

**SUN VALLEY ELKHORN ASSOCIATION, INC.**

**Financial Statements**

**Year Ended October 31, 2011**

**SUN VALLEY ELKHORN ASSOCIATION, INC.**  
**SUN VALLEY, IDAHO**

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## INDEPENDENT AUDITOR'S REPORT

December 8, 2011

To the Board of Directors  
Sun Valley Elkhorn Association, Inc.  
Sun Valley, Idaho

I have audited the accompanying balance sheets of Sun Valley Elkhorn Association, Inc. (A homeowners' association) as of October 31, 2011 and 2010, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun Valley Elkhorn Association, Inc. as of October 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Dennis R. Brown  
CERTIFIED PUBLIC ACCOUNTANT

## SUN VALLEY ELKHORN ASSOCIATION, INC.

### Balance Sheet at October 31, 2011 and 2010

	Operating Fund	Capital Reserve	2011 Totals	2010 Totals
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 364,984	\$ 792,798	\$ 1,157,782	\$ 1,096,125
Assessments Receivable	141,841	26,453	168,294	143,589
Total Current Assets	506,825	819,251	1,326,076	1,239,714
<b>FIXED ASSETS</b>				
Property and Equipment, net of accumulated depreciation	2,577,084	0	2,577,084	2,600,533
Total Assets	\$ 3,083,909	\$ 819,251	\$ 3,903,160	\$ 3,840,247
<b>LIABILITIES:</b>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Liabilities	362	0	362	306
Income Taxes Payable	30	0	30	30
ADC Completion Deposit	7,500	0	7,500	12,500
Deferred Assessment Revenue	348,878	78,735	427,613	513,454
Total Current Liabilities	356,770	78,735	435,505	526,290
<b>FUND BALANCE:</b>	2,727,139	740,516	3,467,655	3,313,957
Total Liabilities and Fund Balance	\$ 3,083,909	\$ 819,251	\$ 3,903,160	\$ 3,840,247

The accompanying notes are a part of these financial statements.

## SUN VALLEY ELKHORN ASSOCIATION, INC.

### Statement of Revenues, Expenditures, and Changes in Fund Balances for the years ended October 31, 2011 and 2010

	Operating Fund	Capital Reserve	2011 Totals	2010 Totals
<b>REVENUE:</b>				
Member Assessments	\$ 822,645	\$ 203,625	\$ 1,026,270	\$ 1,025,951
Facility User Fees	300	0	300	2,803
Interest	1,371	6,731	8,102	6,763
Other Revenue	20,582	0	20,582	37,384
 Total Revenue	 844,898	 210,356	 1,055,254	 1,072,901
 <b>EXPENSES</b>				
Management	441,187	0	441,187	440,397
Common Area	59,180	1,459	60,639	78,529
Harker Center Pool	72,991	2,164	75,155	78,323
Harker Center Structure	14,142	961	15,103	20,421
Village Pool	91,666	3,424	95,090	135,667
Tennis Program	59,896	25,023	84,919	66,616
Depreciation	159,922	0	159,922	152,103
Other Expense	55,407	0	55,407	58,428
 Total Expenditures	 954,391	 33,031	 987,422	 1,030,484
 <b>EXCESS REVENUE (EXPENSES)</b>	 (109,493)	 177,325	 67,832	 42,417
 <b>FUND BALANCE - BEGINNING</b>	 2,680,815	 633,142	 3,313,957	 3,271,540
Transfer To/From Capital Reserve	81,535	(81,535)	0	0
Prior Period Adjustment (See Footnotes)	74,282	11,584	85,866	0
 <b>FUND BALANCE - ENDING</b>	 \$ 2,727,139	 \$ 740,516	 \$ 3,467,655	 \$ 3,313,957

The accompanying notes are a part of these financial statements.

## SUN VALLEY ELKHORN ASSOCIATION, INC.

### Statement of Cash Flows for the years ended October 31, 2011 and 2010

	Operating Fund	Capital Fund	2011 Total	2010 Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from members	\$ 753,561	\$ 182,745	\$ 936,306	\$ 1,058,003
Receipts from facilities use	300	0	300	2,804
Payments to suppliers and employees	(799,413)	(33,031)	(832,444)	(890,906)
Net cash provided (used) by operations	(45,552)	149,714	104,162	169,901
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Prior Period Adjustment (See Footnotes)	74,282	11,584	85,866	
Transfer to/from Capital Reserve Fund	81,535	(81,535)	0	0
Net cash provided (used) by capital and related financing activities	155,817	(69,951)	85,866	0
<b>Cash Flows From Investing Activities:</b>				
Purchases of property and equipment	(136,473)	0	(136,473)	(60,683)
Interest Income	1,371	6,731	8,102	6,763
Net cash provided by investments	(135,102)	6,731	(128,371)	(53,920)
<b>Net Increase (Decrease) in Cash and Equivalents</b>	(24,837)	86,494	61,657	115,981
<b>Balances - Beginning of the year</b>	389,821	706,304	1,096,125	980,145
<b>Balances - Ending of the year</b>	\$ 364,984	\$ 792,798	\$ 1,157,782	\$ 1,096,126
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	(109,493)	177,325	67,832	42,417
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	159,922	0	159,922	152,102
Interest Income	(1,371)	(6,731)	(8,102)	(6,763)
Changes in assets and liabilities:				
Receivables	(22,739)	(1,966)	(24,705)	(5,650)
Prepaid Expenses	0	0	0	10,467
Dues billed in Advance	(66,927)	(18,914)	(85,841)	319
Accounts and other payables	(4,944)	0	(4,944)	(22,991)
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ (45,552)	\$ 149,714	\$ 104,162	\$ 169,901

The accompanying notes are a part of these financial statements.

**SUN VALLEY ELKHORN ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**At October 31, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sun Valley Elkhorn Association, Inc. (the Association) was incorporated on June 19, 1972, in the State of Idaho. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 1,629 residential units located on approximately 5,000 acres in Sun Valley, Idaho. The following is a summary of the more significant policies:

**(A) Basis of Presentation – Basis of Accounting**

**Basis of Presentation:**

The Association maintains its books using the accrual method of accounting. The Association's governing documents provide certain guidelines for oversight of its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting.

*Fund Financial Statements:* Funds of the Association are segregated according to the fund method of accounting. This methodology requires that funds such as operating funds and funds for major repairs and replacements be classified separately for accounting and financial reporting purposes.

The Association reports the following funds:

*Operating Fund.* This is the Association's general operating fund. It accounts for all financial resources of the Association available for the operations of the Association, except those required to be accounted for in another fund.

*Capital Reserve Fund.* This is the Association's fund designed to accommodate the acquisition and improvement of fixed assets within the Association.

**Use of 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.

**(B) Assets, Liabilities, and Equity**

**Cash and Cash Deposits**

The Association considers all securities purchased to be cash deposits. The balances of securities are adjusted to the current fair market value. The Association places its temporary cash investments with high credit quality financial institutions. The Funds are kept in banks in regular checking accounts, certificates of deposit, and money market accounts. At times, such investments may exceed the FDIC insurance limits. At October 31, 2011 and 2010 there was no cash or cash equivalents in excess of FDIC insurance limits.

**SUN VALLEY ELKHORN ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
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**Member Assessments and Receivables**

Association members are subject to semi-annual assessments. The semi-annual assessments were \$315 for each of the years ended October 31, 2011 and 2010. Both of the assessments were allocated \$62.50 to the capital reserve fund and \$252.50 to the operating fund.

The annual budget and assessments of owners are determined by the Board of Directors. The Association retains excess accumulated operating funds up to \$35,000 at the end of the operating year for use in future operating periods. Any funds in excess of the \$35,000 at year end are transferred to the Capital Reserve Fund.

*Receivables:* Assessments receivable as of the balance sheet date represents fees due from property owners. The Association's policy is to place liens on the properties of homeowners whose assessments are ninety days or more delinquent.

The Association bills its members on a semi-annual basis one month in advance of the semi-annual period. The assessments are payable on the first day of the first month of the semi-annual period. In accordance with this policy, assessments for the months of November through April are billed on October 1, and are payable on November 1. Deferred assessment revenue represents assessments billed in advance of the period in which the assessments are earned by the Association.

**Allowance for Doubtful Accounts**

The Association's policy is to retain legal counsel and place liens on members whose assessments are in arrears. This policy is strictly enforced after all reasonable efforts to collect have been exhausted. No allowance for doubtful accounts has been established as the Board of Directors believes all outstanding amounts will be collected.

**Prepaid Expenses**

Prepaid expenses are advance payments for products and services that will be used in operations in subsequent periods.

**Income Taxes**

The Association is a tax-exempt homeowners association under Internal Revenue Code Section 528 for the year ended October 31, 2011. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of the Association's property. Net nonexempt function income, which includes earned interest, may be taxed by the federal government and the State of Idaho.

**SUN VALLEY ELKHORN ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**At October 31, 2011**

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**Capital Assets**

Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-30
Land Improvements	2-25
Recreation facilities	5-40
Furniture and Equipment	4-10

The association does not recognize common real property as an asset on its balance sheet as it is owned commonly among association members and not by the Association itself.

The following summarizes the Association's changes in fixed assets during the current period.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Buildings	\$ 2,750,632	11,403		\$ 2,762,035
Recreational Facilities	1,984,048	108,766	(48,515)	2,044,299
Equipment, Furniture & Fixtures	196,994	4,961	(15,963)	185,992
Land Improvements	<u>374,903</u>	<u>22,745</u>	<u>(2,679)</u>	<u>394,969</u>
<b>Totals</b>	<u>5,306,577</u>	<u>147,875</u>	<u>(67,157)</u>	<u>5,387,295</u>
Accumulated Depreciation	<u>(2,706,044)</u>	<u>(159,922)</u>	<u>55,754</u>	<u>(2,810,212)</u>
<b>Net Book Value</b>	<b>\$ <u>2,600,533</u></b>			<b>\$ <u>2,577,083</u></b>

**NOTE 2 - LITIGATION**

The Association, at the financial statement date, is involved in a dispute as defendant in an action taken by certain members of the Association involving construction of land improvements. No monetary damages are sought and no liability is booked in these financial statements.

**SUN VALLEY ELKHORN ASSOCIATION, INC.**  
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**NOTE 3 - PENSION PLAN**

The Association maintains a 401(k) pension plan for its employees. All full-time employees are eligible after one year of employment. Employees may contribute to the plan through salary reduction. The Association makes a contribution of 6% for eligible employees. Pension Plan expenses were \$ 15,169 and \$15,349 for the years ended October 31, 2011 and 2010, respectively. The expenses have been included with the various expenses in which the employees are involved on the statements of revenue, expenses, and changes to fund balances.

**NOTE 4 – PRIOR PERIOD ADJUSTMENT**

The Association assesses member dues as detailed in footnote 1. The amount of deferred revenue has accumulated minor adjustments each year since it's creation that have not been recorded in the books of the Association. The cumulative amount of these adjustments has been recorded as a prior period adjustment in these financial statements.