

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2018**

**ELAINE WELLS COMBS, CPA**

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Hungerford, Texas 77448

(281) 970-5005

# WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

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## **Independent Auditor's Report**

To The Board of Directors  
of Williamsburg Settlement Maintenance Association, Inc.

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of Williamsburg Settlement Maintenance Association, Inc., which comprise the statement of assets, liabilities and equity as of December 31, 2018, and the related statement of revenues and expenses and changes in members' equity and cash flow for the year then ended, and the related notes to the financial statements.

### ***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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Williamsburg Settlement Maintenance Association, Inc. as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information is presented for the additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Elaine Wells Combs*

Elaine Wells Combs, CPA  
Houston, Texas

June 5, 2019

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

**STATEMENT OF ASSETS, LIABILITIES AND  
MEMBERS' EQUITY**

**December 31, 2018**

**ASSETS**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
Cash	\$ 225,822	\$ 140,149	\$ 365,971
Certificate of deposits	56,147	244,857	301,004
Assessments receivable	7,026		7,026
Due from replacement fund	6,593		6,593
Prepaid insurance	7,145		7,145
	<u>302,733</u>	<u>385,006</u>	<u>687,739</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>302,733</u></b>	<b>\$ <u>385,006</u></b>	<b>\$ <u>687,739</u></b>

**LIABILITIES AND MEMBERS' EQUITY**

Accounts payable	30,232		30,232
Due to operating fund		6,593	6,593
Prepaid assessments	<u>179,625</u>		<u>179,625</u>
<b>TOTAL LIABILITIES</b>	<b>209,857</b>	<b>6,593</b>	<b>216,450</b>
 Fund balance	 <u>92,876</u>	 <u>378,413</u>	 <u>471,289</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ <u>302,733</u></b>	<b>\$ <u>385,006</u></b>	<b>\$ <u>687,739</u></b>

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN MEMBERS' EQUITY**

**YEAR ENDED DECEMBER 31, 2018**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>REVENUES</b>			
Owner assessments	\$ 498,264	\$ 57,996	\$ 556,260
Club income	3,870		3,870
Interest income	2,347	2,876	5,223
Legal fees recovered	4,995		4,995
Late fees and other	4,753		4,753
	514,229	60,872	575,101
<b>EXPENSES</b>			
Bad debt	46		46
Capital repairs	9,408		9,408
Clubhouse repairs	2,321		2,321
Community events	3,504		3,504
Entry gate maintenance	1,896		1,896
Insurance	21,203		21,203
Irrigation expenses	380		380
Landscape expenses	39,469		39,469
Legal and professional	10,527		10,527
Management contract	28,000		28,000
Office expenses	8,093		8,093
Pest control	2,863		2,863
Playground repairs	1,095		1,095

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN MEMBERS' EQUITY**

**YEAR ENDED DECEMBER 31, 2018**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>EXPENSES (CONTINUED)</b>			
Pool contract	44,963		44,963
Repairs and maintenance	135		135
Sanitation	168,097		168,097
Security	100,787		100,787
Taxes, property	12		12
Tennis court maintenance	2,108		2,108
Utilities	46,074		46,074
	<u>490,981</u>		<u>490,981</u>
<b>TOTAL EXPENSES</b>	<b>490,981</b>		<b>490,981</b>
<b>EXCESS OF (REVENUES OVER EXPENSES)</b>	<b>23,248</b>	<b>60,872</b>	<b>84,120</b>
<b>BEGINNING MEMBERS' EQUITY</b>	<u>69,628</u>	<u>317,541</u>	<u>387,169</u>
<b>ENDING MEMBERS' EQUITY</b>	<u>\$ 92,876</u>	<u>\$ 378,413</u>	<u>\$ 471,289</u>

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 23,248	\$ 60,872	\$ 84,120
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	4,032		4,032
Accrued interest	322	80	402
Due to/due from funds	(224)	224	
Prepaid insurance	4,122		4,122
Increase (decrease) in:			
Accounts payable	7,369		7,369
Prepaid assessments	4,947		4,947
	<u>20,568</u>	<u>304</u>	<u>20,872</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,568	304	20,872
NET INCREASE (DECREASE) IN CASH	43,816	61,176	104,992
CASH AT BEGINNING OF YEAR	<u>238,153</u>	<u>323,830</u>	<u>561,983</u>
CASH AT END OF YEAR	<u>\$ 281,969</u>	<u>\$ 385,006</u>	<u>\$ 666,975</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**A. ORGANIZATION**

Williamsburg Settlement Maintenance Association, Inc. (“the Association”) is a statutory homeowners’ association organized as a Texas non-profit corporation. The Association is responsible for operation and maintenance of the common property, preservation and architectural control of the Association subject to the Declaration of Covenants, Conditions and Restrictions applicable to the Association. The Association consists of 764 residential lots located in Harris County, Texas. The Association was incorporated in July 1977.

**B. DATE OF MANAGEMENT’S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition of disclosure through June 5, 2019, the date that the financial statements were available to be issued.

**C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 future major repairs and replacements.

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the obligations are incurred.

**WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2018**

**C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Member Assessments**

Association members are subject to annual assessments to provide funds for the Association's operating expenses, capital acquisitions, major repairs and replacements and deed restriction enforcement. Assessments receivable at the balance sheet date represent fees due from property owners. As of December 31, 2018, there is \$ 7,026 in outstanding account receivables.

**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.

**Determination of cash equivalents**

The Association considers cash in operating accounts and short-term certificates of deposit (defined as those with an original maturity date of three months or less) as cash and cash equivalents. At December 31, 2018, the Association had no certificate of deposit with a maturity date of three months or less.

**Fair value of financial instruments**

The Association's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued expenses. The recorded values of these financial instruments approximate their fair values based on their short-term nature.

**Income Taxes**

On February 1, 2016, the Association was granted tax exempt status under Section 501(c)(4) of the Internal Revenue Code with an effective date of February 18, 2015. The Association has no tax liability for year ending December 31, 2018.

**WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2018**

**C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes (continued)**

The Association's federal income tax returns for 2015, 2016 and 2017 remain open to examination by the Internal Revenue Service. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

**Property and Equipment**

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual owners in common and not by the Association.

**D. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association documents require a funding program for anticipated major repairs and capital replacements over the expected life of the building improvements and all items of the Association's capital infrastructure. A fund was established based on a study performed in 1987 and is reviewed on an annual basis. The reserve study was updated in 2016 to reflect current conditions.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on their study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts as accumulated in the replacement fund may not be adequate to meet major repair and replacement needs. If additional funds are needed, however, the Association has the right to increase regular assessments, or levy additional assessments, or it may delay major repairs and replacements until funds are available.

**WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2018**

**D. FUTURE MAJOR REPAIRS AND REPLACEMENTS (continued)**

As of December 31, 2018, accumulated funds aggregate \$ 385,006. Funds contributed for future repair and replacement uses are held in a separate account and generally not available for operating purposes. During 2018, the Association allocated \$ 57,996 to the reserve fund. There were no expenditures towards capital repairs.

**E. UNINSURED CASH BALANCES**

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects the funds depositors place in banks and savings associations. FDIC insurance is backed by the full faith and credit of the United States government.

FDIC insurance covers all deposit accounts, including:

- Checking accounts
- Savings accounts
- Money market deposit accounts
- Certificates of deposit
- FDIC insurance does not cover other financial products and services that banks may offer, such as stocks, bonds, mutual funds, life insurance policies, annuities or securities.
- The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.
- At December 31, 2018, the Association had no uninsured balances.

**F. COMMITMENTS AND CONTINGENCIES**

The Association routinely enters into various contracts with vendors for management and other services. All contracts generally have a one-year term and are cancelable with a 30-60-day notification by either party.

**WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2018**

**F. COMMITMENTS AND CONTINGENCIES (continued)**

From time to time, the Association may be subject to litigation in the ordinary course of business and seeks the advice from legal counsel to assist in estimation of the potential risk of loss. The Association did not experience any losses from litigation during the year ending December 31, 2018 and the board of directors is not aware of any significant litigation or claims outstanding as of that date.

**SUPPLEMENTARY INFORMATION**

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
 AND REPLACEMENTS (UNAUDITED)  
 DECEMBER 31, 2018

The Association's board of directors conducted an initial study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from construction consultants who inspected the property. This study has been updated numerous times since that date and is currently reviewed on an annual basis. At these reviews, the replacement cost estimates are updated to current values and compared with more current valuations conducted for insurance purposes. A 20-year cash flow analysis is then updated to estimate by how much the replacement fund should be increased each year to allow for the effects of both inflation and the expected return on the invested funds during this 20-year period. This amount is then included in the annual forecast of operating expense budget as money to be transferred at year end to the replacement fund.

The following table is based on the latest study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost
Recreation building	10 - 35	\$ 369,794
Cabana area	20	35,977
Tennis courts	3 - 22	247,312
Pool area	2 - 18	186,274
Basketball court	7	28,512
Playground	8	37,133
General building area	2 - 27	167,395
<b>TOTAL</b>		<b>\$ 1,052,397</b>