

Preliminary Draft
Per your request
Be advised this information
has not been reviewed.

DIAMOND CREEK HOMEOWNERS' ASSOCIATION
AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Diamond Creek Homeowners' Association

We have audited the accompanying financial statements of Diamond Creek Homeowners' Association, which comprise the balance sheet as of December 31, 2017 and the related statement of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Report on 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 audits. We conducted our audits 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.

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Diamond Creek Homeowners' Association
Independent Auditor's Report
Audit for the Year Ended December 31, 2017
Page 2 of 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diamond Creek Homeowners' Association as of December 31, 2017 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information of Future Major Repairs and Replacements on page 8 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.

Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Statement of Revenues and Expenses – Budget vs Actual on page 9, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Kondler & Associates, CPAs

Las Vegas, Nevada
June 11, 2018

DIAMOND CREEK HOMEOWNERS' ASSOCIATION

BALANCE SHEET
AS OF DECEMBER 31, 2017

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total 2017</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 30,099	\$ 161,171	\$ 191,270
Certificates of deposit	-	164,801	164,801
Accounts receivable, net	12,665	-	12,665
Prepaid insurance	14,306	-	14,306
Total Current Assets	<u>57,070</u>	<u>325,972</u>	<u>383,042</u>
Total Assets	<u>\$ 57,070</u>	<u>\$ 325,972</u>	<u>\$ 383,042</u>
<u>LIABILITIES AND FUND BALANCES</u>			
CURRENT LIABILITIES			
Accounts payable & accrued expenses	\$ 2,633	\$ -	\$ 2,633
Prepaid owner assessments	6,879	-	6,879
Total Current Liabilities	<u>9,512</u>	<u>-</u>	<u>9,512</u>
Total Liabilities	<u>9,512</u>	<u>-</u>	<u>9,512</u>
FUND BALANCES	<u>47,558</u>	<u>325,972</u>	<u>373,530</u>
Total Liabilities and Fund Balances	<u>\$ 57,070</u>	<u>\$ 325,972</u>	<u>\$ 383,042</u>

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this balance sheet.

DIAMOND CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2017

Preliminary Draft
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	Operating Fund	Replacement Fund	Total 2017
REVENUE			
Member assessments	\$ 98,040	\$ -	\$ 98,040
Interest income	48	1,381	1,429
Late fee income	5,760	-	5,760
Other income	125	-	125
Total revenue	103,973	1,381	105,354
EXPENSES			
Bad debt expense	7,395	-	7,395
Bank charges	20	-	20
Insurance	3,729	-	3,729
Landscape contract	10,878	-	10,878
Licenses and permits	50	-	50
Office expense	361	-	361
Printing and postage	1,567	-	1,567
Professional fees	9,555	-	9,555
Management fee	23,672	-	23,672
Repairs and maintenance	7,146	5	7,151
Utilities	9,844	-	9,844
Total expenses	74,217	5	74,222
EXCESS OF REVENUE OVER EXPENSES	29,756	1,376	31,132
FUND BALANCES, beginning	33,793	302,961	336,754
Prior period adjustment	5,225	419	5,644
Interfund transfer	(21,216)	21,216	-
FUND BALANCES, ending	\$ 47,558	\$ 325,972	\$ 373,530

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this statement of revenue, expenses and changes in fund balances.

DIAMOND CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Preliminary Draft
Per your request
Be advised this information
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	Operating Fund	Replacement Fund	Total 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of Revenue Over Expenses	\$ 29,756	\$ 1,376	\$ 31,132
Adjustments to reconcile excess of revenue over expenses to net cash provided by (used in) operating activities:			
Changes in working capital:			
Accounts receivable, net	(7,537)	-	(7,537)
Certificates of deposit	-	(797)	(797)
Prepaid expense	(13,979)	-	(13,979)
Accounts payable	(912)	-	(912)
Prepaid owner assessments	(3,790)	-	(3,790)
Net cash provided by operating activities	3,538	579	4,117
CASH FLOW FROM FINANCING ACTIVITIES:			
Interfund transfer	(21,216)	21,216	-
NET (DECREASE) INCREASE IN CASH	(17,678)	21,795	4,117
Prior period adjustment	5,225	419	5,644
Cash and cash equivalents, beginning of year	42,552	138,957	181,509
Cash and cash equivalents, end of year	\$ 30,099	\$ 161,171	\$ 191,270
SUPPLEMENTARY INFORMATION OF CASH FLOW			
Cash Paid for Federal Income Tax	\$ -	\$ -	\$ -

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this statement of cash flows.

DIAMOND CREEK HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

Preliminary Draft
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NOTE 1 - NATURE OF ORGANIZATION

Diamond Creek Homeowners' Association (the "Association") was incorporated on August 17, 2005, in the State of Nevada. The Association is responsible for the operation and maintenance of common property within the development. The association consists of 190 residential units located in Las Vegas, Nevada.

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 June 11, 2018, the date that the financial statements were available to be issued, and determined that there are no events and transactions that need to be recognized, presented, or disclosed.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year-end are retained by the Association for use in future years.

The Association has various collection remedies for delinquent homeowners' assessments, including interest on past due amounts, filing of liens, and foreclosing on the unit owner. The allowance for bad debt at December 31, 2017 is \$18,202.

Accounting Methods

The company uses the accrual method of accounting. This specifically includes recording of revenues when earned and expenses when incurred, with the primary goal being to match the expenses to the revenues they produced in the proper time period.

DIAMOND CREEK HOMEOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Preliminary Draft
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NOTE - 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Cash and cash equivalents

The Association maintains deposits with financial institutions that are FDIC insured up to \$250,000 and are presented on the balance sheet as follows:

	<u>Operating Fund</u>	<u>Replacement Fund</u>
Alliance Association Bank		
General checking	\$ 30,099	\$ -
Money market	-	161,171
	<u>\$ 30,099</u>	<u>\$ 161,171</u>
 Alliance Association Bank		
Certificate of deposit	-	51,284
Certificate of deposit	-	50,859
	-	<u>102,143</u>
 Mutual of Omaha		
Certificate of deposit	-	62,658
	-	<u>62,658</u>
 Total	<u>\$ 30,099</u>	<u>\$ 325,972</u>

At December 31, 2017, the Association's uninsured cash totaled \$43,413.

DIAMOND CREEK HOMEOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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NOTE - 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Real property and common areas annexed by the Association from the developer are not capitalized on the Association financial statements. At December 31, 2017, the common areas of the Association consisted of streets, walls, gates, streetlights, signs, and landscaping. Such property provides no probable future economic benefit to the Association and such ownership is only a legal formality that has no effect on the financial position of the Association. Replacements and improvements to the real property and common areas are also not capitalized.

Income taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. The Association has elected to file as a homeowners' association in accordance with Internal Revenue Section (IRS) 528 for the year ended December 31, 2017. Under that section, the Association excludes from taxable income exempt function income, which generally consists of revenue from uniform assessments to members. Net non-exempt function income and earned interest is taxable at 30%. The Association has met the gross income and maintenance tests for having exempt function income of at least 60% and exempt function tests for having expense of at least 90% used to manage, maintain, and care for its property for the year ended December 31, 2017. The Association incurred \$-0- for the year ended December 31, 2017.

At December 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2015.

NOTE 4 - 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 \$325,972 at December 31, 2017, are held in separate accounts and are generally not available for operating purposes.

The Association had a full on-site reserve study completed in June 2015, to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs. 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, however, the Association has the right, subject to member approval, to increase the monthly assessment or levy special assessments, or it may delay major repairs and replacements until funds are available.

DIAMOND CREEK HOMEOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The scope of this audit did not include testing the adequacy of the replacement fund. The replacement fund amounts, presented as Supplementary Information, are management's representations based on assumptions and projections of estimated replacement cost, estimated remaining life and present condition.

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SUPPLEMENTARY INFORMATION

DIAMOND CREEK HOMEOWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)

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remaining useful lives and the replacement costs of the common property components. Replacement costs were based on estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement.

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

Component	Estimated Remaining Life Years	Estimated Current Replacement Cost
Asphalt & Concrete Surfaces		
Asphalt overlay	16	\$ 214,499
Asphalt crack fill/seal/repairs	1	25,180
Striping & curb painting	1	3,500
Concrete repairs (1%)	10	5,692
Fencing, Gates & Walls		
Vehicle gates	16	15,000
Pedestrian gates	13	5,065
Pedestrian gate - kaba locks	5	3,900
Easement/misc. iron fencing	15	7,947
Block wall repairs (3%)	10	16,803
Entry/Exit mechanical equipment		
Entry intercom	2	4,540
Operators (w/battery backup - entry)	3	7,400
Operators (w/battery backup - exit)	1	7,400
Sensors/loops/detectors/RF unit	1	4,550
Sensors/loops/detectors/RF unit	10	1,350
Painting		
Iron surfaces	3	5,086
Stucco pillars	3	1,703
Lighting		
Street light fixtures/ballasts	18	19,320
Landscape lighting (29 fixt/3trnsfrms)	8	9,447
Park equipment & Furnishings		
Tot lot structure	14	12,995
Trash receptacles	5	3,250
Benches	7	4,250
Benches	0	850
Pet stations	5	1,100
Landscape & Irrigation		
Rainbird 12-station clock	0	525
Irritrol IBOC clocks	0	4,240
Ground rock replenish (19%)	0	3,747
Common landscape renovate (25%)	5	25,963
Miscellaneous		
CBU mailboxes	7	14,850
Street signs	14	5,738
Monument signs	10	6,699
Total		<u><u>\$ 442,589</u></u>
Ideal Accumulated Reserves per Reserve Study at December 31, 2017		<u><u>\$ 226,059</u></u>
Reserve Fund Balance at December 31, 2017		<u><u>\$ 325,972</u></u>

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this supplementary information.

DIAMOND CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES - BUDGET VS ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

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OPERATING	BUDGET (Unaudited)	ACTUAL	VARIANCE
REVENUE			
Member assessments	\$ 98,040	\$ 98,040	\$ -
Interest income	-	48	48
Late fee income	-	5,760	5,760
Other income	-	125	125
Total revenue	98,040	103,973	5,933
EXPENSES			
Bad debt expense	4,200	7,395	(3,195)
Bank charges	-	20	(20)
Insurance	5,220	3,729	1,491
Landscape contract	11,028	10,878	150
Licenses and permits	120	50	70
Office expense	2,160	361	1,799
Printing and postage	-	1,567	(1,567)
Professional fees	3,000	9,555	(6,555)
Management fee	22,140	23,672	(1,532)
Repairs and maintenance	9,840	7,146	2,694
Utilities	8,700	9,844	(1,144)
Total expenses	66,408	74,217	(7,809)
EXCESS OF REVENUE OVER EXPENSES			
	\$ 31,632	\$ 29,756	\$ (1,876)
Interfund Transfer	\$ (31,824)	\$ (21,216)	\$ (10,608)

(See Independent Auditor's Report)

Reports

Diamond Creek Homeowners' Association
Adjusting Journal Entries

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
1	Adjusting	12/31/17					
		3000	Reserve	21,216.00			
		12XXX	Reserve Transfer Income		21,216.00		
		121XX	Repairs & Maintenance - Reserve	2.00			
		3000	Reserve		5,230.00		
		4500	Retained Earnings	16,328.00			
		1311	Allowance for Bad Debt		11,100.00		
		45XX	PYO		5,225.00		
		3XXX	PYR	5,225.00			
						21,214.00	
			To reconcile prior year equity/reclass client posting to equity.				M
2	Adjusting	12/31/17					
		1081	Alliance CD 8496	484.70			
		1082	Alliance CD 8462	312.54			
		5380	Reserve Interest Income	4,847.24			
		3XXX	PYR		5,644.48		
						(4,847.24)	
			To adjust interest income.				E4,E5,N
3	Adjusting	12/31/17					
		6040	Management Fees		1,700.00		
		6051	Storage		136.00		
		6060	Office Supplies		45.55		
		6070	Postage		277.77		
		6080	Printing & Reproduction		545.25		
		8072	Parking Enforcement		450.00		
		2010	Accounts Payable	3,544.82			
		9010	Landscape - Contract		390.25		
						3,544.82	
			To adjust P&L beginning balances/reconcile a/p aging.				M
4	Adjusting	12/31/17					
		5310	Assessment Income		516.00		
		6011	Bad Debt	516.00			
						0.00	
			To adjust assessments to schedule.				N
5	Adjusting	12/31/17					
		1311	Allowance for Bad Debt	11,100.00			
		6011	Bad Debt		11,100.00		
						11,100.00	
			To adjust allowance for bad debt.				F-2

Prepared by _____

**Diamond Creek Homeowners' Association
Adjusting Journal Entries**

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Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
6	Adjusting	12/31/17					
		7020	Liability Insurance	3,413.67			
		1400	Prepaid Expense		3,413.67		
						(3,413.67)	
			To adjust prepaid insurance to schedule.				I-1
7	Adjusting	12/31/17					
		9010	Landscape - Contract	1,531.64			
		9020	Landscape - Repairs	129.60			
		7160	Legal Fees	971.50			
		2020	Accrued Expenses		2,632.74		
						(2,632.74)	
			To accrue 2017 expenses.				J-2
				<u>69,622.71</u>	<u>69,622.71</u>	<u>24,965.17</u>	
		TOTAL					

**Diamond Creek Homeowners' Association
Trial Balance Worksheet**

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Basis: Adjusted

Account	T	Description	Dec 31, 2017	Adjustments	Dec 31, 2017
			Unadjusted		Adjusted
1000	A	Alliance Operating Prior	30,098.96		30,098.96
1001	A	Alliance Reserve Prior	161,170.90		161,170.90
1080	A	Mutual of Omaha CD 33390	62,657.83		62,657.83
1081	A	Alliance CD 8496	50,799.84		51,284.54
		2 To adjust interest income.		484.70	
1082	A	Alliance CD 8462	50,545.96		50,858.50
		2 To adjust interest income.		312.54	
1310	A	Assessments Receivable	19,792.48		19,792.48
1311	A	Allowance for Bad Debt	(18,202.49)		(18,202.49)
		1 To reconcile prior year equity/reclass client posting to equity.		(11,100.00)	
		5 To adjust allowance for bad debt.		11,100.00	
1315	A	Late Fees Receivable	8,032.00		8,032.00
1320	A	Admin Fees Receivable	3,000.00		3,000.00
1325	A	Misc Receivablve	43.00		43.00
1400	A	Prepaid Expense	17,719.50		14,305.83
		6 To adjust prepaid insurance to schedule.		(3,413.67)	
2010	L	Accounts Payable	(3,544.82)		0.00
		3 To adjust P&L beginning balances/reconcile a/p aging.		3,544.82	
2020	L	Accrued Expenses	0.00		(2,632.74)
		7 To accrue 2017 expenses.		(2,632.74)	
2210	L	Prepaid Owner Assessments	(6,879.25)		(6,879.25)
3000	L	Reserve	(318,946.67)		(302,960.67)
		1 To reconcile prior year equity/reclass client posting to equity.		21,216.00	
		1 To reconcile prior year equity/reclass client posting to equity.		(5,230.00)	
3XXX	L	PYR	0.00		(419.48)
		1 To reconcile prior year equity/reclass client posting to equity.		5,225.00	
		2 To adjust interest income.		(5,644.48)	
4500	L	Retained Earnings	(50,121.39)		(33,793.39)
		1 To reconcile prior year equity/reclass client posting to equity.		16,328.00	
45XX	L	PYO	0.00		(5,225.00)
		1 To reconcile prior year equity/reclass client posting to equity.		(5,225.00)	
5310	R	Assessment Income	(97,524.00)		(98,040.00)
		4 To adjust assessments to schedule.		(516.00)	
5320	R	Admin Income	(25.00)		(25.00)
5340	R	Late Fees	(5,760.00)		(5,760.00)
5345	R	Misc Income	(100.00)		(100.00)
5375	R	Operating Interest Income	(47.80)		(47.80)
5380	R	Reserve Interest Income	(6,227.86)		(1,380.62)
		2 To adjust interest income.		4,847.24	
6010	E	Bank Charges	20.00		20.00
6011	E	Bad Debt	17,979.49		7,395.49
		4 To adjust assessments to schedule.		516.00	
		5 To adjust allowance for bad debt.		(11,100.00)	
6020	E	Legal & Prof Fees	1,455.77		1,455.77
6030	E	License & Permits	50.00		50.00
6040	E	Management Fees	22,281.02		20,581.02
		3 To adjust P&L beginning balances/reconcile a/p aging.		(1,700.00)	
6045	E	Back Billing	1,935.00		1,935.00
6050	E	Site Visit	1,000.00		1,000.00
6051	E	Storage	292.00		156.00
		3 To adjust P&L beginning balances/reconcile a/p aging.		(136.00)	
6060	E	Office Supplies	130.55		85.00

**Diamond Creek Homeowners' Association
Trial Balance Worksheet**

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Basis: Adjusted

Account	T	Description	Dec 31, 2017 Unadjusted	Adjustments	Dec 31, 2017 Adjusted
		3 To adjust P&L beginning balances/reconcile a/p aging.		(45.55)	
6070	E	Postage	698.85		421.08
		3 To adjust P&L beginning balances/reconcile a/p aging.		(277.77)	
6080	E	Printing & Reproduction	1,691.70		1,146.45
		3 To adjust P&L beginning balances/reconcile a/p aging.		(545.25)	
6082	E	Coupons & Statements	275.85		275.85
6380	E	Owner Admin. Fees Income	1,845.00		1,845.00
7020	E	Liability Insurance	315.00		3,728.67
		6 To adjust prepaid insurance to schedule.		3,413.67	
7160	E	Legal Fees	5,282.40		6,253.90
		7 To accrue 2017 expenses.		971.50	
8051	E	Gate Repair & Supplies	3,101.86		3,101.86
8072	E	Parking Enforcement	3,050.00		2,600.00
		3 To adjust P&L beginning balances/reconcile a/p aging.		(450.00)	
8080	E	General Maintenance	165.00		165.00
9010	E	Landscape - Contract	9,737.10		10,878.49
		3 To adjust P&L beginning balances/reconcile a/p aging.		(390.25)	
		7 To accrue 2017 expenses.		1,531.64	
9020	E	Landscape - Repairs	1,149.75		1,279.35
		7 To accrue 2017 expenses.		129.60	
11010	E	Utilities - Electric	540.00		540.00
11050	E	Utilities - Phone	543.58		543.58
11060	E	Utilities - Water	8,762.89		8,762.89
12010	E	Reserve Contribution	21,216.00		21,216.00
121XX	E	Repairs & Maintenance - Reserve	0.00		2.00
		1 To reconcile prior year equity/reclass client posting to equity.		2.00	
12XXX	R	Reserve Transfer Income	0.00		(21,216.00)
		1 To reconcile prior year equity/reclass client posting to equity.		(21,216.00)	
		Total	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
		Profit/(Loss)	<u>6,165.85</u>	<u>24,965.17</u>	<u>31,131.02</u>

Diamond Creek Homeowners' Association
Grouping Schedule Report
Grouping Schedule 1

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	Adjusted Balance Dec 31, 2016	Unadjusted Dec 31, 2017	Adjusting AJE	Adjusted Balance Dec 31, 2017	Workpaper
1000 Operating Cash					
1000 - Alliance Operating Prior	0.00	30,098.96		30,098.96	E-1
1010 - Bank of Nevada Operating	42,551.82	0.00		0.00	
Operating Cash Total	42,551.82	30,098.96	0.00	30,098.96	
1015 Reserves Cash					
1001 - Alliance Reserve Prior	0.00	161,170.90		161,170.90	E-2
1015 - Bank of Nevada Reserve	138,957.52	0.00		0.00	
Reserves Cash Total	138,957.52	161,170.90	0.00	161,170.90	
1016 CD Reserve					
1071 - CD 33390	62,657.83	0.00		0.00	
1080 - Mutual of Omaha CD 33390	0.00	62,657.83		62,657.83	E-3
1081 - Alliance CD 8496	0.00	50,799.84		51,284.54	E-4
2 To adjust interest income.			484.70		
1082 - Alliance CD 8462	0.00	50,545.96		50,858.50	E-5
2 To adjust interest income.			312.54		
1210 - Alliance CD 8496	50,799.84	0.00		0.00	
1211 - Alliance CD 8462	50,545.96	0.00		0.00	
CD Reserve Total	164,003.63	164,003.63	797.24	164,800.87	
1100 Assessment Receivables					
1310 - Assessments Receivable	9,863.66	19,792.48		19,792.48	F-1
1311 - Allowance for Bad Debt	(11,100.00)	(18,202.49)		(18,202.49)	F-2
1 To reconcile prior year equity/reclass client posting to equity.			(11,100.00)		
5 To adjust allowance for bad debt.			11,100.00		
1315 - Late Fees Receivable	0.00	8,032.00		8,032.00	F-1
1320 - Admin Fees Receivable	0.00	3,000.00		3,000.00	F-1
1325 - Misc Receivablve	0.00	43.00		43.00	F-1
1340 - Late Fees Receivable	3,364.00	0.00		0.00	
1380 - Admin Charges	3,000.00	0.00		0.00	
Assessment Receivables Total	5,127.66	12,664.99	0.00	12,664.99	
1300 Prepays					
1290 - Prepaid Insurance	327.50	0.00		0.00	immaterial
1400 - Prepaid Expense	0.00	17,719.50		14,305.83	I-1
6 To adjust prepaid insurance to schedule.			(3,413.67)		
Prepays Total	327.50	17,719.50	(3,413.67)	14,305.83	
2000 Accounts Payable					
2010 - Accounts Payable	(3,544.82)	(3,544.82)		0.00	J-1
3 To adjust P&L beginning balances/reconcile a/p aging.			3,544.82		
2020 - Accrued Expenses	0.00	0.00		(2,632.74)	J-2
7 To accrue 2017 expenses.			(2,632.74)		
Accounts Payable Total	(3,544.82)	(3,544.82)	912.08	(2,632.74)	
2200 Prepayments					
2210 - Prepaid Owner Assessments	(10,669.34)	(6,879.25)		(6,879.25)	J-3
Prepayments Total	(10,669.34)	(6,879.25)	0.00	(6,879.25)	
3000 Fund Balance					
4500 - Retained Earnings	(45,229.00)	(50,121.39)		(33,793.39)	M
1 To reconcile prior year equity/reclass client posting to equity.			16,328.00		
45XX - PYO	(8,228.37)	0.00		(5,225.00)	
1 To reconcile prior year equity/reclass client posting to equity.			(5,225.00)		

Diamond Creek Homeowners' Association
Grouping Schedule Report
Grouping Schedule 1

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	Adjusted Balance Dec 31, 2016	Unadjusted Dec 31, 2017	Adjusting AJE	Adjusted Balance Dec 31, 2017	Workpaper
Fund Balance Total	(53,457.37)	(50,121.39)	11,103.00	(39,018.39)	
3005 Reserve Fund Balance					
3000 - Reserve	(275,140.00)	(318,946.67)		(302,960.67)	M
1 To reconcile prior year equity/reclass client posting to equity.			21,216.00		
1 To reconcile prior year equity/reclass client posting to equity.			(5,230.00)		
3XXX - PYR	0.00	0.00		(419.48)	
1 To reconcile prior year equity/reclass client posting to equity.			5,225.00		
2 To adjust interest income.			(5,644.48)		
Reserve Fund Balance Total	(275,140.00)	(318,946.67)	15,566.52	(303,380.15)	
4000 Member Assessments					
5310 - Assessment Income	(91,200.00)	(97,524.00)		(98,040.00)	
4 To adjust assessments to schedule.			(516.00)		
Member Assessments Total	(91,200.00)	(97,524.00)	(516.00)	(98,040.00)	
4005 Interest Income					
5375 - Operating Interest Income	(1,295.40)	(47.80)		(47.80)	
Interest Income Total	(1,295.40)	(47.80)	0.00	(47.80)	
4007 Reserve Interest Income					
5380 - Reserve Interest Income	(1,562.04)	(6,227.86)		(1,380.62)	
2 To adjust interest income.			4,847.24		
Reserve Interest Income Total	(1,562.04)	(6,227.86)	4,847.24	(1,380.62)	
4100 Other Income					
5320 - Admin Income	0.00	(25.00)		(25.00)	
5340 - Late Fees	(1,789.15)	(5,760.00)		(5,760.00)	
5345 - Misc Income	0.00	(100.00)		(100.00)	
Other Income Total	(1,789.15)	(5,885.00)	0.00	(5,885.00)	
5000 General Admin					
6010 - Bank Charges	10.00	20.00		20.00	
General Admin Total	10.00	20.00	0.00	20.00	
5095 Bad Debt					
6011 - Bad Debt	13,560.00	17,979.49		7,395.49	
4 To adjust assessments to schedule.			516.00		
5 To adjust allowance for bad debt.			(11,100.00)		
Bad Debt Total	13,560.00	17,979.49	(10,584.00)	7,395.49	
6025 Landscaping Contract					
9010 - Landscape - Contract	12,397.00	9,737.10		10,878.49	
3 To adjust P&L beginning balances/reconcile a/p aging.			(390.25)		
7 To accrue 2017 expenses.			1,531.64		
Landscaping Contract Total	12,397.00	9,737.10	1,141.39	10,878.49	
6184 Insurance					
7010 - D & O Insurance	2,145.00	0.00		0.00	
7020 - Liability Insurance	2,912.00	315.00		3,728.67	
6 To adjust prepaid insurance to schedule.			3,413.67		
Insurance Total	5,057.00	315.00	3,413.67	3,728.67	
6200 Repairs & Maintenance					

Diamond Creek Homeowners' Association
Grouping Schedule Report
Grouping Schedule 1

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	Adjusted Balance Dec 31, 2016	Unadjusted Dec 31, 2017	Adjusting AJE	Adjusted Balance Dec 31, 2017	Workpaper
8051 - Gate Repair & Supplies	2,100.93	3,101.86		3,101.86	
8072 - Parking Enforcement	4,475.00	3,050.00		2,600.00	
3 To adjust P&L beginning balances/reconcile a/p aging.			(450.00)		
8080 - General Maintenance	0.00	165.00		165.00	
8590 - Site Improvement - Other	4,658.00	0.00		0.00	
8780 - Worker's Compensation	615.00	0.00		0.00	
9020 - Landscape - Repairs	751.72	1,149.75		1,279.35	
7 To accrue 2017 expenses.			129.60		
9040 - Landscape - Trees/Shrubs	640.00	0.00		0.00	
9090 - Street Light Repair	55.00	0.00		0.00	
Repairs & Maintenance Total	<u>13,295.65</u>	<u>7,466.61</u>	<u>(320.40)</u>	<u>7,146.21</u>	
6230 Taxes, Licenses & Permits					
6030 - License & Permits	0.00	50.00		50.00	
Taxes, Licenses & Permits Total	<u>0.00</u>	<u>50.00</u>	<u>0.00</u>	<u>50.00</u>	
6245 Office Expense					
6060 - Office Supplies	96.10	130.55		85.00	
3 To adjust P&L beginning balances/reconcile a/p aging.			(45.55)		
6070 - Postage	549.29	698.85		421.08	
3 To adjust P&L beginning balances/reconcile a/p aging.			(277.77)		
6080 - Printing & Reproduction	1,543.05	1,691.70		1,146.45	
3 To adjust P&L beginning balances/reconcile a/p aging.			(545.25)		
6082 - Coupons & Statements	286.50	275.85		275.85	
Office Expense Total	<u>2,474.94</u>	<u>2,796.95</u>	<u>(868.57)</u>	<u>1,928.38</u>	
6250 Management Fee					
6040 - Management Fees	20,400.00	22,281.02		20,581.02	
3 To adjust P&L beginning balances/reconcile a/p aging.			(1,700.00)		
6045 - Back Billing	1,114.15	1,935.00		1,935.00	
6050 - Site Visit	1,100.00	1,000.00		1,000.00	
6051 - Storage	244.00	292.00		156.00	
3 To adjust P&L beginning balances/reconcile a/p aging.			(136.00)		
Management Fee Total	<u>22,858.15</u>	<u>25,508.02</u>	<u>(1,836.00)</u>	<u>23,672.02</u>	
6274 Professional Fees					
6020 - Legal & Prof Fees	5,515.00	1,455.77		1,455.77	
6100 - Audit	2,000.00	0.00		0.00	
6380 - Owner Admin. Fees Income	(2,060.00)	1,845.00		1,845.00	
7160 - Legal Fees	1,100.00	5,282.40		6,253.90	
7 To accrue 2017 expenses.			971.50		
Professional Fees Total	<u>6,555.00</u>	<u>8,583.17</u>	<u>971.50</u>	<u>9,554.67</u>	
6300 Utilities					
11010 - Utilities - Electric	445.81	540.00		540.00	
11050 - Utilities - Phone	602.52	543.58		543.58	
11060 - Utilities - Water	5,792.48	8,762.89		8,762.89	
Utilities Total	<u>6,840.81</u>	<u>9,846.47</u>	<u>0.00</u>	<u>9,846.47</u>	
7200 Transfers					
12010 - Reserve Contribution	30,900.00	21,216.00		21,216.00	
12XXX - Reserve Transfer Income	(30,900.00)	0.00		(21,216.00)	
1 To reconcile prior year equity/reclass client posting to equity.			(21,216.00)		

Diamond Creek Homeowners' Association
Grouping Schedule Report
Grouping Schedule 1

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	Adjusted Balance Dec 31, 2016	Unadjusted Dec 31, 2017	Adjusting AJE	Adjusted Balance Dec 31, 2017	Workpaper
Transfers Total	0.00	21,216.00	(21,216.00)	0.00	
8030 Reserve Expenses					
121XX - Repairs & Maintenance - Reserve	4,641.44	0.00		2.00	
1 To reconcile prior year equity/reclass client posting to equity.			2.00		
Reserve Expenses Total	4,641.44	0.00	2.00	2.00	
Grouping Schedule 1 Total	0.00	0.00	0.00	0.00	
Profit/(Loss)	8,156.60	6,165.85	24,965.17	31,131.02	

**Diamond Creek Homeowners' Association
Grouping Schedule Report
Unassigned Accounts**

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All accounts have been assigned.

Preliminary Draft
Per your request
Be advised this information
has not been reviewed.

June 11, 2018

To the Board of Directors and Management Representative of Diamond Creek Homeowners' Association:

We have audited the financial statements of Diamond Creek Homeowners' Association for the year ended December 31, 2017, and have issued our report thereon dated June 11, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Diamond Creek Homeowners' Association are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 11, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Two issues are noted below.

The reserve fund balance account for the year ended December 31, 2017 had reserve transfer income instead of posting them to the statement of revenue and expenses. The effect of these entries had either overstated or understated the fund balances throughout 2017, therefore, the financial statements were inconsistent.

We also noted the certificate of deposit at Mutual of Omaha bank was not migrated from the previous management. We recommend that two board members send a notarized letter authorizing Mutual of Omaha migrate the account to Nevada Community Management.

Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of Diamond Creek Homeowners' Association and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Kondler & Associates, CPAs