

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

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

***FOR THE YEAR ENDED
DECEMBER 31, 2018***

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT’S REVIEW REPORT 1

BALANCE SHEET 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE 4

STATEMENT OF CASH FLOWS 6

NOTES TO FINANCIAL STATEMENTS 7

REQUIRED SUPPLEMENTARY INFORMATION 11

 FUTURE MAJOR REPAIRS & REPLACEMENTS 12



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

Report on the Financial Statements

We have reviewed the accompanying financial statements of Villages of Westcreek Owners' Association, Inc., which comprise the balance sheet as of December 31, 2018, 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.

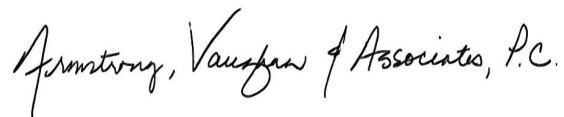
Accountant's Conclusion

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.

Other Matter

The accompanying summarized financial information for the year ended December 31, 2017 was taken from financial statements compiled by us. We performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the 2017 financial statements nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the 2017 summarized financial 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 11, 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.

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

Armstrong, Vaughan & Associates, P.C.

March 25, 2019

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2018
(With Comparative Totals for 2017)

	Operating Fund	Replacement Fund	Totals	
			2018	2017
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 131,395	\$ 289,128	\$ 420,523	\$ 431,748
Cash and Cash Equivalents Designated for Capital Improvements	-	-	-	244,781
Certificate of Deposit	2,714	-	2,714	2,705
Accounts Receivable	212,355	-	212,355	176,106
Allowance for Doubtful Accounts	(53,039)	-	(53,039)	(4,257)
Prepaid Insurance	5,818	-	5,818	5,082
<i>Total Current Assets</i>	<u>299,243</u>	<u>289,128</u>	<u>588,371</u>	<u>856,165</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	343,185	-	343,185	257,790
Office Equipment	27,084	-	27,084	27,084
Furniture & Fixtures	18,842	-	18,842	18,842
Accumulated Depreciation	(867,044)	-	(867,044)	(804,532)
<i>Total Property and Equipment</i>	<u>1,793,572</u>	<u>-</u>	<u>1,793,572</u>	<u>1,770,689</u>
TOTAL ASSETS	<u>\$ 2,092,815</u>	<u>\$ 289,128</u>	<u>\$ 2,381,943</u>	<u>\$ 2,626,854</u>

See accompanying notes and independent accountant's review report.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2018
(With Comparative Totals for 2017)

	Operating Fund	Replacement Fund	Totals	
			2018	2017
LIABILITIES AND FUND BALANCE				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 85,257	\$ -	\$ 85,257	\$ 69,541
Prepaid Assessments	243,953	-	243,953	156,930
Payroll Taxes Payable	2,301	-	2,301	1,595
Accrued Salaries	4,205	-	4,205	4,205
Spectrum Collections	38,198	-	38,198	47,209
Note Payable - Current Portion	97,057	-	97,057	85,112
<i>Total Current Liabilities</i>	470,971	-	470,971	364,592
<i>Long-Term Liabilities:</i>				
Note Payable - Long Term	501,546	-	501,546	637,912
<i>Total Long-Term Liabilities</i>	501,546	-	501,546	637,912
<i>Total Liabilities</i>	972,517	-	972,517	1,002,504
<i>Fund Balance:</i>				
Designated for Capital Improvement	-	-	-	244,794
Designated for Contingency	-	-	-	3,000
Unrestricted	1,120,298	289,128	1,409,426	1,376,556
<i>Total Fund Balance</i>	1,120,298	289,128	1,409,426	1,624,350
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,092,815	\$ 289,128	\$ 2,381,943	\$ 2,626,854

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, 2018
(With Comparative Totals for 2017)

	Operating Fund	Replacement Fund	Totals	
			2018	2017
REVENUES				
Homeowners Assessments	\$ 1,210,542	\$ 138,023	\$ 1,348,565	\$ 1,348,292
Recreation Program Income	75,657	-	75,657	60,865
Community Center Rental	33,192	-	33,192	22,860
Gain on Sale of Assets	-	-	-	13,000
Late Charges, Collection & NSF Charges	10,831	-	10,831	9,558
Pool Income	3,415	-	3,415	9,166
Interest Income	12	2,062	2,074	382
Other Income	13,292	-	13,292	44,080
TOTAL REVENUES	<u>1,346,941</u>	<u>140,085</u>	<u>1,487,026</u>	<u>1,508,203</u>
EXPENSES				
<i>Corporate Administration:</i>				
Personnel Expenses	372,561	-	372,561	338,988
Depreciation	62,512	-	62,512	59,345
Management Fee	54,000	-	54,000	54,000
Uncollectible Assessments and Late Fees	53,526	-	53,526	631
Meeting and Committee Expenses	53,495	-	53,495	36,998
Insurance	36,946	-	36,946	36,820
General Administrative	35,411	-	35,411	41,295
Professional Fees	33,368	-	33,368	17,567
Interest Expense	27,253	-	27,253	36,246
Office Supplies and Equipment	25,425	-	25,425	24,445
Miscellaneous Administration Expenses	9,951	-	9,951	9,505
Website	2,071	-	2,071	2,586
Taxes	321	-	321	301
Projector Equipment	-	-	-	17,995
<i>Total Corporate Administration</i>	<u>\$ 766,840</u>	<u>\$ -</u>	<u>\$ 766,840</u>	<u>\$ 676,722</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, 2018
(With Comparative Totals for 2017)

	Operating Fund	Replacement Fund	Totals	
			2018	2017
EXPENSES (CONT.)				
<i>Recreation Area Operations:</i>				
Pool Expense	\$ 114,979	\$ 181,246	\$ 296,225	\$ 123,505
Landscaping, Park and Main Boulevards	186,724	-	186,724	202,268
General Maintenance	151,848	21,440	173,288	200,376
Utilities	98,962	-	98,962	96,455
Monitoring Service	57,035	-	57,035	59,003
Community Center Maintenance	33,630	-	33,630	47,002
Fence Repairs	-	37,117	37,117	-
Park	-	33,629	33,629	-
Retaining Wall	-	18,500	18,500	-
<i>Total Recreation Area Operations</i>	<u>643,178</u>	<u>291,932</u>	<u>935,110</u>	<u>728,609</u>
TOTAL EXPENSES	<u>1,410,018</u>	<u>291,932</u>	<u>1,701,950</u>	<u>1,405,331</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	(63,077)	(151,847)	(214,924)	102,872
Transfer Between Funds	(64,513)	64,513	-	-
BEGINNING FUND BALANCE	<u>1,247,888</u>	<u>376,462</u>	<u>1,624,350</u>	<u>1,521,478</u>
ENDING FUND BALANCE	<u>\$ 1,120,298</u>	<u>\$ 289,128</u>	<u>\$ 1,409,426</u>	<u>\$ 1,624,350</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, 2018
(With Comparative Totals for 2017)

	Operating Fund	Replacement Fund	Totals	
			2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over (under) expenses	\$ (63,077)	\$ (151,847)	\$ (214,924)	\$ 102,872
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	62,512	-	62,512	59,345
(Gain) Loss on Disposal of Equipment	-	-	-	(13,000)
(Increase) Decrease in:				
Accounts Receivable, Net of Allowance	12,533	-	12,533	(46,040)
Prepaid Income Tax	-	-	-	2,581
Prepaid Insurance	(736)	-	(736)	(1,898)
Increase (Decrease) in:				
Accounts Payable	15,716	-	15,716	49,078
Prepaid Assessments	87,023	-	87,023	97,431
Payroll Taxes Payable	706	-	706	(77)
Spectrum Collections	(9,008)	-	(9,008)	46,651
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	105,669	(151,847)	(46,178)	296,943
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment	(85,394)	-	(85,394)	(8,537)
Sale of Property and Equipment	-	-	-	13,000
Investment in Certificate of Deposit	(13)	-	(13)	(10)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(85,407)	-	(85,407)	4,453
CASH FLOWS FROM FINANCING ACTIVITIES				
Transfer Between Funds	(64,513)	64,513	-	-
Due To Replacement Fund	(50,924)	50,924	-	-
Principal Payments on Note Payable	(124,421)	-	(124,421)	(135,586)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(239,858)	115,437	(124,421)	(135,586)
NET INCREASE (DECREASE) IN CASH	(219,596)	(36,410)	(256,006)	165,810
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	350,991	325,538	676,529	510,719
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 131,395	\$ 289,128	\$ 420,523	\$ 676,529
SUPPLEMENTAL DISCLOSURE:				
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -
Interest Expense Paid	\$ 27,253	\$ -	\$ 27,253	\$ 36,246

See accompanying notes and independent accountant's review report.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, there were 3,411 homeowners.

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 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. 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.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2018

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

C. PROPERTY AND EQUIPMENT (Cont.)

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

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 \$53,039 as of December 31, 2018 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. 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, 2018

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

F. 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.

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. FISCAL YEAR

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

I. SUBSEQUENT EVENTS

Subsequent events were considered through March 25, 2019, which is the date the financial statements were available to be issued.

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.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2018

NOTE 4 -- NOTE PAYABLE

In 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, 2018, 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. \$ 598,603

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

	Principal	Interest	Total
2019	\$ 97,057	\$ 24,952	\$ 122,009
2020	101,516	20,493	122,009
2021	106,180	15,829	122,009
2022	111,057	10,951	122,009
2023	116,159	5,849	122,009
2024	66,634	939	67,572
	<u>\$ 598,603</u>	<u>\$ 79,013</u>	<u>\$ 677,616</u>

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 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 2018, 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, 2018, 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 2015.

NOTE 6 -- LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
 FUTURE MAJOR REPAIRS & REPLACEMENTS
 DECEMBER 31, 2018
 (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 12/31/2018
<i>Property Site Elements</i>			
Asphalt Pavement System	9	\$ 159,340	\$ 23,494
Fencing	0-11	123,600	18,225
Irrigation System	6-28	324,000	47,773
Light Poles and Fixtures	19	21,000	3,096
Portable Theater	4	18,000	2,654
Playground Equipment	8	45,000	6,635
Signage	4-18	50,000	7,372
Site Furniture	5-16	102,000	15,040
Sport Courts Components	3-12	152,392	22,470
<i>Common Building Elements</i>			
Ceilings and Floor Coverings	2-13	38,900	5,736
HVAC Equipment	0	32,042	4,725
Kitchen	13	17,000	2,507
Office Equipment	1-3	10,000	1,474
Restrooms	0-11	45,200	6,665
Roofing	15-24	133,900	19,742
Security System	6	12,000	1,769
Walls	2	5,000	737
Windows and Doors	19	35,000	5,161
<i>Pool Elements</i>			
Concrete Deck	0-6	48,160	7,101
Fencing	5-16	87,750	12,939
Furniture	6	15,000	2,212
Mechanical Equipment	1-6	18,000	2,654
Pool Finishes	0-5	63,600	9,378
Structure and Deck	28	404,000	59,569
		<u>\$ 1,960,884</u>	<u>\$ 289,128</u>
Reserve Study Anticipated Balances at Year End			<u>\$ 497,087</u>
Percent of Anticipated Balances on Hand			58%
Reserve Study Recommended Future Contributions: (Based on Updated Projections)			
	2019	\$ 107,400	
	2020	\$ 108,800	
	2021	\$ 110,200	