

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2023**

**ELAINE WELLS COMBS, CPA**

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# WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Williamsburg Settlement Maintenance Association Inc.

### Opinion

We have audited the accompanying financial statements of Williamsburg Settlement Maintenance Association Inc., which comprise the balance sheet as of December 31, 2023, 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.

In our 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Williamsburg Settlement Maintenance Association Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Williamsburg Settlement Maintenance Association Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Williamsburg Settlement Maintenance Association Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Williamsburg Settlement Maintenance Association Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on repairs and replacements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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.

*Elaine Wells Combs*

ELAINE WELLS COMBS, CPA

Hungerford, Texas

August 20, 2024

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

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

**December 31, 2023**

**ASSETS**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
Cash	\$ 242,470	\$ 55,307	\$ 297,777
Certificate of deposits	150,000	650,000	800,000
Assessments receivable	34,940		34,940
Due from replacement fund	49,114		49,114
Prepaid insurance	7,874		7,874
<b>TOTAL ASSETS</b>	<b>\$ <u>484,398</u></b>	<b>\$ <u>705,307</u></b>	<b>\$ <u>1,189,705</u></b>

**LIABILITIES AND MEMBERS' EQUITY**

Accounts payable	26,447		26,447
Due to operating fund		49,114	49,114
Prepaid assessments	189,486		189,486
<b>TOTAL LIABILITIES</b>	<b>215,933</b>	<b>49,114</b>	<b>265,047</b>
Fund balance	268,465	656,193	924,658
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ <u>484,398</u></b>	<b>\$ <u>705,307</u></b>	<b>\$ <u>1,189,705</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, 2023**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Owner assessments	\$ 466,860	\$ 104,640	\$ 571,500
Club income	4,855		4,855
Interest income	3,998	5,007	9,005
Legal fees recovered	7,581		7,581
Late fees and other	4,361		4,361
<b>TOTAL REVENUES</b>	<b>487,655</b>	<b>109,647</b>	<b>597,302</b>
<b>EXPENSES</b>			
Audit and tax preparation	1,900		1,900
Bad debt	1,882		1,882
Clubhouse repairs	5,255		5,255
Community events	2,796		2,796
Concrete repairs		6,500	6,500
Entry gate maintenance	302		302
Fence repairs	319		319
Gutters		3,500	3,500
Holiday decorations	4,430		4,430
Insurance	26,302		26,302
Irrigation expenses	3,611		3,611
Janitorial	1,726		1,726
Landscape expenses	59,079		59,079
Legal and professional	12,337		12,337
Management contract	30,468		30,468
Office expenses	14,016		14,016
Pest control	2,864		2,864
Playground repairs	1,152	3,309	4,461

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

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

**YEAR ENDED DECEMBER 31, 2023**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
EXPENSES (CONTINUED)			
Pool contract	53,943	11,596	65,539
Repairs and maintenance	484		484
Sanitation	197,112		197,112
Taxes property	9		9
Tennis court maintenance	238		238
Utilities	54,371		54,371
Website	433		433
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	475,029	24,905	499,934
EXCESS OF (REVENUES OVER EXPENSES)	12,626	84,742	97,368
BEGINNING MEMBERS' EQUITY	251,576	571,301	822,877
PRIOR PERIOD ADJUSTMENT	4,263	150	4,413
	<hr/>	<hr/>	<hr/>
ENDING MEMBERS' EQUITY	\$ <u>268,465</u>	\$ <u>656,193</u>	\$ <u>924,658</u>

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE  
ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2023**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 12,626	\$ 84,742	\$ 97,368
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	1,912		1,912
Accrued interest	436	453	889
Due to/due from funds	299	(300)	
Prepaid insurance	1,379		1,379
Prepaid expenses	902		902
Increase (decrease) in:			
Accounts payable	3,454		3,454
Prior period adjustment	4,263	150	4,413
Prepaid assessments	(23,006)		(23,006)
	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(10,361)	303	(10,057)
NET INCREASE (DECREASE) IN CASH	2,265	85,045	87,311
CASH AT BEGINNING OF YEAR	<u>390,205</u>	<u>620,262</u>	<u>1,010,467</u>
CASH AT END OF YEAR	<u>\$ 392,470</u>	<u>\$ 705,307</u>	<u>\$ 1,097,778</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, 2023**

**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 762 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 August 20, 2024 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, 2023**

**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, 2023, there is \$ 36,852 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, 2023, the Association had no certificate of deposits 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, 2023.

**WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2023**

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

**Income Taxes (continued)**

The Association's federal income tax returns for 2020, 2021 and 2022 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.

**Fair Value**

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable (level 2 measurements), and the lowest priority to unobservable inputs (level 3 measurements).

The carrying amounts reflected in the December 31, 2023 balance sheet for cash and cash equivalents approximate the respective fair values. All cash and cash equivalents, including money market accounts, are held in banks. The Association currently has no money market accounts with non-federally insured institutions.

**D. 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.

**WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2023**

**D. UNINSURED CASH BALANCES (continued)**

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, 2023, the Association had no uninsured balances.

**E. 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 and updated on an annual basis. To confirm its continued integrity, in 2019 Association Reserves was commissioned to conduct an independent reserve study, the results of which validated the adequacy of the replacement funding program and is now being used as a revised baseline for the 2023 and future annual updates.

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, 2023**

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

As of December 31, 2023, accumulated funds aggregate \$ 705,307. Funds contributed for future repair and replacement uses are held in a separate account and generally not available for operating purposes. During 2023, the Association allocated \$ 104,640 to the reserve fund. There were \$ 24,905 in expenditures towards capital repairs.

**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.

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, 2023 and the board of directors is not aware of any significant litigation or claims outstanding as of that date.

**H. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) issued new guidance, as ASU 2014-09. Revenue from Contracts with Customers (Topic 606). ASU 2015-14, Revenue from Contracts with Customers (Topic 606), Deferral the Effective Date and ASU 2016-10. Revenue from Contracts with Customers (Topic 606); Identifying Performance Obligations and Licensing, 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, Revenue Recognition, and require the recognition of revenue when promised goods or services that satisfy the performance obligation 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.

**WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2023**

**H. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (cont'd)**

The Association has applied ASC 605 revenue recognition whereby “rules based” specific guidance was defined for Common Interest Realty Associations (CIRAs) rather than ASC 606 which provides “principles based” broad standards that do not include specific guidance for CIRAs. Furthermore, Replacement Fund Assessments cannot apply the following four tests required under ASC 606:

- Assessments are not related to a “customer or customers”
- Assessments do not have a performance obligation
- There is no transaction price for replacement expenses
- Cannot allocate Assessments to a future performance obligation

As a result, I do not believe that the application of ASC 606 would fairly present the financial position to the CIRA financial readers.

**I. PREPAID ASSESSMENTS**

In certain instances, annual assessments are received in advance of the year they are due. Such fees are shown as a prepaid liability of the Association and recognized as income in the following year. At December 31, 2023, the balance is \$ 189,486.

**J. PREPAID INSURANCE**

Certain of the premiums on the Association’s insurance policies are due annually, in advance. Prepaid insurance, therefore, represents the unexpired portion of the various insurance premiums.

**G SUBSEQUENT EVENTS**

Upon evaluation, the Association notes that there were no material subsequent events between the date of the financial statements and the date that the financial statements were issued or available to be issued.

**SUPPLEMENTARY INFORMATION**

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
 AND REPLACEMENTS (UNAUDITED)  
 DECEMBER 31, 2023

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 and these have been updated annually. In 2019, the board commissioned Association Reserves to inspect the property and perform an independent validation of the Association’s reserve study to serve as a baseline for the future updates. Each year the review and update includes a 30-year cash flow to estimate by how much the replacement fund should be increased to allow for the effects of both inflation and the expected return on the invested funds during this 30-year period. This amount is then included in the annual forecast of operating expense budget as money to be transferred monthly 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
Site	1 – 19	\$ 767,940
Clubhouse	1 – 20	145,807
Pool/Park/Tennis	1 - 19	518,820
HVAC equipment	0 - 12	20,132
<b>TOTAL</b>		<b>\$1,452,699</b>