

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balances (Deficit)	4
Statement of Cash Flows	6
Statement of Comprehensive Income	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	14



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
The Overlook at Williams Creek Association, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The Overlook at Williams Creek Association, Inc., which comprise the balance sheet as of June 30, 2018, and the related statements of revenues, expenses, and changes in fund balances (deficit) and cash flows 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Overlook at Williams Creek Association, Inc. as of June 30, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Overlook at Williams Creek Association, Inc.'s June 30, 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Required Supplementary Information

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
August 30, 2018

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
BALANCE SHEET
JUNE 30, 2018
(with comparative totals for 2017)

<u>Assets</u>	Operating <u>Fund</u>	Reserve <u>Fund</u>	2018 Total <u>All Funds</u>	2017 Total <u>All Funds</u>
Current assets				
Cash and cash equivalents	\$ 177,754	\$ 35,504	\$ 213,258	\$ 228,701
Investments	352,554	561,599	914,153	941,800
Member assessments receivable	735	-	735	345
Prepaid expenses	3,870	-	3,870	235
Total current assets	<u>534,913</u>	<u>597,103</u>	<u>1,132,016</u>	<u>1,171,081</u>
Property and equipment, at cost:				
Equipment	147,651	-	147,651	171,507
Furniture and fixtures	27,775	-	27,775	27,775
Clubhouse improvements	99,934	-	99,934	99,934
Less accumulated depreciation	<u>(163,686)</u>	<u>-</u>	<u>(163,686)</u>	<u>(173,802)</u>
Total fixed assets	<u>111,674</u>	<u>-</u>	<u>111,674</u>	<u>125,414</u>
Total assets	<u>\$ 646,587</u>	<u>\$ 597,103</u>	<u>\$ 1,243,690</u>	<u>\$ 1,296,495</u>
<u>Liabilities and Fund Balances</u>				
Current liabilities				
Accounts payable	\$ 10,953	\$ -	\$ 10,953	\$ 13,396
Prepaid member assessments	<u>216,578</u>	<u>-</u>	<u>216,578</u>	<u>261,560</u>
Total current liabilities	<u>227,531</u>	<u>-</u>	<u>227,531</u>	<u>274,956</u>
Fund balances				
Fund balances	426,977	610,350	1,037,327	1,018,564
Accumulated other comprehensive income	<u>(7,921)</u>	<u>(13,247)</u>	<u>(21,168)</u>	<u>2,975</u>
Total liabilities and fund balances	<u>\$ 646,587</u>	<u>\$ 597,103</u>	<u>\$ 1,243,690</u>	<u>\$ 1,296,495</u>

See accompanying notes to financial statements.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	Operating Fund	Reserve Fund	2018 Total <u>All Funds</u>	2017 Total <u>All Funds</u>
Revenues				
Member assessments	\$ 804,800	\$ -	\$ 804,800	\$ 804,800
Member services	1,371	-	1,371	1,890
Clubhouse reservations	2,320	-	2,320	1,485
Purchases for owners	(142)	-	(142)	15
Realized gain (loss) on investments	(7,413)	(1,295)	(8,708)	(8,028)
Gain (loss) on disposals of assets	-	-	-	(2,633)
Investment income	16,969	26,534	43,503	42,645
Roofing vendor reimbursement	-	-	-	17,556
Other income	12,658	-	12,658	10,114
	<u>830,563</u>	<u>25,239</u>	<u>855,802</u>	<u>867,844</u>
Total revenues				
Expenses				
Clubhouse				
Cleaning	2,779	-	2,779	2,890
Electricity	21,270	-	21,270	19,052
Tennis court	318	-	318	536
Exercise room	637	-	637	986
Miscellaneous	8,609	-	8,609	4,829
Pool	2,562	-	2,562	3,055
Insurance	88,375	-	88,375	90,204
Legal and audit	6,197	-	6,197	4,728
Buildings	26,573	-	26,573	16,317
Equipment maintenance	2,431	-	2,431	7,852
Gutters and soffits	3,067	-	3,067	1,578
Landscape	6,417	-	6,417	7,018
Fences	-	-	-	75
Lake	1,268	-	1,268	1,094
Bad debt expense	6,017	-	6,017	-
Tree maintenance	10,671	-	10,671	7,594
Lawn care and mowing	61,583	-	61,583	37,116
Irrigation	1,858	-	1,858	339
Mailboxes	308	-	308	403
Environmental	2,800	-	2,800	6,029
Painting	8,067	-	8,067	8,992
Roofs	1,583	-	1,583	867
Streets	-	29,625	29,625	33,346
Capital improvements	-	143,088	143,088	126,974
Office and administration	6,420	-	6,420	7,130
Social	4,634	-	4,634	4,361
Security expense	28,000	-	28,000	27,000
	<u>302,444</u>	<u>172,713</u>	<u>475,157</u>	<u>420,365</u>
Expenses total this page				

See accompanying notes to financial statements.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES (DEFICIT)
(Continued)
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	Operating Fund	Reserve Fund	2018 Total All Funds	2017 Total All Funds
Expenses total from previous page	\$ 302,444	\$ 172,713	\$ 475,157	\$ 420,365
Sewer repairs	18,586	-	18,586	9,387
Snow and ice removal	8,125	-	8,125	2,971
Television	50,118	-	50,118	50,284
Trash removal	4,720	-	4,720	4,755
Water and sewer expense	71,173	-	71,173	92,244
Wages and salaries	171,876	-	171,876	170,186
Payroll tax	13,456	-	13,456	13,413
Simple expense	4,612	-	4,612	4,460
Property taxes	2,563	-	2,563	2,675
Outside services	2,913	-	2,913	2,836
Depreciation	13,740	-	13,740	11,244
Total expenses	<u>664,326</u>	<u>172,713</u>	<u>837,039</u>	<u>784,820</u>
Excess of revenues over (under) expenses	166,237	(147,474)	18,763	83,024
Interfund transfers	(124,598)	124,598	-	-
Fund balances, beginning of year	<u>385,338</u>	<u>633,226</u>	<u>1,018,564</u>	<u>935,540</u>
Fund balances, end of year	<u>\$ 426,977</u>	<u>\$ 610,350</u>	<u>\$ 1,037,327</u>	<u>\$ 1,018,564</u>

See accompanying notes to financial statements.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	Operating <u>Fund</u>	Reserve <u>Fund</u>	2018 Total <u>All Funds</u>	2017 Total <u>All Funds</u>
Cash flows from operating activities:				
Member assessments collected	\$ 759,428	\$ -	\$ 759,428	\$ 862,414
Member service fees collected	1,371	-	1,371	1,890
Clubhouse reservation charges collected	2,320	-	2,320	1,485
Purchases for owners	(142)	-	(142)	15
Roofing vendor reimbursement	-	-	-	17,556
Other income	12,658	-	12,658	10,114
Cash paid for operating expenditures	(656,664)	(172,713)	(829,377)	(757,061)
Realized gain (loss) on investments	(7,413)	(1,295)	(8,708)	(8,028)
Gain (loss) on disposal of assets	-	-	-	(2,633)
Investment income	16,969	26,534	43,503	42,645
	<u>128,527</u>	<u>(147,474)</u>	<u>(18,947)</u>	<u>168,397</u>
Net cash provided by (used in) operating activities				
Cash flows from investing activities:				
Purchase of clubhouse improvements and equipment	-	-	-	(22,605)
Proceeds from redemption of investments	453,495	172,224	625,719	758,845
Purchases of investments	(508,370)	(113,845)	(622,215)	(790,489)
	<u>(54,875)</u>	<u>58,379</u>	<u>3,504</u>	<u>(54,249)</u>
Net cash provided by (used in) investing activities.				
Cash flows from financing activities:				
Interfund transfers	(124,598)	124,598	-	-
	<u>(124,598)</u>	<u>124,598</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities				
Net increase (decrease) in cash and cash equivalents	(50,946)	35,503	(15,443)	114,148
Cash and cash equivalents, beginning of year	<u>228,700</u>	<u>1</u>	<u>228,701</u>	<u>114,553</u>
Cash and cash equivalents, end of year	<u>\$ 177,754</u>	<u>\$ 35,504</u>	<u>\$ 213,258</u>	<u>\$ 228,701</u>
Reconciliation of excess of revenues over (under) expenses to net cash provided by (used in) operating activities:				
Excess of revenues over (under) expenses	\$ 166,237	\$ (147,474)	\$ 18,763	\$ 83,024
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:				
Depreciation	13,740	-	13,740	11,244
Changes in assets and liabilities:				
Members assessments receivable	(390)	-	(390)	(231)
Prepaid expenses	(3,635)	-	(3,635)	4,720
Accounts payable	(2,443)	-	(2,443)	11,795
Prepaid member assessments	(44,982)	-	(44,982)	57,845
	<u>(47,750)</u>	<u>-</u>	<u>(47,750)</u>	<u>74,673</u>
Net cash provided by (used in) operating activities	<u>\$ 128,527</u>	<u>\$ (147,474)</u>	<u>\$ (18,947)</u>	<u>\$ 168,397</u>

See accompanying notes to financial statements.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Totals 2018</u>	<u>Totals 2017</u>
Excess of revenues over (under) expenses	\$ 166,237	\$ (147,474)	\$ 18,763	\$ 83,024
Net change in unrealized holding gains (losses) on investments	(4,925)	(19,218)	(24,143)	5,178
Comprehensive Income	<u>\$ 161,312</u>	<u>\$ (166,692)</u>	<u>\$ (5,380)</u>	<u>\$ 88,202</u>

See accompanying notes to financial statements.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(with comparative totals for 2017)

1. ORGANIZATION

The Overlook at Williams Creek Association, Inc. (the "Association") was incorporated on July 1, 1977, under the Indiana Not-For-Profit Act of 1971 to maintain common areas and provide exterior maintenance at the development. The development consists of 160 residential units located on approximately 32 acres in Indianapolis, Indiana. Each homeowner in The Overlook becomes a member in the Association and is assessed an annual fee used for the above-mentioned maintenance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income and expense recognition. The Association's policy is to prepare its financial statements on the accrual basis of accounting. This means that income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or disbursed at the time.

Fund accounting. The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating funds are generally at the discretion of the Board of Directors and property manager. Disbursements from the reserve fund generally may be made only for designated purposes.

Interest earned. The Association's policy is to allocate interest earned on the reserve fund cash balances to the reserve fund.

Member assessments. Association members are subject to an annual assessment to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess assessments at year-end are retained by the Association for use in future years.

The 2018 and 2017 fees were assessed annually at \$5,030 and \$5,030 per unit, respectively.

The annual budget and assessments of owners are determined by the Board of Directors and approved by the homeowners.

Donated services. The Association's Board of Directors and its officers serve without compensation. These donated services are not recorded in the financial statements.

Cash and cash equivalents. Cash and cash equivalents are considered to be checking and savings accounts and money market funds.

Estimates. The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(with comparative totals for 2017)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes. The Association has elected to file as a homeowner association in accordance with Code Section 528 of the Internal Revenue Code. As a homeowner association, membership income is exempt from taxation, while the Association is taxed on its non-membership income, such as interest earnings.

The Association adopted the standard for *Accounting for Uncertainty in Income Taxes*, and the Association recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. Currently, the Association accounts for contingencies associated with certain tax positions in accordance with FASB Accounting Standards Codification 450, *Contingencies*, which provides the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold. The Association has examined this issue and has determined there are no material contingent tax liabilities.

The Association's federal tax return is subject to audit by the Internal Revenue Service. The tax returns for the current and prior two fiscal years remain open for examination by the IRS. In evaluating the Association's tax positions and accruals, the Association believes that its estimates are appropriate based on the current facts and circumstances.

Property and equipment. Real property and common areas acquired from the developer and related improvements to such property are generally not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. However, during 1978 the Association purchased a portion of the clubhouse which was separately titled to the developer and maintained by the developer as a business office. Common real property which has been acquired by an association and used to generate revenues may be capitalized and presented in the financial statements. The Association follows the practice of capitalizing expenditures in excess of \$5,000 for property and equipment at cost. Depreciation is provided using the straight-line method over estimated useful lives of five to thirty-nine years. The following is a summary of the lives for each class of asset:

Equipment	5-7 years
Furniture and fixtures	31 years
Clubhouse improvements	39 years

Member assessments receivable. The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. The direct write off method is not in accordance with accounting principles generally accepted in the United States of America ("GAAP"); however its use in these financial statements does not constitute a material departure from GAAP. During the years ended June 30, 2018 and 2017, the Association determined that \$6,017 and \$0 was uncollectible and was recorded as bad debt expense, respectively.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(with comparative totals for 2017)

3. INVESTMENTS

The classification of investments is generally determined at the date of purchase. Gains and losses on the sale of investments are recognized on a specific identification basis.

Investments in government and corporate obligations are held to maturity and valued at fair market value, which approximates cost. These obligations are often purchased at a discount. This discount is then recovered through interest earned during the life of the investment. The aggregate fair market value of these obligations was \$492,550 and \$491,431 at June 30, 2018 and 2017, respectively. Investments in marketable securities (preferred stocks and mutual funds) are being held for an indefinite period and, in accordance with the Financial Accounting Standards Board's Statement FASB ASC 320-10 (formerly FASB 115), are classified as available for sale. Investments available for sale are adjusted to market value at year-end. The aggregate fair market value of investments available for sale was \$421,603 and \$450,369 at June 30, 2018 and 2017, respectively. The cumulative net unrealized gain/(loss) on these investments is \$(21,168) and \$2,975, respectively and reflects the difference between what was paid for the investments and what the Association would receive if the investments were redeemed on June 30, 2018 and 2017. The following is a summation of investments maintained in the Association's operating and reserve funds:

As of June 30, 2018

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Operating Fund:				
Investments available for sale:				
Mutual funds	\$ 360,475	\$ -	\$ 7,921	\$ 352,554
Total operating fund investments	<u>\$ 360,475</u>	<u>\$ -</u>	<u>\$ 7,921</u>	<u>\$ 352,554</u>
Reserve Fund:				
Investments available for sale:				
Preferred stock	\$ 17,776	\$ 1,109	\$ -	\$ 18,885
Mutual funds	52,963	-	2,799	50,164
Investments held to maturity	<u>504,106</u>	<u>-</u>	<u>11,556</u>	<u>492,550</u>
Total reserve fund investments	<u>\$ 574,845</u>	<u>\$ 1,109</u>	<u>\$ 14,355</u>	<u>\$ 561,599</u>

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(with comparative totals for 2017)

3. INVESTMENTS (continued)

As of June 30, 2017

Operating Fund:	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Investments available for sale:				
Mutual funds	<u>\$ 305,600</u>	<u>\$ -</u>	<u>\$ 2,996</u>	<u>\$ 302,604</u>
Total operating fund investments	<u><u>\$ 305,600</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,996</u></u>	<u><u>\$ 302,604</u></u>
 Reserve Fund:				
Investments available for sale:				
Preferred stock	\$ 17,777	\$ 1,890	\$ -	\$ 19,667
Mutual funds	130,178	-	2,080	128,098
Investments held to maturity	<u>485,270</u>	<u>6,161</u>	<u>-</u>	<u>491,431</u>
Total reserve fund investments	<u><u>\$ 633,225</u></u>	<u><u>\$ 8,051</u></u>	<u><u>\$ 2,080</u></u>	<u><u>\$ 639,196</u></u>

4. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year ended June 30, 2017, from which the summarized information was derived.

5. SUBSEQUENT EVENTS

The Association did not have any subsequent events through August 30, 2018, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2018.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(with comparative totals for 2017)

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board, Fair Value Measurements and Disclosures (FASB ASC 820-10), defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Association's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

FASB ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Association holds investments in a plan that is classified Level 1 and are traded in active exchange markets, such as the New York Stock Exchange.

7. ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

The FASB Interpretation No. 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FASB ASC 360-10-50-2), requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This standard has not materially affected the Association's net changes in fund balances, balance sheet or statement of cash flows.

8. RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(with comparative totals for 2017)

9. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$597,103 and \$639,197 at June 30, 2018 and 2017, respectively, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the reserve account.

The Association updated its reserve study during 2018 to reflect current estimates of the remaining useful lives and replacement costs of the common property components. The Association is funding such major repairs and replacements based on the study's estimate of current replacement costs and useful lives while considering amounts previously accumulated in the reserve fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

SUPPLEMENTARY INFORMATION

THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
JUNE 30, 2018
(UNAUDITED)

The Association updated its reserve study during 2018 to reflect current estimates of the remaining useful lives and replacement costs of the common property components. The Association is funding such major repairs and replacements based on the study's estimate of current replacement costs and useful lives while considering amounts previously accumulated in the reserve fund. The following information is based on the 2017 update and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Reserve Fund Balance at June 30, 2018</u>
Roofing	0-44	\$1,876,946	
Painting	0-12	520,700	
Fencing and Security	2-9	88,960	
Lighting	27	99,015	
Recreation and Pool	0-54	170,651	
Interior Furnishings	0-29	96,520	
Equipment	0-17	112,525	
Building Components	0-12	15,400	
Grounds Components	5-12	63,500	
Gutters and Downspouts	0-33	132,256	
Doors	7	9,000	
		<u>\$3,185,473</u>	<u>\$597,103</u>

See accompanying notes to financial statements.