


**The Overlook at Williams  
Creek Association, Inc.**

---

---

**Financial Statements  
For The Year Ended  
June 30, 2017**

**COMER  NOWLING**  
INDUSTRY ESTABLISHED | FOCUSED ON QUALITY  
**Certified Public Accountants**

**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

# COMER NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

## 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, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated July 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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, who 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 4, 2017

**THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.**  
**BALANCE SHEET**  
**JUNE 30, 2017**  
**(with comparative totals for 2016)**

<u>Assets</u>	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2017 Total All Funds</u>	<u>2016 Total All Funds</u>
<b>Current assets</b>				
Cash and cash equivalents	\$ 228,700	\$ 1	\$ 228,701	\$ 114,554
Investments	302,604	639,196	941,800	902,344
Member assessments receivable	345	-	345	114
Prepaid expenses	235	-	235	4,955
	<u>531,884</u>	<u>639,197</u>	<u>1,171,081</u>	<u>1,021,967</u>
<b>Property and equipment, at cost:</b>				
Equipment	48,715	-	48,715	30,205
Furniture and fixtures	150,567	-	150,567	150,567
Clubhouse improvements	99,934	-	99,934	99,934
Less accumulated depreciation	(173,802)	-	(173,802)	(164,020)
	<u>125,414</u>	<u>-</u>	<u>125,414</u>	<u>116,686</u>
Total fixed assets	<u>125,414</u>	<u>-</u>	<u>125,414</u>	<u>116,686</u>
Total assets	<u>\$ 657,298</u>	<u>\$ 639,197</u>	<u>\$ 1,296,495</u>	<u>\$ 1,138,653</u>
<u>Liabilities and Fund Balances</u>				
<b>Current liabilities</b>				
Accounts payable	\$ 13,396	\$ -	\$ 13,396	\$ 1,601
Prepaid member assessments	261,560	-	261,560	203,715
	<u>274,956</u>	<u>-</u>	<u>274,956</u>	<u>205,316</u>
Total current liabilities	<u>274,956</u>	<u>-</u>	<u>274,956</u>	<u>205,316</u>
<b>Fund balances</b>				
Fund balances	385,338	633,226	1,018,564	935,540
Accumulated other comprehensive income	(2,996)	5,971	2,975	(2,203)
	<u>382,342</u>	<u>639,197</u>	<u>1,021,539</u>	<u>933,337</u>
Total liabilities and fund balances	<u>\$ 657,298</u>	<u>\$ 639,197</u>	<u>\$ 1,296,495</u>	<u>\$ 1,138,653</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, 2017**  
**(with comparative totals for 2016)**

	Operating Fund	Reserve Fund	2017 Total All Funds	2016 Total All Funds
<b>Revenues</b>				
Member assessments	\$ 804,800	\$ -	\$ 804,800	\$ 764,800
Member services	1,890	-	1,890	1,682
Clubhouse reservations	1,485	-	1,485	1,440
Purchases for owners	15	-	15	(108)
Insurance claims received	-	-	-	926
Realized gain (loss) on investments	(6,872)	(1,156)	(8,028)	(6,448)
Gain (loss) on disposals of assets	(2,633)	-	(2,633)	-
Investment income	-	42,645	42,645	42,316
Roofing vendor reimbursement	-	17,556	17,556	-
Other income	10,114	-	10,114	7,390
Total revenues	<u>808,799</u>	<u>59,045</u>	<u>867,844</u>	<u>811,998</u>
<b>Expenses</b>				
Clubhouse				
Cleaning	2,890	-	2,890	2,776
Electricity	19,052	-	19,052	19,570
Party room and kitchen	-	-	-	24
Tennis court	536	-	536	-
Exercise room	986	-	986	7,369
Miscellaneous	4,829	-	4,829	7,259
Pool	3,055	-	3,055	3,804
Insurance	90,204	-	90,204	93,578
Legal and audit	4,728	-	4,728	7,168
Buildings	16,317	-	16,317	32,770
Equipment maintenance	7,852	-	7,852	4,828
Gutters and soffits	1,578	-	1,578	1,450
Landscape	7,018	-	7,018	13,278
Fences	75	-	75	-
Lake	1,094	-	1,094	1,228
Bad debt expense	-	-	-	173
Tree maintenance	7,594	-	7,594	24,264
Lawn care and mowing	37,116	-	37,116	35,879
Irrigation	339	-	339	1,162
Mailboxes	403	-	403	910
Environmental	6,029	-	6,029	3,290
Painting	-	8,992	8,992	6,986
Roofs	-	867	867	5,171
Streets	-	33,346	33,346	23,288
Capital improvements	-	126,974	126,974	84,739
Office and administration	7,130	-	7,130	6,944
Social	4,361	-	4,361	3,660
Security expense	27,000	-	27,000	27,072
Expenses total this page	<u>\$ 250,186</u>	<u>\$ 170,179</u>	<u>\$ 420,365</u>	<u>\$ 418,640</u>

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, 2017**  
**(with comparative totals for 2016)**

	Operating Fund	Reserve Fund	2017 Total All Funds	2016 Total All Funds
<b>Expenses total from previous page</b>	\$ 250,186	\$ 170,179	\$ 420,365	\$ 418,640
Sewer repairs	9,387	-	9,387	1,653
Snow and ice removal	2,971	-	2,971	4,854
Television	50,284	-	50,284	47,628
Trash removal	4,755	-	4,755	4,369
Water and sewer expense	92,244	-	92,244	80,114
Wages and salaries	170,186	-	170,186	170,764
Payroll tax	13,413	-	13,413	13,561
Simple expense	4,460	-	4,460	4,509
Property taxes	2,675	-	2,675	1,336
Outside services	2,836	-	2,836	2,779
Depreciation	11,244	-	11,244	11,162
	<u>614,641</u>	<u>170,179</u>	<u>784,820</u>	<u>761,369</u>
<b>Excess of revenues over (under) expenses</b>	194,158	(111,134)	83,024	50,629
<b>Interfund transfers</b>	(175,006)	175,006	-	-
<b>Fund balances, beginning of year</b>	<u>366,186</u>	<u>569,354</u>	<u>935,540</u>	<u>884,911</u>
<b>Fund balances, end of year</b>	<u>\$ 385,338</u>	<u>\$ 633,226</u>	<u>\$ 1,018,564</u>	<u>\$ 935,540</u>

See accompanying notes to financial statements.

**THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(with comparative totals for 2016)**

	Operating Fund	Reserve Fund	2017 Total All Funds	2016 Total All Funds
<b>Cash flows from operating activities:</b>				
Member assessments collected	\$ 862,414	\$ -	\$ 862,414	\$ 767,911
Member service fees collected	1,890	-	1,890	1,682
Clubhouse reservation charges collected	1,485	-	1,485	1,440
Purchases for owners	15	-	15	(108)
Roofing vendor reimbursement	-	17,556	17,556	-
Other income	10,114	-	10,114	7,390
Cash paid for operating expenditures	(586,882)	(170,179)	(757,061)	(774,523)
Realized gain (loss) on investments	(6,872)	(1,156)	(8,028)	(6,448)
Gain (loss) on disposal of assets	(2,633)	-	(2,633)	-
Investment income	-	42,645	42,645	42,316
Net cash provided by (used in) operating activities	<u>279,531</u>	<u>(111,134)</u>	<u>168,397</u>	<u>39,660</u>
<b>Cash flows from investing activities:</b>				
Purchase of clubhouse improvements and equipment	(22,605)	-	(22,605)	-
Proceeds from redemption of investments	648,250	110,595	758,845	301,873
Purchases of investments	(615,550)	(174,939)	(790,489)	(408,832)
Net cash provided by (used in) investing activities.	<u>10,095</u>	<u>(64,344)</u>	<u>(54,249)</u>	<u>(106,959)</u>
<b>Cash flows from financing activities:</b>				
Interfund transfers	(175,006)	175,006	-	-
Net cash provided by (used in) financing activities	<u>(175,006)</u>	<u>175,006</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	114,620	(472)	114,148	(67,299)
Cash and cash equivalents, beginning of year	<u>114,080</u>	<u>473</u>	<u>114,553</u>	<u>181,852</u>
Cash and cash equivalents, end of year	<u>\$ 228,700</u>	<u>\$ 1</u>	<u>\$ 228,701</u>	<u>\$ 114,553</u>
<b>Reconciliation of excess of revenues over (under) expenses to net cash provided by (used in) operating activities:</b>				
Excess of revenues over (under) expenses	\$ 194,158	\$ (111,134)	\$ 83,024	\$ 50,629
<b>Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:</b>				
Depreciation	11,244	-	11,244	11,162
Changes in assets and liabilities:				
Members assessments receivable	(231)	-	(231)	86
Prepaid expenses	4,720	-	4,720	(4,955)
Prepaid insurance	-	-	-	407
Accounts payable	11,795	-	11,795	(19,655)
Prepaid member assessments	57,845	-	57,845	3,025
Accrued real estate taxes	-	-	-	(1,039)
Net cash provided by (used in) operating activities	<u>\$ 279,531</u>	<u>\$ (111,134)</u>	<u>\$ 168,397</u>	<u>\$ 39,660</u>

See accompanying notes to financial statements.



**THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(with comparative totals for 2016)**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Totals 2017</u>	<u>Totals 2016</u>
<b>Excess of revenues over (under) expenses</b>	\$ 194,158	\$ (111,134)	\$ 83,024	\$ 50,629
<b>Net change in unrealized holding gains (losses) on investments</b>	882	4,296	5,178	(2,631)
<b>Comprehensive Income</b>	<u>\$ 195,040</u>	<u>\$ (106,838)</u>	<u>\$ 88,202</u>	<u>\$ 47,998</u>

See accompanying notes to financial statements.

**THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(with comparative totals for 2016)**

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 2017 and 2016 fees were assessed annually at \$5,030 and \$4,780 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, 2017**  
**(with comparative totals for 2016)**

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, 2017 and 2016, the Association determined that \$0 and \$173 was uncollectible and was recorded as bad debt expense, respectively.

**THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(with comparative totals for 2016)**

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 \$491,431 and \$475,394 at June 30, 2017 and 2016, 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 \$450,369 and \$426,951 at June 30, 2017 and 2016, respectively. The cumulative net unrealized gain/(loss) on these investments is \$2,975 and (\$2,203), 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, 2017 and 2016. The following is a summation of investments maintained in the Association's operating and reserve funds:

**As of June 30, 2017**

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<b>Operating Fund:</b>				
Investments available for sale:				
Mutual funds	\$ 305,600	\$ -	\$ 2,996	\$ 302,604
Total operating fund investments	<u>\$ 305,600</u>	<u>\$ -</u>	<u>\$ 2,996</u>	<u>\$ 302,604</u>
<b>Reserve Fund:</b>				
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>\$ 633,225</u>	<u>\$ 8,051</u>	<u>\$ 2,080</u>	<u>\$ 639,196</u>

**THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(with comparative totals for 2016)**

3. INVESTMENTS (continued)

As of June 30, 2016

<b>Operating Fund:</b>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Investments available for sale:				
Mutual funds	\$ 335,667	\$ -	\$ 3,878	\$ 331,789
Total operating fund investments	<u>\$ 335,667</u>	<u>\$ -</u>	<u>\$ 3,878</u>	<u>\$ 331,789</u>
 <b>Reserve Fund:</b>				
Investments available for sale:				
Preferred stock	\$ 29,300	\$ 1,165	\$ -	\$ 30,465
Mutual funds	69,535	-	4,839	64,696
Investments held to maturity	<u>470,045</u>	<u>5,349</u>	<u>-</u>	<u>475,394</u>
Total reserve fund investments	<u>\$ 568,880</u>	<u>\$ 6,514</u>	<u>\$ 4,839</u>	<u>\$ 570,555</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, 2016, from which the summarized information was derived.

5. SUBSEQUENT EVENTS

The Association did not have any subsequent events through August 4, 2017, 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, 2017.

**THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(with comparative totals for 2016)**

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.

**THE OVERLOOK AT WILLIAMS CREEK ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(with comparative totals for 2016)**

8. 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 \$639,197 and \$571,029 at June 30, 2017 and 2016, 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 2017 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, 2017**  
**(UNAUDITED)**

The Association updated its reserve study during 2017 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, 2017</u>
Roofing	25-50	\$1,593,951	
Painting	15-15	520,700	
Fencing and Security	20-35	88,960	
Lighting	1-35	99,015	
Recreation and Pool	6-45	170,651	
Interior Furnishings	10-30	75,255	
Equipment	6-30	113,100	
Building Components	10-35	15,400	
Grounds Components	7-45	63,500	
Gutters and Downspouts	22-22	131,006	
Doors	1-30	9,000	
		<u>\$2,880,538</u>	<u>\$639,197</u>

See accompanying notes to financial statements.