

WESTFIELD VILLAGE
COMMUNITY IMPROVEMENT ASSOCIATION

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

For the Year Ended
December 31, 2009

NAGESH & CARTER, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of the
WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION

We have audited the accompanying Balance Sheets of WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION, as of December 31, 2009 and 2008 and the related Statements of Assessments, Revenues, Expenses, and Changes in Fund Balances as well as the Statements of Cash Flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards as generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION, as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION has not estimated the remaining lives and replacement cost of common property and, therefore, has not presented the estimates of future costs of major repairs and replacements. The American Institute of Certified Public Accountants has determined the estimates are required to supplement, but are not required to be part of, the basic financial statements.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 8 through 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nagesh & Carter, PLLC
Houston, Texas
June 7, 2010

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION

BALANCE SHEETS

As of December 31, 2009 and 2008

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Property Fund</u>	<u>Totals 31-Dec-09</u>	<u>Memo Totals 31-Dec-08</u>
<u>ASSETS</u>					
Current assets					
Cash	\$11,417	\$3,847	-	\$15,264	\$96,578
Accounts receivable	125,543	-	-	125,543	98,575
Allowance for estimated uncollectible accounts	(15,114)	-	-	(15,114)	(10,845)
Land	-	-	\$25,268	25,268	25,394
Total assets	\$121,846	\$3,847	\$25,268	\$150,961	\$209,702
 <u>LIABILITIES AND FUND BALANCE</u>					
Current liabilities					
Accounts payable	\$1,535	-	-	\$1,535	\$4,549
Prepaid maintenance fees	24,208	-	-	24,208	39,239
Total current liabilities	25,743	-	-	25,743	43,788
Fund balance	96,103	\$3,847	\$25,268	125,218	165,914
Total liabilities and fund balance	\$121,846	\$3,847	\$25,268	\$150,961	\$209,702

The accompanying notes are an integral part of these financial statements

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION
STATEMENTS OF ASSESSMENTS, REVENUES, AND EXPENSES
AND
CHANGES IN FUND BALANCES
For the Years Ended December 31, 2009 and 2008

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Property Fund</u>	<u>Totals 31-Dec-09</u>	<u>Memo Totals 31-Dec-08</u>
Assessments and revenues					
Maintenance fees	\$220,011	-	-	\$220,011	\$218,724
Transfer fees	4,225	-	-	4,225	2,895
Interest income	-	\$150	-	150	6,485
Collection fees	5,872	-	-	5,872	12,273
Late and NSF fees	9,927	-	-	9,927	798
Other income	60.00	-	-	60.00	0
Write offs and adjustments	(14,785)	-	-	(14,785)	(9,974)
Capital reserve funding (transfer)	(8,889)	9,015	(\$126)	-	-
Total revenues	216,421	9,165	(126)	225,460	231,201
Operating expenses					
Administrative	40,405	-	-	40,405	29,886
Facilities maintenance	10,848	-	-	10,848	13,606
Contract services	70,572	-	-	70,572	69,832
Utilities	47,632	-	-	47,632	49,668
Insurance	15,684	-	-	15,684	15,635
Capital reserve expenses	-	81,015	-	81,015	49,815
Total expenses	185,141	81,015	-	266,156	228,442
Revenues over (under) expenses	31,280	(71,850)	(126)	(40,696)	2,759
Fund balance, beginning of the year	64,823	75,697	25,394	165,914	163,155
Fund balance, end of the year	\$96,103	\$3,847	\$25,268	\$125,218	\$165,914

*The accompanying notes are an integral
part of these financial statements*

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION
STATEMENTS OF CASH FLOW
For the Years Ended December 31, 2009 and 2008

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Property Fund</u>	<u>Totals 31-Dec-09</u>	<u>Memo Totals 31-Dec-08</u>
Cash flow from (to) operations					
Assessments and revenues over (under) expenses	\$31,280	(\$71,850)	(\$126)	(\$40,696)	\$2,759
Adjustments to reconcile owners' support and revenues over (under) expenses to cash flow from operations					
Accounts receivable	(22,699)	-	-	(22,699)	(21,499)
Accounts payable	(3,014)	-	-	(3,014)	(506)
Prepaid maintenance fees	(15,031)	-	-	(15,031)	6,692
Total cash flow from (to) operations	(9,464)	(71,850)	(126)	(81,440)	(12,554)
Cash flow from (to) investing activities					
Land	-	-	126	126	-
Total cash from (to) investing activities	-	-	\$126	\$126	-
Increase (decrease) in cash	(9,464)	(71,850)	-	(81,314)	(12,554)
Cash, beginning of the year	20,881	75,697	-	96,578	109,132
Cash, end of the year	\$11,417	\$3,847	-	\$15,264	\$96,578

*The accompanying notes are an integral
part of these financial statements*

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

1. ORGANIZATION

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION ("the Association") was incorporated in the State of Texas as a not-for-profit corporation on September 30, 1982.

The Association is the governing body for the homeowners of Westfield Village Community Improvement Association, a 621 single-family residential subdivision in Katy, Texas. The sole purpose of the Association is to maintain and protect the areas owned by the owners-in-common, such as streetlights, swimming pools, clubhouse, tennis courts, landscaping, and other recreational areas.

The affairs of the Association are managed and controlled by its Board of Directors. These Directors are empowered to exercise, on behalf of the Association, all of the powers, duties, and authorities vested or delegated to it by virtue of the Association's By-Laws, Articles of Incorporation, Declarations and/or Covenants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING

The Association is a not-for-profit organization, which employs the fund method of accounting on an accrual basis in order to properly account for restrictions on the expenditures resulting from actions of the Board or the homeowners.

These financial statements segregate the accounting for such funds into operating and capital reserve or replacement funds. The disbursements from the operating fund are generally at the discretion of the Board and property managers and are used for operating expenses. The disbursements from the capital reserve or replacement fund generally may only be utilized in accordance with the purposes established.

OWNERS ASSESSMENTS

The assessments or maintenance fees assessed are based on an annual budget as adopted by the Board pursuant to the by-laws of the Association.

CASH AND CASH EQUIVALENTS

The Association considers cash on hand and cash in banks and all other highly liquid debt instruments purchased with original maturities of three (3) months or less to be cash equivalents.

CAPITALIZATION POLICY

The replacements and improvements to the real property and common areas are expensed in the year incurred.

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

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.

3. ACCOUNTS RECEIVABLE

The Association's accounts receivable represents payments due from delinquent homeowners. The balances are from a few homeowners, some of whom are seriously delinquent. The Association anticipates collecting these balances through its collection efforts, including filing liens and legal actions against these homeowners. The collection of these amounts will be affected by the foreclosure of liens superior to the lien by the homeowner's association such as mortgage lien holders, delinquent property tax liens, and/or bankruptcies by the homeowners.

When the assessments are deemed not collectible, the Association estimates and records an "allowance for uncollectible accounts". Generally accepted accounting principles require that the allowance method be used to recognize bad debts.

As of December 31, 2009 and 2008 the Association had assessments receivable of \$125,543 and \$98,575 respectively, while providing for an allowance for uncollectible accounts of \$15,114.

4. FEDERAL INCOME TAXES

Homeowners' Associations may be taxed either as Homeowners' Associations or regular Corporations.

As a regular Corporation, membership income is exempt from taxation if the required elections are made (such as returning to homeowners excess funds or reducing future assessments). Then the Association is taxed only on its non-membership income (such as interest earnings) at regular federal corporate income tax rates. The Corporate tax rates are graduated based on income levels from a minimum of 15% to a maximum rate of 39%.

As a Homeowners' Association, the Association is taxed on its non-exempt function income (such as interest earnings) at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

The Association elected to file its tax return as a Homeowners' Association for the year ended December 31, 2009.

5. MEMO CAPTIONS

The "Memo" captions, when used on the columns of the combined statements, means totals are presented as an overview and for informational purposes only. They present the financial position, results of operations and statement of cash flows for the Association as a whole but do not present in detail the amounts of the various funds.

6. REPLACEMENT FUNDING PROGRAM

The Association is responsible for repairs and replacement of common property. The support provided by the owners towards these expenses are segregated and accounted for as capital reserve or replacement funds. These funds are held in separate investment accounts, and are generally not used for normal operating expenses.

An independent study to determine the costs and funding program for the replacement of the Association's common areas has not been conducted. Accordingly, the current program may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association, pursuant to the by-laws, may have to increase the monthly assessments, pass special assessments, borrow, or delay replacement until funds are available.

SUPPLEMENTAL SCHEDULES

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION
ACTUAL TO BUDGET
ASSESSMENTS, REVENUES AND EXPENSES
For the Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>F (UF)</u>
Assessments and revenues			
Maintenance fees	\$220,011	\$217,000	\$3,011
Transfer fees	4,225	2,900	1,325
Collection fees	5,872	5,850	22
Late and NSF fees	9,927	3,500	6,427
Interest income	150	875	(725)
Write offs and adjustments	(14,785)	(9,000)	(5,785)
Total revenues	225,460	221,125	4,335
Administrative expenses			
Management and accounting fees	20,240	17,950	(2,290)
Audit fees	1,100	1,100	-
Legal fees, net of recovery	1,884	16,500	14,616
Community events	3,347	2,420	(927)
Automobile expenses	118.00	-	(118)
Property taxes	4	4	-
Income tax expense	238	-	(238)
Office, postage and other expenses	13,474	8,850	(4,624)
Total administrative expenses	40,405	46,824	6,419
Facilities maintenance			
Pool repairs and supplies	6,103	9,000	2,897
Irrigation system	2,260	1,800	(460)
Other repairs	2,485	4,000	1,515
Total facilities maintenance	10,848	14,800	3,952
Contract services			
Landscaping contract	33,272	33,600	328
Pool service	34,490	35,500	1,010
Exterminating	325	1,785	1,460
Other services	2,485	9,650	7,165
Total contract services	70,572	80,535	9,963
Utilities			
Electricity - street lights	22,362	38,400	16,038
Electricity - common areas	16,571	13,500	(3,071)
Water and sewer	5,196	7,000	1,804
Telephone	3,503	2,400	(1,103)
Total utilities	47,632	61,300	13,668
Insurance	15,684	16,500	816
Capital reserve expenses	81,015	-	(81,015)
Total expenses	266,156	219,959	(46,197)
Revenues over expenses	(\$40,696)	\$1,166	(\$41,862)

*The foregoing notes are an integral
part of these financial statements*
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WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION
ANALYSIS OF REVENUES AND EXPENSES
For the Years Ended December 31, 2009 to 2005

	<u>2009</u>	<u>Memo 2008</u>	<u>Memo 2007</u>	<u>Memo 2006</u>	<u>Memo 2005</u>
Assessments and revenues					
Maintenance fees	\$220,011	\$218,724	\$213,243	\$201,107	\$174,106
Transfer fees	4,225	2,895	5,575	5,528	5,205
Collection fees	5,872	6,485	6,298	5,869	2,832
Late and NSF fees	9,927	12,273	7,491	3,309	6,071
Interest income	150	798	805	717	670
Other income	60	-	-	100	-
Write offs and adjustments	(14,785)	(9,974)	(6,364)	(5,625)	(9,995)
Total revenues	225,460	231,201	227,048	211,005	178,889
Administrative expenses					
Management and accounting fees	20,240	17,034	17,111	13,353	10,288
Audit fees	1,100	1,100	1,100	1,100	1,100
Legal fees, net of recovery	1,884	3,863	(39)	1,011	1,997
Community events	3,347	1,469	1,994	846	567
Automobile expenses	118	-	-	-	52
Property taxes	4	2	4	572	1
Income tax expense	238	223	-	210	171
Office, postage and other expenses	13,474	6,195	7,648	10,613	7,029
Total administrative expenses	40,405	29,886	27,818	27,705	21,205
Facilities maintenance					
Pool repairs and supplies	6,103	5,720	14,775	-	-
Irrigation system	2,260	2,966	2,705	162	1,198
Park equipment	-	-	-	-	-
Other repairs	2,485	4,920	3,188	13,658	2,728
Total facilities maintenance	10,848	13,606	20,668	13,820	3,926
Contract services					
Landscaping contract	33,272	32,485	34,658	28,486	25,810
Pool service	34,490	30,515	29,226	28,687	25,145
Exterminating	325	1,280	1,785	2,095	1,830
Other services	2,485	5,552	4,513	3,629	440
Total contract services	70,572	69,832	70,182	62,897	53,225
Utilities					
Electricity - street lights	22,362	29,610	31,489	31,453	23,870
Electricity - common areas	16,571	11,948	10,043	10,799	9,401
Water and sewer	5,196	5,928	7,569	7,224	14,507
Telephone	3,503	2,182	1,502	2,076	2,285
Total utilities	47,632	49,668	50,603	51,552	50,063
Insurance					
Insurance	15,684	15,635	14,716	13,795	13,598
Capital reserve expenses	81,015	49,815	-	17,209	21,454
Total expenses	266,156	228,442	183,987	186,978	163,471
Revenues over expenses	(\$40,696)	\$2,759	\$43,061	\$24,027	\$15,418

The foregoing notes are an integral part of these financial statements

WESTFIELD VILLAGE COMMUNITY IMPROVEMENT ASSOCIATION
SCHEDULE OF CAPITAL RESERVE EXPENSES
For The Years Ended December 31, 2009 to 2006

	<u>2009</u>	<u>Memo 2008</u>	<u>Memo 2007</u>	<u>Memo 2006</u>
Pool repairs	\$6,399	\$16,798	-	\$17,209
Cameras	961	6,184	-	-
Park benches	-	4,598	-	-
Signs	-	16,253	-	-
Common area wall	-	3,600	-	-
Decibel Meters for Sheriff's Deputies	-	2,382	-	-
Land clearing and brush	3,650	-	-	-
Fence construction	39,863	-	-	-
Walking trail	10,127	-	-	-
Electrical	5,995	-	-	-
Security	2,725	-	-	-
Irrigation system - playground	8,453	-	-	-
Hydromulch - new playground	2,842	-	-	-
Total capital reserve expenses	\$81,015	\$49,815	-	\$17,209

*The foregoing notes are an integral
part of these financial statements*