are generally not available for operating purposes. In addition, the Operating Fund owes the Reserve Fund \$12,203 as of December 31, 2016, primarily for Board approved transfers which had yet to be made due to cash flow constraints.

The Association has not conducted a study to determine the useful lives of common property components and the costs of future major repairs and replacements.

Should amounts accumulated in the replacement fund not be adequate to meet future needs, the Association has the right, subject to member approval, to increase the regular assessment or levy special assessments. Otherwise, major repairs and replacements may be delayed until funds are available.