

The 2013 Annual Meeting of the Villages of Westcreek Owners'
Association

Thursday, April 25, 2013 7:00 pm
VWOA Community Center, 12395 Military Drive West
San Antonio, Texas 78253

Agenda

- | | |
|-------------|--|
| 4:00–6:30pm | Registration and Issuance of Ballots |
| 7:00 pm | Meeting Called to Order |
| | Meeting Notice |
| | Pledge of Allegiance |
| | Quorum Requirement (requires President to verify number of members in attendance meets Paragraph 6.09 of our Bylaws with 10% voting members present and reduced by 50% with each quorum call thereafter until met) |
| | Minutes of 2012 Annual Meeting Review and Approval |
| 7:10 pm | Introduction of Current Board of Directors and Staff |
| 7:15 pm | Nominations for Board of Directors |
| | Nominating Committee presents candidates |
| | Nominations accepted from the Floor |
| | Nominees present qualifications (3 minutes each) |
| 8:00 pm | Ballots cast and counted |
| 8:15 pm | 2012 Audit Report Armstrong, Vaughn and Associates |
| 8:30 pm | Bexar County Commissioner Precinct I Sergio "Chico" Rodriguez |
| 8:40 pm | VWOA - State of the Community Report (John Steele) |
| 8:55 pm | Announce Names of New Board of Directors |
| | Administration of Oath of Office |
| 9:05 pm | Q&A Forum |
| 9:25 pm | Door Prizes, must be present to win |
| 9:30 pm | Adjournment |



The Villages of Westcreek Owners' Association, Inc.

Est. 1994

**Annual Meeting of the Members
Villages of Westcreek Owners' Association, Inc.
April 19, 2012**

I. OPEN MEETING: The President called the meeting to order, after achieving a quorum on the fifth call. The meeting was called to order by the President at 7:03 p.m. The purpose of the meeting was to conduct regular business as identified in the pre-announced Agenda. Meeting minutes for the 2011 Annual Meeting were approved as written by the Board.

Board Members Present:

John Steele, President

Kenneth Fowler, Secretary

Judi Cannon, Treasurer

Richard Gentry, Asst. Secretary

Board Members Absent: Kevin Drummonds, Vice President

Staff Present:

Brenda Tate, Community Manager

Oswald Willis, Asst. Community Manager

Ken Lemanski, Standards Superintendent

Jennifer Bell, Administrative Assistant

Lamonte Garcia, Maintenance

Christopher Mora, Recreation Superintendent

Armando Villarreal, Maintenance Superintendent

Grace Briggs, Administrative Assistant

Melinda Porter, Administrative Assistant

Randy Saragoza, Maintenance

Guests Present:

Ms. Kim Roach of Armstrong, Vaughn and Associates (Independent Auditor)

II. PLEDGE OF ALLIGENCE By all attendees

III. INTRODUCTIONS.

Mr. Steele introduced himself, the other members of the Board of Directors and the Staff.

IV. 2011 AUDIT REPORT.

A representative of Armstrong, Vaughn and Associates, (Ms. Kim Roach), gave an outline of the results of the 2011 audit. The association is in great financial shape. Several questions from Homeowners were asked and answered by Ms. Roach, Mrs. Tate, and Board Members.

Mr. Steele closed this portion of the meeting by asking a final question: "were there any irregularities in the audit for this year" Ms. Roach stated the audit went very well and no issues were discovered. In fact, the VWOA showed a surplus which was used for increase the reserve fund.

V. NOMINATION FOR BOARD MEMBERS.

As the chair of the Election Committee, Mr. Gentry briefed the Members on the process that was followed for the year, which is documented in the By-Laws. He then stated there were three positions to be filled on the Board and officially opened the floor for nominations. Four individuals had previously announced their candidacy and were formally nominated at the meeting, specifically Harold (Rick) Severs, Jennifer Castro, Kevin Drummonds, and John Steele. Mr. Gentry opened the floor to nominations and no other Members were nominated. Each of the candidates were given at least three minutes to speak to the Members present; Mr. Drummonds (not present) and Mr. Severs prepared written statements read by Mrs. Tate, Mrs. Castro was also not present. Members were then asked to cast their votes by placing their ballots in the ballot-box at the front of the room. Once all the ballots were in, the Election Committee and staff took the ballot box into the small conference room to count the votes.

VI. PRESENTATIONS.

- 1) State of the Community Report (Board President). Mr. Steele provided a slide show and briefed the Members on the initiatives undertaken by the Staff and Board over the past year. Additionally, he and

other Board Members answered a few questions posed by homeowners. A copy of the presentation is on the VWOA web site.

- 2) Recognition of Volunteers (Community Manager). Mrs. Tate identified all the volunteers from the previous year. The list was long and distinguished. She also pointed out a few outstanding volunteers.
- 3) Mr. Tom Rohde presented a detailed slide presentation outlining the tremendous growth that has accrued in Westcreek and its surrounding areas. Additionally; he gave a short and long term estimate on future growth and the social and financial effects it will have on the VWOA Community. He closed by answering a few questions from community members. He was applauded for his informative presentation and his efforts to keep members informed.

V. ELECTION RESULTS.

Mr. Gentry announced the newly elected members of the Board of Directors: Mr. John Steele, Mr. Kevin Drummonds and Mrs. Jennifer Castro. Mrs. Tate administered the Oath of Office to Mr. Steele, the two other newly elected board member were not present.

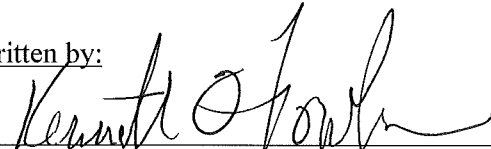
VI. DOOR PRIZES / Q&A FORUM:

There was a drawing and several door prizes were handed out to those Members that remained.

The President opened the floor to questions. Only a few questions were asked as most of them had been entertained during the course of the meeting.

VII. ADJOURNMENT: There being no further business to discuss, the meeting was adjourned at 9:30 p.m.

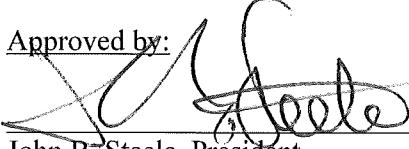
Written by:


Kenneth O. Fowler, Secretary

Date:

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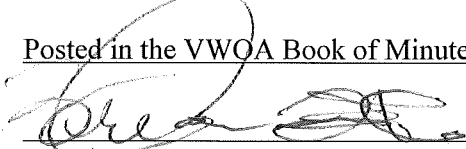
Approved by:


John B. Steele, President

Date:

25 APRIL 2013

Posted in the VWOA Book of Minutes by:


Brenda Tate
Community Manager, VWOA

Date:

April 25-2013

**VILLAGES OF WESTCREEK
OWNERS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Villages of Westcreek Owners' Association, Inc.
San Antonio, Texas

We have audited the accompanying financial statements of Villages of Westcreek Owners' Association, Inc., which comprise the balance sheet as of December 31, 2012, and the related statement of revenues, expenses, and changes in fund balances, and cash flow for the year then ended, and the related notes to the financial statements. Information for the year ended December 31, 2011, is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unqualified opinion in our reported dated April 9, 2012.

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 association'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 association'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Villages of Westcreek Owners' Association, Inc. as of December 31, 2012 and the results of its operations and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 14 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.

Armstrong, Vaughan & Associates, P.C.

April 05, 2013

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2012
(With Comparative Totals for 2011)

	Operating Fund	Replacement Fund	Totals	
			2012	2011
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 199,316	\$ 179,813	\$ 379,129	\$ 348,056
Cash and Cash Equivalents Designated for Capital Improvements	105,608	-	105,608	38,063
Certificate of Deposit	2,589	-	2,589	2,514
Accounts Receivable	64,126	-	64,126	54,350
Allowance for Doubtful Accounts	(15,000)	-	(15,000)	(8,500)
Due from Operating Fund	-	17,064	17,064	32,506
Prepaid Insurance	17,887	-	17,887	17,887
Accrued Interest	34	-	34	34
<i>Total Current Assets</i>	<u>374,560</u>	<u>196,877</u>	<u>571,437</u>	<u>484,910</u>
<i>Property and Equipment:</i>				
Land	250,000	-	250,000	250,000
Automobiles	22,996	-	22,996	22,996
Community Center	2,021,505	-	2,021,505	2,021,505
Buildings & Equipment	299,368	-	299,368	299,368
Office Equipment	59,662	-	59,662	59,662
Furniture & Fixtures	18,842	-	18,842	14,579
Software	4,673	-	4,673	4,673
Accumulated Depreciation	(601,301)	-	(601,301)	(528,387)
<i>Total Property and Equipment</i>	<u>2,075,745</u>	<u>-</u>	<u>2,075,745</u>	<u>2,144,396</u>
TOTAL ASSETS	<u>\$ 2,450,305</u>	<u>\$ 196,877</u>	<u>\$ 2,647,182</u>	<u>\$ 2,629,306</u>

The accompanying notes are an integral part of these statements.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
BALANCE SHEET (CONT.)
DECEMBER 31, 2012
(With Comparative Totals for 2011)

	Operating Fund	Replacement Fund	Totals 2012	2011
LIABILITIES AND FUND BALANCE				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 10,358	\$ -	\$ 10,358	\$ 14,165
Prepaid Assessments	131,840	-	131,840	122,169
Federal Income Taxes Payable	395	-	395	68
Payroll Taxes Payable	208	-	208	637
Accrued Salaries	10,334	-	10,334	10,753
Accrued Vacation Payable	6,224	-	6,224	6,224
Due to Replacement Fund	17,064	-	17,064	32,506
Note Payable - Current Portion	62,707	-	62,707	58,917
<i>Total Current Liabilities</i>	<u>239,130</u>	<u>-</u>	<u>239,130</u>	<u>245,439</u>
<i>Long-Term Liabilities:</i>				
Note Payable - Long Term	1,220,375	-	1,220,375	1,307,419
<i>Total Long-Term Liabilities</i>	<u>1,220,375</u>	<u>-</u>	<u>1,220,375</u>	<u>1,307,419</u>
<i>Total Liabilities</i>	<u>1,459,505</u>	<u>-</u>	<u>1,459,505</u>	<u>1,552,858</u>
<i>Fund Balance:</i>				
Designated for Capital Improvement	105,608	-	105,608	38,063
Designated for Contingency	3,000	-	3,000	3,000
Unreserved	882,192	196,877	1,079,069	1,035,385
<i>Total Fund Balance</i>	<u>990,800</u>	<u>196,877</u>	<u>1,187,677</u>	<u>1,076,448</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,450,305</u>	<u>\$ 196,877</u>	<u>\$ 2,647,182</u>	<u>\$ 2,629,306</u>

The accompanying notes are an integral part of these statements.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for 2011)

	Operating Fund	Replacement Fund	Totals	
			2012	2011
REVENUES				
Homeowners Assessments	\$ 1,051,371	\$ -	\$ 1,051,371	\$ 943,517
Builders Assessments	4,624	-	4,624	12,336
Developer Assessments	621	-	621	-
Late Charges, Collection & NSF Charges	8,648	-	8,648	9,447
Transfer/Refinance	9,920	-	9,920	8,565
Resale Certificate	14,250	-	14,250	12,900
Newsletter/Advertising	1,960	-	1,960	3,030
Pavilion Rental	5,838	-	5,838	4,910
Community Center Rental	24,470	-	24,470	20,298
Pool Income	11,349	-	11,349	15,603
Yard Sales	4,770	-	4,770	4,310
Interest Income	458	726	1,184	278
Recreation Program Income	50,023	-	50,023	47,125
Other Income	6,543	-	6,543	1,761
TOTAL REVENUES	1,194,845	726	1,195,571	1,084,080
EXPENSES				
<i>Corporate Administration:</i>				
Manager and Asst. Manager Salary	68,431	-	68,431	70,459
Staff Compensation	100,838	-	100,838	91,648
Insurance	45,964	-	45,964	51,031
Uncollectible Assessments and Late Fees	10,429	-	10,429	8,852
Depreciation	72,914	-	72,914	73,702
Postage, Printing and Equipment Rental	16,372	-	16,372	23,896
Accounting and Payroll Services	16,200	-	16,200	14,700
Interest Expense	84,746	-	84,746	121,410
Payroll Taxes	27,534	-	27,534	29,081
Travel	5,703	-	5,703	5,592
Education	1,881	-	1,881	1,795
Professional Fees	6,499	-	6,499	8,676
Newsletter Printing and Postage	4,433	-	4,433	522
Office Supplies and Equipment	14,871	-	14,871	14,564
Meeting and Committee Expenses	50,805	-	50,805	38,407
Property Taxes	136	-	136	1,238
Miscellaneous Administration Expenses	10,658	-	10,658	11,514
Federal Income Tax	1,954	-	1,954	644
<i>Total Corporate Administration</i>	\$ 540,368	\$ -	\$ 540,368	\$ 567,731

The accompanying notes are an integral part of these statements.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for 2011)

	Operating Fund	Replacement Fund	Totals	
			2012	2011
EXPENSES (CONT.)				
<i>Recreation Area Operations:</i>				
Landscaping, Park and Main Boulevards	\$ 126,653	\$ -	\$ 126,653	\$ 92,256
Pool Expense	79,721	-	79,721	88,825
Maintenance Wages, Uniforms & Mileage	39,114	-	39,114	72,194
Common Element Maintenance	17,624	-	17,624	26,088
Utilities	80,744	-	80,744	63,726
Standards Compliance Monitors	46,544	-	46,544	46,516
Monitoring Service	37,638	-	37,638	18,104
Community Center Maintenance	22,434	-	22,434	24,121
Capital Improvement Expenses	4,802	-	4,802	3,814
Capital Replacement Expenses	-	88,700	88,700	10,203
<i>Total Recreation Area Operations</i>	<u>455,274</u>	<u>88,700</u>	<u>543,974</u>	<u>445,847</u>
TOTAL EXPENSES	<u>995,642</u>	<u>88,700</u>	<u>1,084,342</u>	<u>1,013,578</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	199,203	(87,974)	111,229	70,502
Transfers Between Funds	(145,494)	145,494	-	-
BEGINNING FUND BALANCE	<u>937,091</u>	<u>139,357</u>	<u>1,076,448</u>	<u>1,005,946</u>
ENDING FUND BALANCE	<u>\$ 990,800</u>	<u>\$ 196,877</u>	<u>\$ 1,187,677</u>	<u>\$ 1,076,448</u>

The accompanying notes are an integral part of these statements.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for 2011)

	Operating Fund	Replacement Fund	Totals	
			2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over (under) expenses	\$ 199,203	\$ (87,974)	\$ 111,229	\$ 70,502
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	72,914	-	72,914	73,702
(Increase) Decrease in:				
Accounts Receivable, Net of Allowance	(3,276)	-	(3,276)	6,615
Prepaid Insurance	-	-	-	(2,494)
Prepaid Expense	-	-	-	9,536
Increase (Decrease) in:				
Accounts Payable	(3,807)	-	(3,807)	(4,837)
Prepaid Assessments	9,671	-	9,671	(658)
Federal Income Tax Payable	327	-	327	62
Payroll Taxes Payable	(429)	-	(429)	353
Accrued Payroll	(419)	-	(419)	(689)
Accrued Vacation Payable	-	-	-	6,224
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>274,184</u>	<u>(87,974)</u>	<u>186,210</u>	<u>158,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in Certificate of Deposit	(75)	-	(75)	(74)
Acquisition of property	(4,263)	-	(4,263)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(4,338)</u>	<u>-</u>	<u>(4,338)</u>	<u>(74)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund Receivables/Payables	(15,442)	15,442	-	-
Transfers Between Funds	(145,494)	145,494	-	-
Principal Payments on Notes Payable	(83,254)	-	(83,254)	(56,126)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(244,190)</u>	<u>160,936</u>	<u>(83,254)</u>	<u>(56,126)</u>
NET INCREASE (DECREASE) IN CASH	25,656	72,962	98,618	102,116
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>279,268</u>	<u>106,851</u>	<u>386,119</u>	<u>284,003</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 304,924</u>	<u>\$ 179,813</u>	<u>\$ 484,737</u>	<u>\$ 386,119</u>
SUPPLEMENTAL DISCLOSURE:				
Income Taxes Paid	\$ 1,627	\$ -	\$ 1,627	\$ 582
Interest Expense Paid	\$ 84,746	\$ -	\$ 84,746	\$ 111,874

The accompanying notes are an integral part of these statements.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 -- NATURE OF ORGANIZATION

The Villages of Westcreek Owners' Association, Inc. was incorporated February 14, 1994, and operations commenced April 1, 1994. The incorporation was the result of combining the Villages of Westcreek Property Owners Association and the Villages of Westcreek Homeowners Association. The Association is responsible for the upkeep, maintenance and repair of the common areas and improvements owned by the Association, which are primarily the Sports Park and subdivision entrances; payment of utilities used in the common area; taxes assessed upon common areas; insurance covering Association property for general hazards and liability; and management and administration of the Association. The Association is located in west central Bexar County, Texas, on approximately 1,250 acres of which the Sports Park is 18.9 acres. The planned community is still in the development phase and when completed will consist of single housing residences, recreation areas, greenbelts, and a public school. At December 31, 2012, there were 3,350 individual homeowners and 53 lots owned by builders and developers.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING METHOD/FUND ACCOUNTING

The Association maintains its books of account on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, or billed, and expenses are recognized when goods or services are received, whether paid or not.

To ensure observance of limitations and restrictions on use of financial resources, 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 major repairs and replacements.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the statement of cash flows include amounts in the checking and savings accounts.

C. PROPERTY AND EQUIPMENT

Real property and common areas donated by the developer are not capitalized on the Association's financial statements. The property includes, but is not limited to, land, swimming pool, tennis courts, children's play area, jogging track, basketball goals, and a baseball backstop.

Real and personal property purchased with Association funds, to which the Association holds the title, will be capitalized at cost and depreciated over its estimated useful life using the straight-line method of depreciation. The Association's current capitalization policy would include items that cost \$500 or more and that provide future benefit greater than one year to the Association.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2012

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

C. PROPERTY AND EQUIPMENT (Cont.)

The Association held title to the following assets at year-end:

<u>Fixed Assets</u>	<u>Estimated Useful Lives</u>
Automobiles	5 years
Community Center	40 years
Buildings and Improvements	5 - 30 years
Office Equipment	5 - 7 years
Furniture & Fixtures	10 years
Software	3 years

D. MEMBER ASSESSMENTS

Association members are subject to annual assessments with quarterly due dates for the improvement and maintenance of the Common Areas; and for the payment of any insurance premiums, utilities and similar expenses for which the Association is responsible. Any assessment not paid by the due date shall be considered delinquent and bear interest from due date at fourteen percent (14%) per annum until assessments are current. The Association may bring legal actions against owners personally for the collection of unpaid assessments. Once legal action has commenced, all legal fees and costs will be assessed to the unit owners. Any excess assessments at year-end are retained by the Association for use in future years. The Association's policy for charging off uncollectible receivables is determined on a case by case basis. The Association vigorously pursues collection of receivables until ownership has changed through sale or foreclosure and the Association may no longer pursue collection of the previous owner.

An allowance for doubtful accounts has been established in the amount of \$15,000 as of December 31, 2012 per management's estimate.

Revenues from assessments are recognized in the period assessed. Assessments received in advance of the period are deferred and reported as prepaid assessments on the balance sheet.

E. FISCAL YEAR

The Association has a fiscal year beginning on January 1 of each year and ending on December 31.

F. ACCRUED VACATION

Employees can earn vacation leave at varying rates depending on length of service. Amounts earned for vacation that are not taken by employees may carry over to the following year and are paid upon voluntary termination of employment.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2012

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

G. 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.

H. SUBSEQUENT EVENTS

Subsequent events were considered through April 05, 2013, which is the date the financial statements were available to be issued.

NOTE 3 -- PROPERTY AND EQUIPMENT

Changes in assets for the year ended December 31, 2012 is as follows:

	Beginning	Additions	Deletions	Ending
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Automobiles	22,996	-	-	22,996
Community Center	2,021,505	-	-	2,021,505
Buildings and Improvements	299,368	-	-	299,368
Office Equipment	59,662	-	-	59,662
Furniture & Fixtures	14,579	4,263	-	18,842
Software	4,673	-	-	4,673
	2,672,783	4,263	-	2,677,046
Less: Accumulated Depreciation	(528,387)	(72,914)	-	(601,301)
Net Property and Equipment	<u>\$ 2,144,396</u>	<u>\$ (68,651)</u>	<u>\$ -</u>	<u>\$ 2,075,745</u>

Land is not depreciated.

NOTE 4 -- FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require the Association establish adequate reserve funds for future major repair and replacement of Common Area components. This reserve is to be funded by regular assessments. Accumulated funds should be accounted for in separate certificates of deposit and savings accounts.

A study was conducted by Armstrong, Vaughan & Associates, P.C., in September 2011 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the unaudited supplementary information is based on this study.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2012

NOTE 4 -- FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONT.)

During the year, the Association increased replacement reserves by \$146,220 and used \$88,700 for major repairs, leaving a balance of \$196,877 as of December 31, 2012. Because funding is based on estimates, actual needs may vary significantly from the study and this variance could be material. Monies accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. Thus, the Board has the right to raise regular assessments or levy a special assessment, subject to membership approval, to meet these needs.

NOTE 5 -- INTERFUND BORROWINGS

The Association Replacement Fund transferred funds to the Operating Fund to reimburse for major repair and replacement expenses. However, this transfer was recorded twice in error. As of December 31, 2012, the total amount due to the Replacement Fund is \$17,064. The Association expects to pay this interfund borrowing back in full in the subsequent year.

NOTE 6 -- NOTE PAYABLE

During the year ended December 31, 2011, the Association refinanced the note payable with Community National Bank for a lower interest rate. There were no additional closing costs associated with refinancing the loan. The scheduled maturity date is October 1, 2026.

Long-term debt as of December 31, 2012, consisted of the following:

6.25%	Note payable to Community National Bank in monthly installments of \$11,922.70, secured by two tracts of land of approximately 43.88 acres.	\$ 1,283,082
	<i>Less Current Maturities</i>	<u>62,707</u>
		<u>\$ 1,220,375</u>

Requirements to amortize all long-term debt over the remaining term are as follows:

	Principal
2013	\$ 62,707
2014	66,740
2015	71,033
2016	75,602
2017	80,465
2018 - 2022	486,947
2023 - 2026	<u>439,588</u>
	1,283,082
Interest	<u>729,035</u>
Total	<u>\$ 2,012,117</u>

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2012

NOTE 7 -- DESIGNATED CASH/DESIGNATED FUND BALANCES

The Association has designated cash for the purpose of Capital Improvements and unexpected expenses in the amounts of \$105,608 and \$3,000, respectively.

NOTE 8 -- INCOME TAXES

The Association qualifies as a tax-exempt association for all income and expenses related to its 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 15% or 30% by the federal government, dependent upon certain filing elections made. The Association can also elect to file as a regular corporation if it is in their best interest. For 2012, the Association filed IRS Form 1120 resulting in a tax expense of \$1,954.

Accounting principles generally accepted in the United States of America require the Association management to evaluate tax positions taken by the Association 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, 2012, 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 2009.

NOTE 9 -- LITIGATION

Association management is not aware of any other pending or threatened litigation.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Discussion Draft

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
FUTURE MAJOR REPAIRS & REPLACEMENTS
DECEMBER 31, 2012
(UNAUDITED)

Armstrong, Vaughan & Associates, P.C., performed a reserve study update in September 2011, 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 is a table based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Cost	Estimated Ideal Funding at 12/31/2012	Components of Fund Balance at 12/31/2012
Irrigation Controllers	0-13	\$ 18,000	\$ 13,919	\$ 13,500
Roofs, Aluminum, Batten Seam	17-23	96,632	24,873	-
Fencing	0-15	57,591	34,865	16,783
Security Gates	0-12	1,075	860	700
Security Surveillance System	1-5	7,396	4,841	4,841
Streets (Gardens) - Asphalt Overlay	16	169,884	31,085	-
Parking Lot - Asphalt Overlay	0-13	49,981	32,603	23,803
Parking Lot - Lighting	15	3,560	1,086	-
Sports Park - Lighting	17	16,000	3,398	-
Basketball Courts-Resurfacing	1	7,006	6,401	6,401
Football/Soccer Field Goal Post	0	300	300	300
Park Equipment	0-14	4,357	3,897	3,272
Playground Equipment	0-14	23,646	8,480	2,070
Pool and Equipment	0-18	115,385	62,611	36,514
Tennis Courts	0	8,957	8,957	8,957
Volleyball System	0	463	463	463
Picnic Table, 6' PVC Covered Mesh	4	4,898	3,634	3,634
Railroad Tie Landscape Borders	2	735	660	660
Association Signage	0	2,850	2,850	2,850
Pavilions and Pergola	3-13	34,881	17,920	634
Appliances	3-11	5,168	2,757	2,208
Association Vehicle	5	22,996	10,893	10,893
Grounds Equipment	3-15	8,102	4,094	3,571
Office Equipment	0-14	32,332	22,765	22,467
Plumbing Fixtures	0-18	14,730	6,802	4,057
Storage Shed	15	15,660	3,716	-
Water Heater & HVAC	1-7	34,047	17,075	1,299
Doors-Metal	15-21	11,297	1,920	-
Tree Trimming	0	10,000	10,000	10,000
Clock Tower Repairs	0-18	40,957	26,130	17,000
		<u>\$ 818,886</u>	<u>\$ 369,855</u>	<u>\$ 196,877</u>

The reserve study is estimated to be 53.23% ideally funded.

See Independent Auditor's Report