

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

***FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION***

***FOR THE YEAR ENDED  
DECEMBER 31, 2019***

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members  
Villages of Westcreek Owners' Association, Inc.

We have reviewed the accompanying financial statements of Villages of Westcreek Owners' Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 7 to the financial statements, Villages of Westcreek Owners' Association, Inc. adopted ASU 2014-9 related to revenue recognition as of January 1, 2019. Our conclusion is not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

***Report on Summarized Comparative Information***

We have previously reviewed the Villages of Westcreek Owners' Association, Inc.'s 2018 financial statements, and we expressed a conclusion on those reviewed financial statements in our report dated March 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

April 10, 2020

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2019  
(With Comparative Totals for 2018)

	Operating Fund	Replacement Fund	Totals	
			2019	2018
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 156,189	\$ 86,095	\$ 242,284	\$ 420,523
Certificate of Deposit	2,731	-	2,731	2,714
Accounts Receivable	237,439	-	237,439	212,355
Allowance for Doubtful Accounts	(59,359)	-	(59,359)	(53,039)
Due to Replacement Fund	(174,557)	174,557	-	-
Prepaid Insurance	19,961	-	19,961	5,818
<i>Total Current Assets</i>	<u>182,404</u>	<u>260,652</u>	<u>443,056</u>	<u>588,371</u>
<i>Property and Equipment:</i>				
Land	250,000	-	250,000	250,000
Community Center	2,021,505	-	2,021,505	2,021,505
Buildings & Equipment	392,047	-	392,047	343,185
Office Equipment	6,171	-	6,171	27,084
Furniture & Fixtures	4,263	-	4,263	18,842
Accumulated Depreciation	<u>(823,422)</u>	<u>-</u>	<u>(823,422)</u>	<u>(867,044)</u>
<i>Total Property and Equipment</i>	<u>1,850,564</u>	<u>-</u>	<u>1,850,564</u>	<u>1,793,572</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,032,968</u>	<u>\$ 260,652</u>	<u>\$ 2,293,620</u>	<u>\$ 2,381,943</u>

See accompanying notes and independent accountant's review report.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2019  
(With Comparative Totals for 2018)

	Operating Fund	Replacement Fund	Totals	
			2019	2018
<b>LIABILITIES AND FUND BALANCE</b>				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 17,832	\$ -	\$ 17,832	\$ 85,257
Prepaid Assessments	218,818	-	218,818	243,953
Payroll Taxes Payable	2,323	-	2,323	2,301
Accrued Salaries	-	-	-	4,205
Spectrum Collections	64,263	-	64,263	38,198
Note Payable - Current Portion	103,211	-	103,211	97,057
<i>Total Current Liabilities</i>	406,447	-	406,447	470,971
<i>Long-Term Liabilities:</i>				
Note Payable - Long Term	361,436	-	361,436	501,546
<i>Total Long-Term Liabilities</i>	361,436	-	361,436	501,546
<i>Total Liabilities</i>	767,883	-	767,883	972,517
<i>Fund Balance:</i>				
Unrestricted	1,265,085	260,652	1,525,737	1,409,426
<i>Total Fund Balance</i>	1,265,085	260,652	1,525,737	1,409,426
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,032,968</b>	<b>\$ 260,652</b>	<b>\$ 2,293,620</b>	<b>\$ 2,381,943</b>

See accompanying notes and independent accountant's review report.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Totals for 2018)

	Operating Fund	Replacement Fund	Totals	
			2019	2018
<b>REVENUES</b>				
Homeowners Assessments	\$ 1,349,257	\$ -	\$ 1,349,257	\$ 1,348,565
Recreation Program Income	77,599	-	77,599	75,657
Community Center Rental	42,733	-	42,733	33,192
Late Charges and Collection Fees	13,042	-	13,042	10,831
Pool Income	6,030	-	6,030	3,415
Interest Income	94	1,250	1,344	2,074
Other Income	13,556	-	13,556	13,292
<b>TOTAL REVENUES</b>	<u>1,502,311</u>	<u>1,250</u>	<u>1,503,561</u>	<u>1,487,026</u>
<b>EXPENSES</b>				
<i>Corporate Administration:</i>				
Personnel Expenses	386,869	-	386,869	372,561
Event Expenses	80,505	-	80,505	53,495
Depreciation	70,871	-	70,871	62,512
Management Fee	48,000	-	48,000	54,000
General Administrative	37,636	-	37,636	35,411
Insurance	35,481	-	35,481	36,946
Interest Expense	23,919	-	23,919	27,253
Office Supplies and Equipment	23,527	-	23,527	25,425
Uncollectible Assessments and Late Fees	18,501	-	18,501	53,526
Miscellaneous Administration Expenses	14,376	-	14,376	9,951
Professional Fees	8,567	-	8,567	33,368
Website	1,458	-	1,458	2,071
Taxes	-	-	-	321
<i>Total Corporate Administration</i>	<u>\$ 749,710</u>	<u>\$ -</u>	<u>\$ 749,710</u>	<u>\$ 766,840</u>

See accompanying notes and independent accountant's review report.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Totals for 2018)

	Operating Fund	Replacement Fund	Totals	
			2019	2018
<b>EXPENSES (CONT.)</b>				
<i>Recreation Area Operations:</i>				
Pool Expense	\$ 34,322	\$ -	\$ 34,322	\$ 296,225
Landscaping, Park and Main Boulevards	168,571	-	168,571	186,724
General Maintenance	77,686	98,818	176,504	173,288
Utilities	95,911	-	95,911	98,962
Monitoring and Security Services	148,447	-	148,447	57,035
Community Center Maintenance	13,785	-	13,785	33,630
Fence Repairs	-	-	-	37,117
Park	-	-	-	33,629
Retaining Wall	-	-	-	18,500
<i>Total Recreation Area Operations</i>	<u>538,722</u>	<u>98,818</u>	<u>637,540</u>	<u>935,110</u>
<b>TOTAL EXPENSES</b>	<u>1,288,432</u>	<u>98,818</u>	<u>1,387,250</u>	<u>1,701,950</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	213,879	(97,568)	116,311	(214,924)
<b>BEGINNING FUND BALANCE</b>	1,120,298	289,128	1,409,426	1,624,350
Transfer Between Funds	<u>(69,092)</u>	<u>69,092</u>	<u>-</u>	<u>-</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,265,085</u>	<u>\$ 260,652</u>	<u>\$ 1,525,737</u>	<u>\$ 1,409,426</u>

See accompanying notes and independent accountant's review report.



VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Totals for 2018)

	Operating Fund	Replacement Fund	<u>Totals</u>	
			2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over (under) expenses	\$ 213,879	\$ (97,568)	\$ 116,311	\$ (214,924)
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	70,871	-	70,871	62,512
(Increase) Decrease in:				
Accounts Receivable, Net of Allowance	(18,764)	-	(18,764)	12,533
Prepaid Insurance	(14,143)	-	(14,143)	(736)
Increase (Decrease) in:				
Accounts Payable	(67,425)	-	(67,425)	15,716
Prepaid Assessments	(25,135)	-	(25,135)	87,023
Payroll Taxes Payable	22	-	22	706
Accrued Salaries	(4,205)	-	(4,205)	-
Spectrum Collections	26,066	-	26,066	(9,008)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>181,166</u>	<u>(97,568)</u>	<u>83,598</u>	<u>(46,178)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property and Equipment	(127,864)	-	(127,864)	(85,396)
Investment in Certificate of Deposit	(17)	-	(17)	(13)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(127,881)</u>	<u>-</u>	<u>(127,881)</u>	<u>(85,409)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Transfer Between Funds	(69,092)	69,092	-	-
Due To Replacement Fund	174,557	(174,557)	-	-
Principal Payments on Note Payable	(133,956)	-	(133,956)	(124,421)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(28,491)</u>	<u>(105,465)</u>	<u>(133,956)</u>	<u>(124,421)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	24,794	(203,033)	(178,239)	(256,008)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>131,395</u>	<u>289,128</u>	<u>420,523</u>	<u>676,531</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 156,189</u>	<u>\$ 86,095</u>	<u>\$ 242,284</u>	<u>\$ 420,523</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>				
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -
Interest Expense Paid	\$ 23,919	\$ -	\$ 23,919	\$ 27,253

See accompanying notes and independent accountant's review report.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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, 2019, there were 3,428 homeowners. These financial statements have been prepared in accordance with generally accepted accounting principles.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 major repairs and replacement.

B. CASH AND CASH EQUIVALENTS

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

C. MEMBER ASSESSMENTS

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over the period of the assessment on a monthly pro-rata basis using the input method. The performance obligations related to replacement fund assessments for specific repairs are satisfied when these funds are expended for their designated purpose.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

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

C. MEMBER ASSESSMENTS (Cont.)

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. An allowance for doubtful accounts has been established in the amount of \$59,359 as of December 31, 2019 per management's estimate. Because of the Association's legal standing to enforce payment, the Association considers the collection of assessments levied to be probable. The balances of assessments receivable as of the beginning and end of the year are \$212,355 and \$237,439, respectively.

D. 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.

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

<u>Capital Asset</u>	<u>Estimated Useful Lives</u>
Community Center	38 years
Buildings and Improvements	4 - 28 years
Office Equipment	4 - 5 years
Furniture & Fixtures	8 years

E. CONTRACT LIABILITIES

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations. The balances of contract liabilities (stated as prepaid assessments on the balance sheet) as of the beginning and end of the year are \$243,953 and \$218,818, respectively.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

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

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.

G. SPECTRUM COLLECTIONS

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

H. 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.

I. FISCAL YEAR

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

J. SUBSEQUENT EVENTS

Subsequent events were considered through April 10, 2020, which is the date the financial statements were available to be issued.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2019

NOTE 3 -- 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.

Reserve Advisors, Inc. assisted the Board of Directors in preparing an update to the Reserve Study in December 2016 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.

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 4 -- NOTE PAYABLE

In a previous year, the Association took out a note to construct the Community Center. In 2014, the Association refinanced the note payable with Community National Bank for a lower interest rate. The scheduled maturity date is October 1, 2026, however, additional payments have been made to advance that date. Long-term debt as of December 31, 2019, consisted of the following:

4.50% Note payable to Community National Bank in monthly installments of \$10,167.39, secured by two tracts of land of approximately 43.88 acres. \$ 464,647

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

	Principal	Interest	Total
2020	\$ 103,211	\$ 18,797	\$ 122,008
2021	107,952	14,056	122,008
2022	112,911	9,097	122,008
2023	118,098	3,910	122,008
2024	22,475	139	22,614
	\$ 464,647	\$ 45,999	\$ 510,646

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

NOTE 5 -- 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 21% 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 2019, the Association filed IRS Form 1120-H resulting in a tax expense of \$0.

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, 2019, 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 2016.

NOTE 6 -- LITIGATION

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

NOTE 7 -- FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate – Common Interest Realty Associations (CIRA), Revenue Recognition, and requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the Association's accounting policies for assessment revenue and contract liabilities related to assessments for specific projects, as previously described.

The adoption of the new revenue recognition guidance resulted in no change to fund balance as of January 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
 FUTURE MAJOR REPAIRS & REPLACEMENTS  
 DECEMBER 31, 2019  
 (UNAUDITED)

Reserve Advisors, Inc. assisted the Board of Directors in preparing a reserve study update in December 2016, 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	Components of Fund Balance at 12/31/2019
HVAC Equipment	0	\$ 32,042	\$ 32,042
Office Equipment	0-2	10,000	10,000
Pool Finishes	0-4	63,600	63,600
Mechanical Equipment	0-5	18,000	18,000
Concrete Deck	0-5	48,160	48,160
Property Site Fencing	0-10	123,600	88,850
Restrooms	0-10	45,200	-
Walls	1	5,000	-
Ceilings and Floor Coverings	1-12	38,900	-
Sport Courts Components	2-11	152,392	-
Portable Theater	3	18,000	-
Signage	3-17	50,000	-
Pool Fencing	4-14	87,750	-
Site Furniture	4-15	102,000	-
Pool Furniture	5	15,000	-
Security System	5	12,000	-
Irrigation System	5-27	324,000	-
Playground Equipment	7	45,000	-
Asphalt Pavement System	8	159,340	-
Kitchen	12	17,000	-
Roofing	14-23	133,900	-
Windows and Doors	18	35,000	-
Light Poles and Fixtures	18	21,000	-
Pool Structure and Deck	27	404,000	-
		<u>1,960,884</u>	<u>260,652</u>
Reserve Study Anticipated Balances at Year End			<u>\$ 531,979</u>
Percent of Anticipated Balances on Hand			49%
Reserve Study Recommended Future Contributions: (Based on Updated Projections)			
	2020	\$ 108,800	
	2021	\$ 110,200	
	2022	\$ 111,600	



Client: **VIL5H - Villages of Westcreek Owners' Association, Inc.**  
 Engagement: **VIL5H - Villages of Westcreek Owners' Association, Inc.**  
 Period Ending: **12/31/2019**  
 Workpaper: **00.04 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>8-D</b>		
To increase allowance for doubtful accounts to 25% of total receivables.				
62-6200-00	Bad Debt		17,957.12	
1071.0	Allow for Uncollected Accounts			17,957.12
<b>Total</b>			<u><b>17,957.12</b></u>	<u><b>17,957.12</b></u>
<b>Adjusting Journal Entries JE # 2</b>		<b>8-D</b>		
To reclass security technology equipment to it's own account to agree with prior year.				
1058.0	Security Technology		75,482.71	
1051.0	Buildings & Equipment			75,482.71
<b>Total</b>			<u><b>75,482.71</b></u>	<u><b>75,482.71</b></u>
<b>Adjusting Journal Entries JE # 3</b>		<b>8-D</b>		
To record dub house rental deposit fees as Income rather than as a fixed asset.				
1056.0	Community Center		730.00	
46-4605-00	Community Center Rental			730.00
<b>Total</b>			<u><b>730.00</b></u>	<u><b>730.00</b></u>
<b>Adjusting Journal Entries JE # 4</b>		<b>8-D</b>		
To adjust current year depreciation				
62-5365-00	Depreciation		20,870.54	
1053.0	Accumulated Depr. & Equip			20,870.54
<b>Total</b>			<u><b>20,870.54</b></u>	<u><b>20,870.54</b></u>
<b>Adjusting Journal Entries JE # 5</b>		<b>8-D</b>		
To adjust note payable to amortization schedule at year end				
30-3030-00	Retained Earnings		11,768.13	
62-6205-00	Loan Interest Expense/Note Payable		4,121.32	
2210.0	Long Term Notes Payable - Community Natl Bank			15,889.45
<b>Total</b>			<u><b>15,889.45</b></u>	<u><b>15,889.45</b></u>
<b>Adjusting Journal Entries JE # 6</b>		<b>8-D</b>		
To adjust balances for the disposition of assets that were fully depreciated and no longer identifiable.				
1053.0	Accumulated Depr. & Equip		114,492.56	
1051.0	Buildings & Equipment			79,001.34
1052.0	Office Equipment			20,912.70
1057.0	Community Center Furniture			14,578.52
<b>Total</b>			<u><b>114,492.56</b></u>	<u><b>114,492.56</b></u>
<b>Adjusting Journal Entries JE # 7</b>		<b>8-D</b>		
To gross up contributions to the replacement fund to match the budget and show a transfer from the replacement fund for capitalized items				
1045.1	Due from Operating Fund		76,405.92	
63-6300-00	Transfer to Reserve		76,405.92	
9900.1	Transfer between funds		127,863.21	
20-2013-00	Payable To Reserves			76,405.92
42-4236-99	Contributions to Reserves			76,405.92
9900.0	Transfer between funds			127,863.21
<b>Total</b>			<u><b>280,675.05</b></u>	<u><b>280,675.05</b></u>

Client: **VIL5H - Villages of Westcreek Owners' Association, Inc.**  
 Engagement: **VIL5H - Villages of Westcreek Owners' Association, Inc.**  
 Period Ending: **12/31/2019**  
 Workpaper: **00.04 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 8</b>		<b>8-D</b>		
To accrue additional accounts payable.				
52-5210-00	Electric		2,216.85	
60-6020-00	Security Contract		5,471.50	
2013.0	Accounts Payable - Accrual			7,688.35
<b>Total</b>			<b>7,688.35</b>	<b>7,688.35</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>8-D</b>		
To reverse old salaries payable entry.				
2024.0	Salaries Payable		4,205.46	
59-5906-00	Admin Full Time			4,205.46
<b>Total</b>			<b>4,205.46</b>	<b>4,205.46</b>
<b>Adjusting Journal Entries JE # 10</b>		<b>8-D</b>		
Reclass forensic audit bill from audit expense account to legal expense account to match up with payable reversal				
62-6430-00	Legal		16,525.00	
57-5550-00	Audit and Tax Services			16,525.00
<b>Total</b>			<b>16,525.00</b>	<b>16,525.00</b>
<b>Adjusting Journal Entries JE # 11</b>		<b>8-D</b>		
To reclass entries association booked to Retained Earnings during the year.				
30-3030-00	Retained Earnings		3,375.00	
62-6200-00	Bad Debt		359.00	
30-3030-00	Retained Earnings			359.00
40-4400-00	Miscellaneous Income			3,375.00
<b>Total</b>			<b>3,734.00</b>	<b>3,734.00</b>
<b>Adjusting Journal Entries JE # 12</b>		<b>8-D</b>		
To record additions to fixed assets.				
1051.0	Buildings & Equipment		102,099.70	
1058.0	Security Technology		25,763.51	
65-6501-99	Reserve Expenses			127,863.21
<b>Total</b>			<b>127,863.21</b>	<b>127,863.21</b>

**We have reviewed the proposed adjustments to our financial statements and understand and agree with the adjustments as proposed.**

*Amal* Treasurer  
 Sign/Title  
4-15-2020  
 Date

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.  
12395 MILITARY DRIVE WEST  
SAN ANTONIO, TEXAS 78253

April 10, 2020

Armstrong, Vaughan and Associates, P.C.  
941 W. Byrd Blvd Suite 101  
Universal City, Texas 78148

We are providing this letter in connection with your review of the financial statements of Villages of Westcreek Owners' Association, Inc., which comprise the balance sheet as of December 31, 2019 and related statement of revenues and expenses and changes in fund balances, and cash flows of and for the year then ended, and the related notes to the financial statements, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of April 10, 2020, the following representations made to you during your review:

**Financial Statements**

- a. We have fulfilled our responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, as set out in the terms of the engagement.
- b. We acknowledge our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements, including its responsibility to prevent and detect fraud.
- c. We have provided you with all relevant information and access, as agreed upon in the terms of the engagement.
- d. We have responded fully and truthfully to all of your inquiries.
- e. All transactions have been recorded and are reflected in the financial statements.
- f. We have disclosed to the accountant its knowledge of fraud or suspected fraud affecting the entity involving:
  - i. Management,
  - ii. Employees who have significant roles in internal control, or
  - iii. Others, when the fraud could have a material effect on the financial statements.
- g. We have disclosed to you our knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

- h. We have disclosed you known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- i. We have disclosed to you our belief that the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the financial statements as a whole. A summary of such items should be included in, or attached to, the written representation.
- j. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements, and we have appropriately accounted for and disclosed such litigation and claims in accordance with the applicable financial reporting framework.
- k. We have disclosed to you whether we believe that significant assumptions used by us in making accounting estimates are reasonable.
- l. We have disclosed to you the identity of the entity's related parties and all of the related party relationships and transactions of which we are aware, and we have appropriately accounted for and disclosed such relationships and transactions.
- m. We have disclosed to you all information relevant to use of the going concern assumption in the financial statements.
- n. We have properly accounted for all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
- o. We have assigned Sarah Wolcott, who has sufficient knowledge, experience, and skills to oversee, evaluate the adequacy of, and accept responsibility for the following services:
  - a. Financial Statement Preparation
  - b. Proposed adjusting journal entries
  - c. Preparation of tax returns
  - d. Assistance with depreciation schedule

### **Information Provided**

- a. We have responded fully and truthfully to all inquiries made to us by you during your review.
- b. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documents, and other matters;
  - b. Minutes of meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared;
  - c. Additional information that you have requested from us for the purpose of the review; and
  - d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain review evidence.
- c. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- d. We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.
- e. We have disclosed to you any other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450, *Contingencies*.
- f. No material losses exist (such as from obsolete inventory or purchase or sale commitments) that have not been properly accrued or disclosed in the financial statements.

- g. The company has satisfactory title to all owned assets, and no liens or encumbrances on such assets exist, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
- h. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- i. We are in agreement with the adjusting entries that you have recommended, and they have been posted to the company's accounts.
- 1. With respect to the required supplementary information accompanying the financial statements:
  - o We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S GAAP.
  - o We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
  - o The methods of measurement or presentation have not changed from those used in the prior period.
  - o We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

 4-15-2020  
Villages of Westcreek Owners' Association, Inc.

Client: *VIL5H - Villages of Westcreek Owners' Association, Inc.*  
 Engagement: *VIL5H - Villages of Westcreek Owners' Association, Inc.*  
 Period Ending: *12/31/2018*  
 Workpaper: *00.04 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		8-D		
To correct beginning balances				
30-3025-99	Replacement Fund		1.00	
40-4400-00	Miscellaneous income		43.48	
62-5710-00	Recoverable Legal		370.00	
30-3030-00	Retained Earnings			1.00
30-3030-00	Retained Earnings			413.48
<b>Total</b>			<b>414.48</b>	<b>414.48</b>
<b>Adjusting Journal Entries JE # 2</b>		8-D		
To setup an allowance for doubtful account of 25% of receivables				
62-6200-00	Bad Debt		53,038.72	
1071.0	Allow for Uncollected Accounts			53,038.72
<b>Total</b>			<b>53,038.72</b>	<b>53,038.72</b>
<b>Adjusting Journal Entries JE # 3</b>		8-D		
To record additional payables				
59-5920-00	Security		5,285.50	
60-6005-00	Weekly Janitorial		1,000.00	
62-5430-00	Legal		16,525.00	
2010.0	Accounts Payable			22,810.50
<b>Total</b>			<b>22,810.50</b>	<b>22,810.50</b>
<b>Adjusting Journal Entries JE # 4</b>		8-D		
To adjust current year depreciation				
62-5365-00	Depreciation		62,511.65	
1053.0	Accumulated Depr. & Equip			62,511.65
<b>Total</b>			<b>62,511.65</b>	<b>62,511.65</b>
<b>Adjusting Journal Entries JE # 5</b>		8-D		
To reclass credit card settlement				
1056.0	Community Center		770.00	
46-4605-00	Community Center Rental			770.00
<b>Total</b>			<b>770.00</b>	<b>770.00</b>

Client: *VIL5H - Villages of Westcreek Owners' Association, Inc.*  
 Engagement: *VIL5H - Villages of Westcreek Owners' Association, Inc.*  
 Period Ending: *12/31/2018*  
 Workpaper: *00.04 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 6</b>		<b>8-D</b>		
To reclass common area expenses out of office equipment				
51-5135-00	Common Area Improvements		5,888.83	
60-6006-00	Com Str Fire/Burglar Alarm		1,284.91	
8510.0	Misc. Admin. Expense		162.38	
1052.0	Office Equipment			7,336.12
<b>Total</b>			<b>7,336.12</b>	<b>7,336.12</b>
<b>Adjusting Journal Entries JE # 7</b>		<b>8-D</b>		
To record 2017 Polaris Ranger as an asset				
1050.0	Grounds Equipment		9,912.69	
51-5110-00	Maintenance Supplies			9,912.69
<b>Total</b>			<b>9,912.69</b>	<b>9,912.69</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>8-D</b>		
To reclass expenses				
1058.0	Security Technology		75,482.71	
61-6125-99	Pool Maint/Repairs - Reserve		127,078.87	
65-6515-99	Fence Repairs - Reserve		37,117.30	
65-6520-99	Park Expenses		33,629.59	
65-6525-99	Retaining Wall Expense		18,500.00	
46-4604-00	Fence Repair Reimbursement			27,190.36
63-6301-00	Capital Improvement			33,629.59
85-6501-99	Reserve Expenses			28,598.75
65-6505-99	Capital Replacement Reserve			125,537.66
65-6510-99	Capital Improvement Rsrv			76,852.11
<b>Total</b>			<b>291,808.47</b>	<b>291,808.47</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>8-D</b>		
To reclass reserve transfer				
40-4110-00	Homeowner Assessment		138,022.73	
40-4110-99	Reserve Assessments		170,000.00	
40-4110-99	Reserve Assessments			138,022.73
63-6300-00	Transfer to Reserve			170,000.00
<b>Total</b>			<b>308,022.73</b>	<b>308,022.73</b>
<b>Adjusting Journal Entries JE # 10</b>		<b>8-D</b>		
To reclass sports park and community pool expenses as major repairs and replacement				
61-6125-99	Pool Maint/Repairs - Reserve		54,167.00	
61-6125-00	Pool Maint/Repairs			54,167.00
<b>Total</b>			<b>54,167.00</b>	<b>54,167.00</b>
<b>Adjusting Journal Entries JE # 11</b>		<b>8-D</b>		
To clear capital improvement equity				
3012.0	Reserved-Contingency		3,000.00	
30-3020-00	Reserve Funding -Capital Improvements		244,794.11	
30-3030-00	Retained Earnings			247,794.11
<b>Total</b>			<b>247,794.11</b>	<b>247,794.11</b>
<b>Adjusting Journal Entries JE # 12</b>		<b>8-d</b>		
To correct beginning loan amount				
2210.0	Long Term Notes Payable - Community Natl Bank		19,249.00	
62-6205-00	Loan Interest Expense/Note Payable			19,249.00
<b>Total</b>			<b>19,249.00</b>	<b>19,249.00</b>
<b>Adjusting Journal Entries JE # 13</b>		<b>8-F</b>		

Client: *VIL5H - Villages of Westcreek Owners' Association, Inc.*  
 Engagement: *VIL5H - Villages of Westcreek Owners' Association, Inc.*  
 Period Ending: *12/31/2018*  
 Workpaper: *00.04 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
To reclass income				
40-4400-00	Miscellaneous Income		1,901.00	
417008.0	Christmas Bazaar			300.00
44-4401-00	Photo ID's			656.00
44-4403-00	Pool Guest Fees			945.00
<b>Total</b>			<b>1,901.00</b>	<b>1,901.00</b>
Adjusting Journal Entries JE # 14				
To adjust ending equity				
20-2013-00	Payable To Reserves	8-D	6,968.12	
9900.0	Transfer between funds		64,513.39	
1045.1	Due from Operating Fund			6,968.12
9900.1	Transfer between funds			64,513.39
<b>Total</b>			<b>71,481.51</b>	<b>71,481.51</b>

**We have reviewed the proposed adjustments to our financial statements and understand and agree with the adjustments as proposed.**

*[Signature]*  
 Sign/Title 4/3/2019  
 Date