

**FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.  
LAKEWAY, TEXAS**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2018**

# **FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.**

**Year Ended December 31, 2018**

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LEWIS, KAUFMAN, REID, STUKEY, GATTIS & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2019

To the Board of Directors of  
Flintrock at Hurst Creek Property Owners Association, Inc.  
Lakeway, Texas

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of Flintrock at Hurst Creek Property Owners Association, Inc. as of December 31, 2018, 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.

#### **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 entity'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 entity'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.



# FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.

## BALANCE SHEET December 31, 2018

	Operating Fund	Reserve Fund	Total
ASSETS			
Cash and cash equivalents	\$ 180,620	\$ 855,527	\$ 1,036,147
Assessments receivable	4,900		4,900
Other receivables	18,917	-	18,917
Inventory	25,850	-	25,850
Property and equipment, net of accumulated depreciation of \$3,381	-	-	-
TOTAL ASSETS	<u>\$ 230,287</u>	<u>\$ 855,527</u>	<u>\$ 1,085,814</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 20,618	\$ -	\$ 20,618
Prepaid assessments	16,031		16,031
Construction and other deposits	162,750		162,750
	-	-	-
Total Liabilities	199,399	-	199,399
Fund balances	<u>30,888</u>	<u>855,527</u>	<u>886,415</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 230,287</u>	<u>\$ 855,527</u>	<u>\$ 1,085,814</u>

See accompanying notes and accountant's report.

# FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES December 31, 2018

	Operating Fund	Reserve Fund	Total
<b>REVENUES</b>			
Regular assessments	\$ 444,615	\$ 52,193	\$ 496,808
Interest income	1,348	11,038	12,386
Other Fees	29,142		29,142
Other Income	75	5,700	5,775
Total Revenues	475,180	68,931	\$ 544,111
<b>EXPENSES</b>			
Administration	33,092	50	33,142
Bad debt expense	16,078	-	16,078
Depreciation	-	-	-
Gate Repairs & Maintenance	43,975	42,870	86,845
Income tax (See Note 9)	2,169	-	2,169
Insurance	8,795	-	8,795
Landscaping & maintenance	120,271	-	120,271
Other maintenance expense	10,920	-	10,920
RFID Expenses	28,606	-	28,606
Legal & Professional Fees	8,143	-	8,143
Management expenses	28,109	-	28,109
Miscellaneous	12,722	-	12,722
Property taxes	2,300	-	2,300
Security	167,829	-	167,829
Utilities	29,031	-	29,031
	-	-	-
Total Expenses	512,040	42,920	554,960
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(36,860)	26,011	(10,849)
FUND BALANCES, beginning of year	71,666	825,598	897,264
Transfers between funds	(3,918)	3,918	-
FUND BALANCES, end of year	\$ 30,888	\$ 855,527	\$ 886,415

See accompanying notes and accountant's report.

# FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.

## STATEMENT OF CASH FLOWS

December 31, 2018

	Operating Fund	Reserve Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (Deficit) of revenues over expenses	\$ (36,860)	\$ 26,011	\$ (10,849)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:			
Depreciation	-	-	-
(Increase) decrease in:			
Assessments receivable	(23)		(23)
Other receivables	(4,662)		(4,662)
Inventory	(25,850)		(25,850)
Increase (decrease) in:			
Accounts payable and accrued expenses	16,513	-	16,513
Refundable deposits	(5,000)		(5,000)
Deferred assessments	(24,796)	-	(24,796)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(80,678)	26,011	(54,667)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment	-	-	-
Disposal of Assets	-	-	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	-	-	-
<b>CASH FLOWS PROVIDED (USED) FROM FINANCING ACTIVITIES</b>			
Change in Due To / From Other Funds	-	-	-
Interfund transfers	(3,918)	3,918	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	(3,918)	3,918	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(84,596)	29,929	(54,667)
CASH AND CASH EQUIVALENTS, beginning of year	265,216	825,598	1,090,814
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 180,620</u>	<u>\$ 855,527</u>	<u>\$ 1,036,147</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:</b>			
Interest paid	<u>-</u>		
Federal income tax paid	<u>2,169</u>		

See accompanying notes and accountant's report.

# FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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### **NOTE 1: NATURE OF ORGANIZATION**

Flintrock at Hurst Creek Property Owners Association, Inc., a Texas corporation (the Association), was formed on June 21, 2001 to control, maintain, and operate the real property, private streets, and common areas in the development Flintrock at Hurst Creek Property Owners Association. The association consist of approximately 432 residential units located in the city of Lakeway, Travis County, Texas.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **FUND ACCOUNTING**

The association uses fund accounting, which requires that funds such as operating funds and funds designated for roadway repair and reconstruction be classified separately for accounting and reporting purposes. The Association maintains the following funds:

Operating Fund – The general fund is used to account for the day-to-day activities of the Association, including the general management and upkeep of the common property. Amounts received by this fund are derived from its member assessments or special assessments as determined by the Board of Directors.

Reserve Fund - The capital asset reserve fund is used to account for funds accumulated for major repairs and replacements. Annual amounts received by this fund have been derived from member assessments or special assessments as determined by the Board of Directors.

#### **CASH AND CASH EQUIVALENTS**

General Fund - These funds represent monies of the Association available for general purposes of the Association. The investment of excess funds in this category, as a rule, should be viewed as short-term in nature, with maturities ranging from 3 to 12 months.

Restricted Funds - These funds include amounts to be used for special purposes such as the Capital Asset Reserve Fund established for repairs and replacement and other such funds designated from time to time by the board of directors.

#### **ASSESSMENTS RECEIVABLE**

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent.

# **FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018**

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### **INVESTMENTS**

Investments with readily determinable fair values are reported in the statement of financial position at fair value based upon quoted market prices with any realized or unrealized gains and losses reported in the statement of revenues and expenses and changes in fund balances.

### **PROPERTY AND EQUIPMENT**

Real property and common areas acquired from the developer of the property and related improvements to that real common property are not recorded in the Association's financial statements unless the association has clear title to the real property and the Association can dispose of the property, at the discretion of the board of directors with the Association retaining the proceeds.

Personal property acquired by the Association is capitalized at cost and depreciated over the useful life of the property using double declining balance method of depreciation. All personal property owned by the Association was fully depreciated as of December 31, 2018.

### **REFUNDABLE DEPOSITS**

Flintrock at Hurst Creek Property Owners Association, Inc. Amended Master Declaration (the Declaration) includes a number of architectural, residential, and landscaping restrictions intended, among other things, to protect the property values of all property owners and to ensure a desirable quality of life for residents. The Declaration created the Architectural Committee (ACC) to enforce the restrictions pertaining to construction and maintenance of houses and landscaping. The ACC, which reports to the Association's Board of Directors, requires that property owners make non-interest bearing, refundable deposits before building.

### **MEMBER ASSESSMENTS**

Association members are subject to assessments to provide funds for the Association's operating expenses, capital expenditures, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from property owners.

### **INTEREST AND DIVIDEND INCOME**

Interest and dividend income is recorded in the respective funds based on actual earnings for each fund.



# FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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### FEDERAL INCOME TAXES

Homeowner's associations may be taxed either as a homeowner's association or as a regular corporation. For the year ended December 31, 2018, the Association elected to be taxed as a regular corporation and filed Form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest income.

As of December 31, 2018, the tax years that remain subject to examination by taxing authorities being with 2015.

### CONCENTRATION OF CREDIT RISK

Cash deposits in excess of federally insured limits are considered concentrations of credit risk under Financial Accounting Standard Statement No. 105. At December 31, 2018, the Association had no cash deposits that exceeded the federally insured limits of the deposit institutions.

### USE OF ESTIMATES

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

### **NOTE 3: INVESTMENTS**

The Association held no investments at December 31, 2018.

### **NOTE 4: PROPERTY AND EQUIPMENT**

The Association's property and equipment consist of the following at December 31, 2018:

Equipment and furnishings	\$ 3,381
Less accumulated depreciation	<u>(3,381)</u>
Net Property and Equipment	<u>\$ 0</u>

# **FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018**

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### **NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's capital asset replacement fund accumulates funds for estimated future major repairs and replacements. Accumulated funds are held in separate accounts and generally are not available for use in normal operations. The Association is funding such major repairs and replacements over the estimated useful lives of the common property based on its estimates of future replacement costs and considering amounts accumulated in the replacement fund. Actual expenditures, however, 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. If additional funds are needed, the Association has the right to increase regular assessments and/or levy special assessments, or it may delay major repairs and replacements until funds are available.

The Association engaged an independent consultant to conduct a study to estimate the remaining useful lives and the replacement costs of the common property components. The study was based on estimated future costs assuming an inflation factor of 2.00% and with an effective date of April 6, 2016. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimate of future replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, 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.

### **NOTE 6: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying value of investments, accounts receivable, and accounts payable approximates their fair value.

### **NOTE 7: DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 19, 2019, the date that the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

FLINTROCK AT HURST CREEK PROPERTY OWNERS ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
**(COMPILED)**  
12/31/2018

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An independent consultant conducted a full study in April 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement cost were based on the estimated costs to repair or replace the common property components at the end of their useful lives assuming an inflation rate of 3.10%.

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

<u>Reserve Component Categories</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Total Estimated Future or Inflated Replacement Costs</u>	<u>% of Total Future Replacements</u>
<u>Property Site Elements</u>			
Asphalt Pavement, Crack Repair & Patch	2	\$ 321,516	4.47%
Asphalt Pavement, Mill & Overlay, Phased	9 to 30	3,741,973	52.01%
Concrete Curbs & Gutters, Partial	9 to 30	543,249	7.55%
Concrete Sidewalks, Partial	10 to 30	610,525	8.49%
Catch Basins, Inspections & Capital Repairs, Phased	15 to 20	323,362	4.49%
Fences	1 to 19	63,569	0.88%
Gate Operators & Entry Systems	8	193,497	2.69%
Gates	8	91,415	1.27%
Light Poles & Fixtures	23	12,109	0.17%
Mailbox Stations	12	83,086	1.15%
Perimeter Walls, Partial	7 to 30	767,439	10.67%
Signage	8 to 20	82,037	1.14%
Trellises	15 to 20	84,685	1.18%
<u>Guard House &amp; Common Building Elements</u>			
Interior Renovations	4	29,160	0.41%
Roofs	13	104,102	1.45%
Split System	11	17,086	0.24%
Walls & Columns, Paint Finishes & Capital Repairs	7	74,977	1.04%
Windows & Doors	19	49,119	0.68%
Reserve Study Update with Site Visit	2	2,400	0.03%
Totals		<u>\$ 7,195,306</u>	<u>100.00%</u>

See Independent Auditor's Report