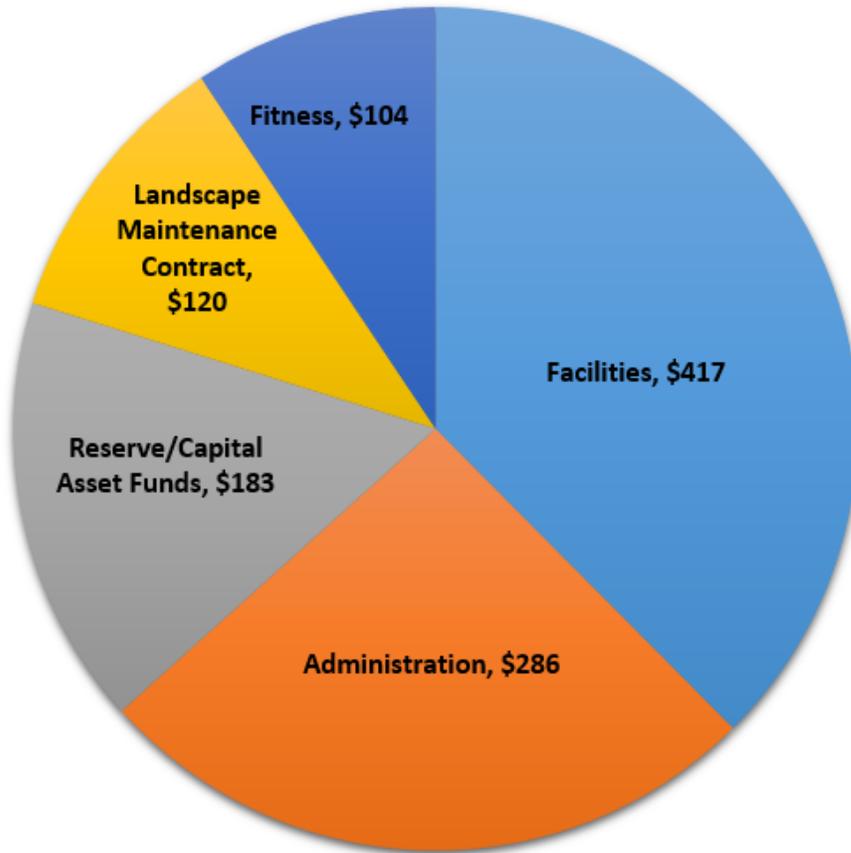


# Where Does Our Money Go?

## 2017 HOA Dues Allocation - \$1,110



Facilities	38%
Administration	26%
Reserve/Capital Asset Funds	16%
Landscape Maintenance	11%
Fitness	9%

## Detail and Some Things to Ponder

Even though the golf deficit dominates most discussions of our future finances, it's interesting to note that the net costs to the Association of lifestyle and fitness activities are significantly greater (6.5 times as large) as the net cost of golf (currently covered by Pulte). This is because golf revenues and costs are nearly aligned while the Association picks up the bulk of the lifestyle and fitness costs. If the golf deficit were included in the pie chart above, it would make up only one percent of the total.

### Sun City Texas

	Revenue						Total Revenue
	Administration	Life Style/Activities	Fitness	Golf	Maintenance		
HOA Assessment Revenue	8,368,845						8,368,845
Other Revenue	1,476,494	606,050	678,651	4,250,848			7,012,043
	9,845,339	606,050	678,651	4,250,848			15,380,888
	Expenses						
							Total Expense
Cost of Sales	422,853	342,928	389,093	315,250			
Payroll, Utilities, Repair and Maintenance	1,788,063	427,368	708,179	2,687,807	2,390,634		8,002,051
Operating Expenses	971,239	14,670	352,176	1,354,958	1,650,768		4,343,811
Taxes, License and Fees	317,216	18,182	11,673	42,508			389,579
<b>Total Expenses</b>	<b>3,499,371</b>	<b>803,148</b>	<b>1,461,121</b>	<b>4,400,523</b>	<b>4,041,402</b>		<b>14,205,565</b>
Reserve Contribution							1,325,000
	Net Position by Line of Business						Net Position
<b>Income/ Loss from Operations</b>	<b>6,345,968</b>	<b>197,098</b>	<b>782,470</b>	<b>149,675</b>	<b>4,041,402</b>		<b>149,677</b>

Gary Preston: 2016 Financial Review - A couple of interesting points. First, remember that on a yearly basis Pulte is responsible to cover any financial loss for **either or both** the Community Association and Golf Operations independently, NOT net of the two.

Pulte covered a \$57,000.00 loss by the Community Association bringing it to a breakeven status at the end of the year. There was an actual loss for the year although the Community Association performed better than budget for the year. Golf was almost the exact opposite of CA. Golf Operations ended the year with a profit of \$69,000 (which we get to keep, not net against the CA loss) but performed \$255,000 unfavorably to budget.

New home closings ended the year at 252 which was better than the mid-year projection of 240... We are very close to 7,500 homes. Build-out will be at approximately 10,000 homes. This means that our transition to total control of all of Sun City Texas will happen at approximately 9,500 homes (95%). People often ask when we will "transition" and this is totally dependent on the pace of new home sales. So using 252/year we would transition in a little under eight years. If the pace picks up it could be sooner. At one time they were selling over 600 homes a year. So, you can watch the trend monthly to see if things are picking up or slowing down.

Overall performance by the total CA was very favorable again in 2016. The only discussion... was the placement of the \$69,000 in profit from Golf Operations. The recommendation from the Finance Committee was to place the \$69,000 into the Reserve Fund. This recommendation was based on a solid discussion of what to do with the surplus. There are only three places where monies can be placed for future use, Working Capital, Capital Asset Fund and the Reserve Fund. Related discussions have already resulted in the determination that additional contributions to the Working Capital Fund are not necessary due to our strong financial condition. At the time of the Finance Committee discussion there was no known capital requirement that would require additional funds to be placed in the Capital Asset Fund. So the logical place to move the \$69,000 was the Reserve Fund. However, at the time of that discussion it was not brought to the Committee's attention that there was a need to expand the Cowan Creek Golf Pro Shop. Clearly this is the smallest of our Golf Pro Shops and barely has room for the check-in desk and minor merchandise display. This is a need that the Board recognizes and, given that 2017 is the year that we try to answer all questions about Sun City Golf of the future, the Board asked that the money be moved to the Capital Asset Fund and be reflected as such in the 2016 and 2017 financials...

I was glad that the discussion took place at the Workshop for all residents, including the Golf Committee, to hear. Basically now that Golf Operations is being treated like any other department of the Community Association, any profit is Community Association profit. Period. By example, the Communications Department has generated yearly profits in the hundreds of thousands. That profit goes into the general CA budget. If that was not the case and Communications got to keep all of its profits for the coming years, they could have built a TV station with satellite links, etc. by now and gone commercial. However, that is not the case. The profits from any department in the CA go into the "pool". Every department has the opportunity to present their case as to special needs in future years where they could use the money. CA management and the Board make the determination where those funds will go, to a requested need from a department or placed in one of the funds described earlier. One added note, by general rule for monies to be put in the Capital Asset Fund there has to be identified needs to justify the placement. The fund is not simply increased without cause.