

# FALL CREEK

*FALL CREEK HOMEOWNERS ASSOCIATION, INC.*

*FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION*

*FOR THE YEAR ENDED  
DECEMBER 31, 2023*

FALL CREEK

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT ..... 1

COMBINED BALANCE SHEET ..... 3

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE.... 5

COMBINED STATEMENT OF CASH FLOWS ..... 9

NOTES TO FINANCIAL STATEMENTS..... 13

REQUIRED SUPPLEMENTARY INFORMATION ..... 18

    FUTURE MAJOR REPAIRS AND REPLACEMENTS ..... 19



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Fall Creek Homeowners Association, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying combined financial statements of Fall Creek Homeowners Association, Inc., and Fall Creek Community Services Foundation, Inc., which comprise the balance sheet as of December 31, 2023 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.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Fall Creek Homeowners Association, Inc. and Fall Creek Community Services Foundation, Inc. as of December 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fall Creek Homeowners Association, Inc. and Fall Creek Community Services Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt Fall Creek Homeowners Association, Inc.'s and Fall Creek Community Services Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

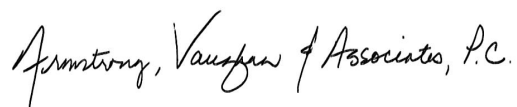
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fall Creek Homeowners Association, Inc.'s and Fall Creek Community Services Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fall Creek Homeowners Association, Inc.'s and Fall Creek Community Services Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on pages 19 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Armstrong, Vaughan & Associates, P.C.  
July 26, 2024

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
 COMBINED BALANCE SHEET  
 DECEMBER 31, 2023

	Homeowners Association		Fairway Crossing	
	Operating Fund	Replacement Fund	Operating Fund	Replacement Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,099,337	\$ 1,331,788	\$ 50,787	\$ 356,912
Certificates of Deposit	-	1,070,297	-	-
Accounts Receivable - Members	347,112	-	-	-
Allowance for Uncollectible Accounts	(104,134)	-	-	-
Other Receivables	450	-	-	-
Interfund Balances	201,199	(310,140)	117,565	(15,622)
Prepaid Expenses	54,886	-	-	-
	<b>TOTAL ASSETS</b>	<b>\$ 2,091,945</b>	<b>\$ 168,352</b>	<b>\$ 341,290</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<i>Liabilities:</i>				
ARC Deposits	\$ 72,358	\$ -	\$ -	\$ -
Accounts Payable	34,298	-	-	-
Foundation Enhancement Fees Payable	165,996	-	-	-
Federal Income Tax Payable	18,125	-	-	-
Other Payables	7,171	-	-	-
Prepaid Assessments	1,298,753	-	-	-
Spectrum Collections	36,227	-	-	-
<i>Total Liabilities</i>	<i>1,632,928</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Fund Balance</i>	<i>1,965,922</i>	<i>2,091,945</i>	<i>168,352</i>	<i>341,290</i>
	<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,091,945</b>	<b>\$ 168,352</b>	<b>\$ 341,290</b>

The accompanying notes are an integral part of these statements.

Serrano Creek		HOA		Elimination	Combined
Operating	Replacement	Totals	Foundation	Column	Totals
Fund	Fund				
\$ 56,675	\$ 267,160	\$ 5,162,659	\$ 1,312,233	\$ -	\$ 6,474,892
-	-	1,070,297	-	-	1,070,297
-	-	347,112	-	-	347,112
-	-	(104,134)	-	-	(104,134)
-	-	450	165,996	(165,996)	450
(3,648)	10,646	-	-	-	-
-	-	54,886	-	-	54,886
<u>\$ 53,027</u>	<u>\$ 277,806</u>	<u>\$ 6,531,270</u>	<u>\$ 1,478,229</u>	<u>\$ (165,996)</u>	<u>\$ 7,843,503</u>
\$ -	\$ -	\$ 72,358	\$ -	\$ -	\$ 72,358
-	-	34,298	37,330	-	71,628
-	-	165,996	-	(165,996)	-
-	-	18,125	1,843	-	19,968
-	-	7,171	-	-	7,171
-	-	1,298,753	-	-	1,298,753
-	-	36,227	-	-	36,227
-	-	1,632,928	39,173	(165,996)	1,506,105
<u>53,027</u>	<u>277,806</u>	<u>4,898,342</u>	<u>1,439,056</u>	<u>-</u>	<u>6,337,398</u>
<u>\$ 53,027</u>	<u>\$ 277,806</u>	<u>\$ 6,531,270</u>	<u>\$ 1,478,229</u>	<u>\$ (165,996)</u>	<u>\$ 7,843,503</u>

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Homeowners Association		Fairway Crossing	
	Operating Fund	Replacement Fund	Operating Fund	Replacement Fund
<b>REVENUES</b>				
Member Assessments	\$ 2,880,870	\$ -	\$ 93,800	\$ -
Foundation Fees	-	-	-	-
Joint Security Agreement	328,833	-	-	-
Joint Maintenance Agreement	343,000	-	-	-
Late Fees	63,522	-	-	-
Clubhouse Rental Fees	12,610	-	-	-
Tennis Income	16,943	-	-	-
Other Income	22,110	-	-	-
Gate and Amenity Access Income	4,400	-	852	-
Interest Income	24,555	41,455	153	5,248
<b>TOTAL REVENUES</b>	<u>3,696,843</u>	<u>41,455</u>	<u>94,805</u>	<u>5,248</u>
<b>EXPENSES</b>				
<i>Administrative Expenses:</i>				
Management Fees	206,448	-	-	-
Other Administrative	143,194	-	1,209	-
Insurance	116,812	-	-	-
Community Events	93,619	-	-	-
Bad Debt	40,564	-	-	-
Taxes	18,594	-	-	-
Tennis Coach Fees	18,200	-	-	-
Legal and Accounting Fees	17,702	-	-	-
<i>Total Administrative Expenses</i>	<u>655,133</u>	<u>-</u>	<u>1,209</u>	<u>-</u>
<i>Contract Services:</i>				
Landscaping	1,003,447	-	-	-
Security Services	478,693	-	-	-
Pool Service	217,622	-	-	-
Lake Maintenance	22,405	-	18,494	-
Cleaning	25,939	-	-	-
<i>Total Contract Services</i>	<u>\$ 1,748,106</u>	<u>\$ -</u>	<u>\$ 18,494</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.



Serrano Creek						
Operating Fund	Replacement Fund	HOA Totals	Foundation	Elimination Column	Combined Totals	
\$ 77,824	\$ -	\$ 3,052,494	\$ -	\$ -	\$ 3,052,494	
-	-	-	124,072	-	124,072	
-	-	328,833	-	-	328,833	
-	-	343,000	-	-	343,000	
-	-	63,522	-	-	63,522	
-	-	12,610	-	-	12,610	
-	-	16,943	-	-	16,943	
-	-	22,110	-	-	22,110	
150	-	5,402	-	-	5,402	
151	636	72,198	6,594	-	78,792	
<u>78,125</u>	<u>636</u>	<u>3,917,112</u>	<u>130,666</u>	<u>-</u>	<u>4,047,778</u>	
-	-	206,448	-	-	206,448	
1,835	-	146,238	28	-	146,266	
-	-	116,812	-	-	116,812	
-	-	93,619	-	-	93,619	
-	-	40,564	-	-	40,564	
-	-	18,594	1,843	-	20,437	
-	-	18,200	-	-	18,200	
-	-	17,702	350	-	18,052	
<u>1,835</u>	<u>-</u>	<u>658,177</u>	<u>2,221</u>	<u>-</u>	<u>660,398</u>	
-	-	1,003,447	-	-	1,003,447	
-	-	478,693	-	-	478,693	
-	-	217,622	-	-	217,622	
11,979	-	52,878	-	-	52,878	
-	-	25,939	-	-	25,939	
<u>\$ 11,979</u>	<u>\$ -</u>	<u>\$ 1,778,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,778,579</u>	

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
 (CONT.)  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Homeowners Association		Fairway Crossing	
	Operating Fund	Replacement Fund	Operating Fund	Replacement Fund
<b>EXPENSES (CONT.)</b>				
<i>Utilities:</i>				
Water	\$ 241,057	\$ -	\$ -	\$ -
Electricity and Gas	282,917	-	-	-
Telephone and Cable	12,730	-	5,072	-
Garbage Removal	4,776	-	-	-
<i>Total Utilities</i>	541,480	-	5,072	-
<i>Repairs and Maintenance:</i>				
Landscaping & Improvements	191,631	-	14,280	-
Other Repairs	162,456	32,145	6,281	-
Fence and Gate Repairs	88,181	-	6,766	-
Pool Repairs	46,252	-	-	-
Decorating	53,631	-	-	-
Irrigation	38,002	-	2,526	-
Lighting Repairs	68,386	-	-	-
Amenity Center	43,558	-	1,190	-
Tennis Court Repairs	14,984	-	-	-
<i>Total Repairs and Maintenance</i>	707,081	32,145	31,043	-
<b>TOTAL EXPENSES</b>	3,651,800	32,145	55,818	-
 <b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	 45,043	 9,310	 38,987	 5,248
 <b>BEGINNING FUND BALANCE</b>	 2,098,592	 1,904,922	 143,465	 321,942
Transfers Between Funds	(177,713)	177,713	(14,100)	14,100
<b>ENDING FUND BALANCE</b>	\$ 1,965,922	\$ 2,091,945	\$ 168,352	\$ 341,290

The accompanying notes are an integral part of these statements.

Serrano Creek					
Operating Fund	Replacement Fund	HOA Totals	Foundation	Elimination Column	Combined Totals
\$ -	\$ -	\$ 241,057	\$ -	\$ -	\$ 241,057
-	-	282,917	-	-	282,917
5,092	-	22,894	-	-	22,894
-	-	4,776	-	-	4,776
<u>5,092</u>	<u>-</u>	<u>551,644</u>	<u>-</u>	<u>-</u>	<u>310,587</u>
3,592	-	209,503	63,408	-	272,911
7,596	27,051	235,529	65,918	-	301,447
11,197	17,086	123,230	-	-	123,230
-	-	46,252	30,915	-	77,167
-	-	53,631	-	-	53,631
563	-	41,091	-	-	41,091
-	-	68,386	-	-	68,386
-	-	44,748	-	-	44,748
-	-	14,984	-	-	14,984
<u>22,948</u>	<u>44,137</u>	<u>837,354</u>	<u>160,241</u>	<u>-</u>	<u>997,595</u>
<u>41,854</u>	<u>44,137</u>	<u>3,825,754</u>	<u>162,462</u>	<u>-</u>	<u>3,988,216</u>
36,271	(43,501)	91,358	(31,796)	-	59,562
46,756	291,307	4,806,984	1,470,852	-	6,277,836
(30,000)	30,000	-	-	-	-
<u>\$ 53,027</u>	<u>\$ 277,806</u>	<u>\$ 4,898,342</u>	<u>\$ 1,439,056</u>	<u>\$ -</u>	<u>\$ 6,337,398</u>

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
 COMBINED STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Homeowners Association</u>		<u>Fairway Crossing</u>	
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (Deficiency) of Revenues				
Over (Under) Expenses	\$ 45,043	\$ 9,310	\$ 38,987	\$ 5,248
Adjustments to Reconcile Excess (Deficiency) of Revenues Over (Under) Expenses to Net Cash Provided (Used) by Operating Activities:				
(Increase) Decrease in:				
Accounts Receivable (Net)	26,477	-	-	-
Other Receivables	1,375	-	-	-
Prepaid Insurance	(11,041)	-	-	-
Other Prepaid Expenses	(2,560)	-	-	-
Increase (Decrease) in:				
Accounts Payable	34,298	-	-	-
ARC Deposits	9,000	-	-	-
Clubhouse Rental Deposits	(1,000)	-	-	-
Foundation Enhancement Fees Payable	16,862	-	-	-
Federal Income Tax Payable	17,889	-	-	-
Prepaid Assessments	49,676	-	-	-
Spectrum Collections	(5,245)	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>180,774</u>	<u>9,310</u>	<u>38,987</u>	<u>5,248</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment in Certificates of Deposit	-	(37,446)	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ (37,446)</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

<u>Serrano Creek</u>		<u>HOA Totals</u>	<u>Foundation</u>	<u>Elimination Column</u>	<u>Combined Totals</u>
<u>Operating Fund</u>	<u>Replacement Fund</u>				
\$ 36,271	\$ (43,501)	\$ 91,358	\$ (31,796)	\$ -	\$ 59,562
-	-	26,477	-	-	26,477
-	-	1,375	(16,862)	-	(15,487)
-	-	(11,041)	-	-	(11,041)
-	-	(2,560)	37,330	-	34,770
-	-	34,298	-	-	34,298
-	-	9,000	-	-	9,000
-	-	(1,000)	-	-	(1,000)
-	-	16,862	-	-	16,862
-	-	17,889	1,160	-	19,049
-	-	49,676	-	-	49,676
-	-	(5,245)	-	-	(5,245)
<u>36,271</u>	<u>(43,501)</u>	<u>227,089</u>	<u>(10,168)</u>	<u>-</u>	<u>216,921</u>
-	-	(37,446)	-	-	(37,446)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,446)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,446)</u>

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
 COMBINED STATEMENT OF CASH FLOWS (CONT.)  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Homeowners Association</u>		<u>Fairway Crossing</u>	
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Transfers Between Funds	\$ (177,713)	\$ 177,713	\$ (14,100)	\$ 14,100
Interfund Advances (Repayments)	<u>(39,497)</u>	<u>18,308</u>	<u>1,259</u>	<u>(3,788)</u>
<b>NET CASH PROVIDED (USED)     BY FINANCING ACTIVITIES</b>	<u>(217,210)</u>	<u>196,021</u>	<u>(12,841)</u>	<u>10,312</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 (36,436)	 167,885	 26,146	 15,560
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 <u>3,135,773</u>	 <u>1,163,903</u>	 <u>24,641</u>	 <u>341,352</u>
<b>CASH AND CASH EQUIVALENTS     AT END OF YEAR</b>	 <u><u>\$ 3,099,337</u></u>	 <u><u>\$ 1,331,788</u></u>	 <u><u>\$ 50,787</u></u>	 <u><u>\$ 356,912</u></u>
 <b>SUPPLEMENTAL DISCLOSURE:</b>				
Income Taxes Paid	\$ 236	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these statements.

<u>Serrano Creek</u>		<u>HOA Totals</u>	<u>Foundation</u>	<u>Elimination Column</u>	<u>Combined Totals</u>
<u>Operating Fund</u>	<u>Replacement Fund</u>				
\$ (30,000)	\$ 30,000	\$ -	\$ -	\$ -	\$ -
23,403	315	-	-	-	-
(6,597)	30,315	-	-	-	-
29,674	(13,186)	189,643	(10,168)	-	179,475
27,001	280,346	4,973,016	1,322,401	-	6,295,417
<u>\$ 56,675</u>	<u>\$ 267,160</u>	<u>\$ 5,162,659</u>	<u>\$ 1,312,233</u>	<u>\$ -</u>	<u>\$ 6,474,892</u>
\$ -	\$ -	\$ 236	\$ 683	\$ -	\$ 919
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 -- NATURE OF ORGANIZATION

Fall Creek Homeowners Association, Inc. (the "Association") was incorporated in May 2001 to provide maintenance and preservation of the common areas located in Harris County, Texas. The master planned community consists of 2,300 acres and is still under development. At the end of 2023, the Association consisted of 2,842 residential and builder lots. These financial statements have been prepared in accordance with generally accepted accounting principles.

The Foundation, (Fall Creek Community Services), established in 2001, maintains transfer fees paid by each purchaser at the sale of any residential lot except exempt transfers. The Association's Board shall determine the amount of the transfer fee; provided, however, that the fee shall not be greater than 0.25% of the gross selling price of the applicable property. These fees are to be used as deemed beneficial to the general good and welfare of the community, as permitted by the governing documents of the Foundation, including, without limitation, the enhancement and/or improvement of infrastructure within the community. The Association's Board currently serves as the Board of the Foundation.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

To ensure observance of limitations and restrictions on use of financial resources, financial resources are classified for accounting and reporting purposes in the following sections and funds established according to their nature and purpose:

Sections:

Homeowners Association – This section is used to account for the operating and replacement activities of the Association, except for those exclusive to specific gated neighborhoods.

Fairway Crossing – This section is used to account for the operating and replacement activities exclusive to Fairway Crossing, a gated neighborhood within the Association.

Serrano Creek – This section is used to account for the operating and replacement activities exclusive to Serrano Creek, a gated neighborhood within the Association.

Funds:

Operating Fund – This fund is used to account for financial resources available for general operations.

Replacement Fund – This fund is used to accumulate financial resources designated for major repairs and replacement.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the statement of cash flows include amounts in checking accounts, money market accounts, and certificates of deposit with original maturities of three months or less.



FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2023

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. MEMBER ASSESSMENTS

Association membership consists of homeowner members and developer/builder members. Assessments are due annually. Fairway Crossing at Fall Creek and Serrano Creek at Fall Creek have an additional assessment for expenses exclusive to their areas. Anytime a lot is sold, a one-time working capital fee is charged to the new owner at fifty percent of the annual assessment. In addition, a foundation fee no greater than 0.25% of the gross selling of the property is charged to new homeowners for the Foundation. Assessment, joint security agreement, and joint maintenance agreement revenue is recognized as the related performance obligations are satisfied at transactions amounts expected to be collected. The Association's performance obligations related to its operating assessments and joint security/maintenance agreements are satisfied over the period of the assessment on a monthly pro-rata basis using the input method. The performance obligations related to replacement fund assessments for specific repairs are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. The Association will retain legal counsel and place liens on properties delinquent for more than 90 days. An allowance for uncollectible accounts has been recorded as of December 31, 2023 in the amount of \$104,134 based on management's estimate. Because of the Association's collection history and legal standing to enforce payment, the Association considers the collection of assessments levied to be probable. The balances of assessments receivable as of the beginning and end of the year are \$363,996 and \$347,112, respectively. There were no contract assets related to joint security or maintenance agreements.

D. PROPERTY, EQUIPMENT AND DEPRECIATION

In accordance with industry standards, real property and common areas donated by the developer are not capitalized on the Association's financial statements unless the Association can dispose of the property, at the discretion of its board, for cash or the property is used by the Association to generate significant cash flows from members on the basis of usage. Common property consists of but is not limited to sidewalks, parking areas, perimeter walls, ponds/lakes, playgrounds, tennis courts, signage, clubhouse, pool house, pools, and pool restrooms. Personal property over \$10,000 purchased with Association funds, to which the Association holds title, will be capitalized at cost and depreciated over their estimated useful lives using the straight-line method of depreciation.

E. ARC DEPOSITS/REVIEW FEES

New construction projects by homeowners are reviewed by the Architectural Review Committee (ARC). New homes and major renovations incur a review fee. Upon approval of a construction project by the ARC, homeowners are required to pay a deposit which is refunded when the project is complete. Deposits vary depending on the project undertaken by the homeowner.

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2023

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

F. CONTRACT LIABILITIES

A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to assessments. Contract liabilities include prepaid assessments (payments in advance towards future assessment levies). The balances of prepaid assessments as of the beginning and end of the year are \$1,249,077 and \$1,298,753, respectively. There were no contract liabilities related to joint security or maintenance agreements.

G. SPECTRUM COLLECTIONS

The Association's management company bills fees directly to delinquent homeowners for collection efforts. These fees are paid to Spectrum upon collection. Uncollected fees are reported as a liability on the balance sheet

H. INTERFUND BALANCES

During the normal course of operations, transactions occur between funds resulting in amounts owed between funds. These amounts are recorded as interfund receivables and payables on the balance sheet.

I. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. SUBSEQUENT EVENTS

Subsequent events were evaluated through July 26, 2024, which is the date the financial statements were available to be issued.

NOTE 3 -- FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association contracted with Reserve Advisors, Inc. in 2021 to conduct a study to estimate the remaining useful lives and the replacement costs of the common areas components. The tables included in the required supplementary information are based on this study.

The Replacement Fund can be funded by regular and special assessments. Capital improvement fees collected may also be designated for reserve funding. Accumulated funds are in separate money market accounts and certificates of deposit and are generally not available for expenditures for normal operations.

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2023

NOTE 3 -- FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONT.)

Because funding is based on estimates, actual needs may vary significantly from the study. Monies accumulated in the replacement fund may not be adequate to meet all future needs for major replacements. Thus, the Board has the right to raise regular assessments or levy a special assessment to meet these needs.

NOTE 4 -- JOINT SECURITY AGREEMENT

By agreement, Harris County Water Control Improvement District #96 contributed \$328,833 during the year for security services provided by the Harris County Sheriff's Department that benefit both parties.

NOTE 5 -- UNINSURED DEPOSITS

As of December 31, 2023, deposits exceeded the coverage provided by the Federal Deposit Insurance Corporation (FDIC) by \$432,428 for the Association.

NOTE 6 -- JOINT MAINTENANCE AGREEMENT

In March 2012, the Association entered into a joint maintenance agreement with Fall Creek Commercial Property Owners Association, Inc. The Association holds the master contracts and pays for all landscaping for common areas and the operation of all street lights located in Fall Creek. The POA pays the Association its pro-rata share (30%) of the landscaping and street light electricity costs. The agreement can be terminated by either party upon 30 days written notice to the other party.

NOTE 7 -- INCOME TAXES

The Association and Foundation qualify as tax-exempt associations for all income and expenses related to their exempt function purpose of the acquisition, construction, management, maintenance, and care of Association property. The net non-exempt income from earned interest and nonmember fees is taxed at 21% or 30% by the federal government, dependent upon certain filing elections made. The Association and Foundation filed IRS Forms 1120-H resulting in a tax expense of \$18,125 for 2023 for the Association and \$1,843 for the Foundation.

Accounting principles generally accepted in the United States of America require the Association management to evaluate tax positions taken by the Association and Foundation and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition as a liability (or asset) or disclosure in the financial statements. The Association is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2020.

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2023

NOTE 8 – HWAC PROJECT/COMMITMENT

The Association contracted for landscape renovations in the community for an estimated total of \$379,130 to be completed in 2024.

NOTE 9 -- LITIGATION

Management is not aware of any pending or threatened litigation against the Association that would have any material impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2023  
 (UNAUDITED)

Reserve Advisors, Inc. performed a reserve study in 2021 using a database of current construction costs and material lives from authoritative literature, to estimate the remaining useful lives and the replacement costs of the components of common property. Estimated current replacement costs were computed using current inflation rates to the time of replacement. The estimates are based on the reserve study and may vary significantly from actual costs. The following are tables based on the study and presents significant information about the components of common property.

	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Components of Fund Balance at 12/31/23
<b>Fall Creek Homeowners Association</b>			
<i>General Property:</i>			
Concrete Parking Areas & Sidewalks	3-28	\$ 6,473,200	\$ -
Fencing	12-15	94,800	-
Irrigation System	7-25	1,023,000	-
Light Poles and Fixtures	10	73,600	-
Perimeter Walls	15-28	6,331,000	-
Playground Equipment	0-13	263,660	-
Ponds	0-28	376,000	-
Signage	0	70,000	-
Tennis Courts	3-25	442,800	-
<i>Clubhouse:</i>			
Exercise Equipment	1-11	76,000	-
HVAC Equipment	0-3	30,800	-
Interior Renovation	2-9	155,000	-
Roof	1-11	50,400	-
Security System	9	23,000	-
Walls	0	18,900	-
Windows & Doors	20	47,700	-
<i>Pools:</i>			
Decking	4-5	45,480	-
Fencing	1-15	78,400	-
Furniture	2-7	64,000	-
Mechanical Equipment	5-10	113,500	-
Pool Finish	4-15	209,830	-
Shade Structures	3-12	41,250	-
Water Features	0-5	38,000	-
Water Slides	2-6	361,000	-
<i>Other:</i>			
Foundation Improvements	0	125,000	-
<i>Unallocated Balance</i>		-	2,091,945
		<u>\$16,626,320</u>	<u>\$ 2,091,945</u>

FALL CREEK HOMEOWNERS ASSOCIATION, INC.  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONT.)  
 DECEMBER 31, 2023  
 (UNAUDITED)

	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Components of Fund Balance at 12/31/23
<b>Fairway Crossing</b>			
Concrete Streets	3-28	\$ 2,560,800	\$ -
Gates & Operators	3-13	41,200	-
Pond	0	10,500	-
<i>Unallocated Balance</i>		-	341,290
		<u>\$ 2,612,500</u>	<u>\$ 341,290</u>

	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Components of Fund Balance at 12/31/23
<b>Serrano Creek</b>			
Concrete Streets	3-25	\$ 2,007,500	\$ -
Gates & Operators	3-13	41,200	-
Pond	0-28	248,500	-
<i>Unallocated Balance</i>		-	277,806
		<u>\$ 2,297,200</u>	<u>\$ 277,806</u>

	Association	Fairway	Serrano
Reserve Study Anticipated Balance at Year End	<u>\$ 2,667,848</u>	<u>\$ 278,812</u>	<u>\$ 291,685</u>
Percent of Anticipated Balance on Hand at Year End	78.4%	122.4%	95.2%

Reserve Study Recommended Contributions (Based on Original Projections)

	Association	Fairway	Serrano
2024	\$ 386,600	\$ 33,700	\$ 31,200
2025	\$ 394,300	\$ 34,400	\$ 31,800
2026	\$ 402,200	\$ 35,100	\$ 32,400