

WATERWOOD IMPROVEMENT ASSOCIATION, INC.

*FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION*

*FOR THE YEAR ENDED DECEMBER 31, 2020*



**Davis, Heinemann & Company, P.C.**

*Certified Public Accountants*

1300 11th Street Suite 500

Huntsville, Texas 77340

(936) 291-3020

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**DAVIS, HEINEMANN & COMPANY, P.C.**

*CERTIFIED PUBLIC ACCOUNTANTS*

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Waterwood Improvement Association, Inc.  
Huntsville, Texas 77320

Dear Board Members:

We have audited the accompanying financial statements of the Waterwood Improvement Association, Inc. (a non-profit organization), which comprise the balance sheet as of December 31, 2020, and the related statements of revenues and expenses, changes in members' equity 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 the 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 of material misstatements.

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 Waterwood Improvement Association, Inc. as of December 31, 2020, and the changes in its members' equity and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sincerely,

*Davis, Heinemann & Co.*

Davis, Heinemann & Company, P.C.  
Huntsville, Texas

August 11, 2021

**Waterwood Improvement Association, Inc.**  
**Balance Sheet**  
**As of December 31, 2020**

**ASSETS**

Cash and cash equivalents, including interest-bearing deposits	\$ 747,140
Annual charges receivable and accrued interest on delinquent receivables, less allowance for bad debts	390,929
Accrued interest receivable	54,663
Prepaid expense	22,127
Investments	5,644,618
Land	1,318,329
Construction in progress	39,965
Property and equipment, less accumulated depreciation	<u>467,423</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,685,194</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Accounts payable and other accrued liabilities	\$ 53,580
Capital improvement damage deposits	3,000
Payroll taxes payable	203
<b>TOTAL LIABILITIES</b>	<u>56,783</u>

**MEMBERS' EQUITY**

Unrestricted - undesignated	8,224,682
Accumulated other comprehensive income	403,729
<b>TOTAL MEMBERS' EQUITY</b>	<u>8,628,411</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u><u>\$ 8,685,194</u></u>

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

**Waterwood Improvement Association, Inc.**  
**Statement of Revenues and Expenses**  
**For the Year Ended December 31, 2020**

**REVENUES**

Annual charges	\$ 896,009
Interest on delinquent annual charges	236,444
Recoveries	26,332
Investment income	292,882
Contributions	3,250
Capital improvement fees	16,000
Property transfer fees	13,100
Unrealized gain/(loss) on securities	45,109
Fireworks donations	4,133
Trailer park maintenace & operating fee	2,040
Pool pass maintenace & operating fee	4,841
WWP lot sales	35,635
Other income	884
Gain/(loss) on sale of assets	500
<b>Total Revenues</b>	<u>1,577,159</u>

**EXPENSES**

Vehicle expense	19,033
Bad debts	623,656
Repairs and maintenance - buildings	819
Contract labor	2,920
Community events	11,966
EMS contract	96,253
Insurance	22,575
Grounds maintenance contract and landscaping	112,290
Miscellaneous	40,156
Office expense	20,560
Salaries and payroll tax	108,593
Professional fees	28,674
Pool maintainance	7,474
Road repair and maintenance	119,605
Golf course maintenance	45,950
Property taxes	12,162
Travel and meals	169
Utilities and services	70,201
Depreciation	51,650
Bond amortization	12,531
Waterwood Volunteer Fire Department	65,079
Security services	197,071
<b>Total Expenses</b>	<u>1,669,387</u>

**EXCESS (DEFICIENCY) OF REVENUES  
OVER (UNDER) EXPENSES**

\$ (92,228)

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

**Waterwood Improvement Association, Inc.  
Statement of Changes in Members' Equity  
For the Year Ended December 31, 2020**

<b>MEMBERS' EQUITY, BEGINNING OF YEAR</b>	\$ 8,720,639
Excess Revenues Over Expenses	<u>(92,228)</u>
<b>MEMBERS' EQUITY, END OF YEAR</b>	<u><u>\$ 8,628,411</u></u>

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

**Waterwood Improvement Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Revenues Over Expenses	\$	(92,228)
<b>Adjustments to reconcile excess of expenses over revenues to net cash provided by operating activities:</b>		
Unrealized (gain)/loss on securities		(45,109)
Depreciation		51,650
Bond amortization		12,531
(Increase)/decrease in:		
Member annual charges receivable		(40,472)
Interest receivable		3,431
Prepaid expense		(4,706)
Increase/ (decrease) in:		
Accounts payable		38,336
Capital improvement damage deposits		-
Payroll taxes		(108)
<b>NET CASH FROM/(USED BY) OPERATING ACTIVITIES</b>		<u>(76,675)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investments - purchases		-
Investments - sales		285,000
Construction in progress		(39,965)
Fixed asset purchase		(26,208)
<b>NET CASH (USED)/PROVIDED BY INVESTING ACTIVITIES</b>		<u>218,827</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Interest paid		-
Loan proceeds		-
Reduction in long-term debt		-
<b>NET CASH (USED)/PROVIDED BY FINANCING ACTIVITIES</b>		<u>-</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS		142,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		604,988
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$</b>	<u><u>747,140</u></u>

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



WATERWOOD IMPROVEMENT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE A – NATURE OF ORGANIZATION

Waterwood Improvement Association, Inc. (WIA) is a non-profit corporation, organized for the purpose of promoting and developing the common good and social welfare of the homeowners of the Waterwood subdivision, including providing for the maintenance of common areas and other improvements. In addition, the Association provides security, EMS service, garbage pickup and fire department services for Waterwood residents. The Waterwood development is located in San Jacinto County and is comprised of more than 1,000 acres of lots and developed home sites, in addition to greenbelts and other common areas. The Waterwood Subdivision has approximately 2,000 lots, of which approximately 400 are improved.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. In accordance with generally accepted accounting principles, the financial statements have been prepared on the accrual basis. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Annual Charges

The Association is funded primarily through funds received from annual charges and investment portfolio income. In accordance with the provisions of the land deed covenants and other legal agreements, annual charges are levied on all lot owners, with the exception of lots owned by governmental entities, those exempted under the terms of legal agreements with the Association, and those owned by the Association. The annual charges are recognized on the active accounts as income at the time they are levied. The annual charges are levied each November, and if not paid by December 31, become delinquent and bear interest at the rate of ten percent per annum. The Association, when appropriate, files liens on lots with houses on which unpaid annual charges exist. All amounts due to the Association are maintained as accounts receivable and the amounts determined to be uncollectible are set up in an allowance for bad debts. Any changes to the allowance for bad debts account will be made by increasing or decreasing bad debt expense or recoveries for the amount of the change.

### 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 directly associated with the unit (that is, common property without which the units could not be occupied and exterior property that is normally part of a freestanding unit). Greenbelts are an example of common property owned by the Association and not capitalized.

The Association capitalizes personal property greater than \$5,000 at cost and depreciates it using the straight-line method over the estimated useful life.

### Income Taxes

A qualifying homeowners' association may be taxed either as a homeowners' association or as a regular corporation. As a homeowners' association, annual charge income is exempt from taxation if certain elections are made, and the association is taxed only on its non-membership income, such as bank or taxable bond interest earnings and gain on sale of certain assets, at regular federal corporate rates. In 2020, the Association qualified under Section 528 of the Internal Revenue Code as a homeowners' association and has extended the filing of Form 1120-H.

### Statement of Cash Flows

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. This includes the Association's investment in the Morgan Stanley Money Market Fund and Invesco Mutual Fund which invests in instruments with a maturity of less than 90 days.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### NOTE C – MARKETABLE AND NONMARKETABLE SECURITIES

The Association adopted SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, which requires classification of securities into one of three categories, depending on the entity's intent and ability to hold the security until maturity. In addition, the Association has adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which describes the timing and ability of an entity to use fair value accounting.

All of the bonds held at year end are considered to be “available for sale” according to SFAS No. 115 and are recorded at fair market value.

Realized gains and losses are recorded in the statement of revenues and expenses in the period they are earned. Bond premium/discount is amortized by the Association using the effective-interest method required by SFAS No. 115 as calculated by the investment brokers, Morgan Stanley.

The aggregate cost and market values of the investment securities are summarized as follows:

Available-for-sale securities:

	<u>Amortized Cost</u>	<u>Market</u>	<u>Cumulative Unrealized Gains/(losses)</u>
State and municipal securities with AAA, AA, A and BAA ratings	\$ <u>5,240,889</u>	\$ <u>5,644,618</u>	\$ <u>403,729</u>

During the year ended December 31, 2020, no bonds were purchased and three bonds were called for a net realized gain of \$0 in 2020.

Net unrealized holding gains on available-for-sale securities in the amount of \$45,109 for the year ended December 31, 2020 have been included in accumulated other comprehensive income of \$403,729.

Maturities of available-for-sale debt securities at December 31, 2020 are as follows:

	<u>Estimated Fair Value</u>
Due in one year or less (before December 31, 2021)	\$ -
Due between January 1, 2022 and December 31, 2025 (1 to 5 years)	-
Due between January 1, 2026 and December 31, 2030 (5 to 10 years)	273,365
Due between January 1, 2031 and December 31, 2040 (10 to 20 years)	2,985,919
Due January 1, 2041 or after (20 years or more)	<u>2,385,334</u>
Total investment in available-for-sale securities	\$ <u>5,644,618</u>

Actual maturities may differ from contractual maturities because nearly all borrowers have the right to call or prepay obligations with or without call or prepayment penalties. For purposes of this schedule, the actual maturity dates were used.

NOTE D – ASSESSMENTS AND ACCRUED INTEREST ON DELINQUENT RECEIVABLES

Balance, beginning of year	\$ 3,092,628
Plus: Assessments	896,009
Plus: Interest	236,444
Plus: Miscellaneous other billings	72,500
Less: Collections/Write offs	(746,347)
Plus: Other items and adjustments	<u>11,993</u>
Balance, end of year	\$ <u>3,563,227</u>

The annual fee for 2020 was \$650 for single family lots (\$515 in 2019) and \$780 in 2020 for multi-family lots (\$645 in 2019).

The Association established an allowance for uncollectible accounts for delinquent assessments in 2008. The net accounts receivable at December 31, 2020 is shown below:

Accounts receivable	\$ 3,563,227
Less: Allowance for bad debts	<u>(3,172,298)</u>
Net accounts receivable	\$ <u>390,929</u>

This account is reviewed annually by the Association. Bad Debt expense for 2020 was \$623,656. The Association adjusts the Allowance for Bad Debts account in October, right before the new bills are sent out. All fees are due by December 31 and if not received by January 31st, 209 letters are sent to those with unpaid accounts. Unpaid accounts by February 28<sup>st</sup> are sent to the Association's attorney for collection.

As of December 31, 2015, WWP, meaning Waterwood Partners, LLC and any affiliate entities, including ILS (Investor Land Services), owned 531 of the 1,619 total undeveloped lots in Waterwood. Although WWP and ILS were billed for fees on all their lots, they made only nominal payments of fees owed.

In 2015, the Association sued WWP and ILS for the fees and interest owed. A settlement agreement to the lawsuit was reached by mediation in August 2016 which was officially recorded at the courthouse in January 2018. Major terms of the settlement are as follows:

- 1) WWP and ILS will, upon the closing of the sale of each lot they own in the Waterwood subdivision, pay an amount equal to 15% of the gross sales price to the Association.

- 2) WWP and ILS will convey title to various lots in Park Forest Village without ready access to electricity to the Association, at no cost to the Association. In January 2017, 164 lots were transferred.
- 3) WWP and ILS will pay all future costs to develop undeveloped lots in Tournament Village, Piney Point, Fairway Village, and their remaining lots in Park Forest Village.
- 4) The Association will not bill WWP and ILS annual fees for lots they own for five years from 2016 through July 2021.

Annual fees billed as of December 31, 2020, reflect the fact that WWP and ILS were not billed for the lots they owned (per the terms of the August 2016 settlement agreement).

#### NOTE E – LAND AND PROPERTY AND EQUIPMENT

Land and property and equipment consists of the following categories:

<u>Cost</u>	
Land	\$1,318,329
Construction in progress	39,965
Vehicles	48,768
Equipment	28,767
Buildings & Improvements	<u>926,593</u>
Total Property and Equipment	2,362,422
Less: Accumulated depreciation	<u>(536,705)</u>
Net cost	<u>\$1,825,717</u>

Land consists primarily of parkways, public areas (i.e. dump site), acreage, and 165 lots owned by the Association and is valued at \$1,318,329, of which \$250,000 represents a strip of land along the east side of Waterwood Parkway, approximately six miles long and 150 feet wide, which was purchased by the Association in order to maintain a no-cut zone in the entrance to the Waterwood subdivision.

In 2016, the Association purchased, for \$1,006,513, the parkway right of way from FM 980 to Bob Christian Road, the parkway right of way from State Highway 190 to where the parkway becomes a two lane road, and the billboard, plus the land surrounding the billboard, located on the south side of State Highway 190 across from Waterwood Parkway. In addition, the Association obtained the right to approve the posting of signs and placement of any items within 200 feet of the parkway right of way and within 200 feet of the rights of way of roads within Waterwood.

#### NOTE F – FEDERAL INCOME TAX

The Association files Form 1120-H, a U.S. Income Tax Return for Homeowners' associations, annually. The investment policy of the Association encourages investing all bonds in tax-free rather than taxable securities, which is the primary reason for the minimal income tax liability.

#### NOTE G – MEMBERS' EQUITY

Instead of specifically designating Members' Equity for particular purposes, The Association uses a five-year forecast of income and expenditures model in planning future requirements.

#### NOTE H – EMS (EMERGENCY MEDICAL SERVICES)

The Association renewed its contract with Allegiance Ambulance, effective January 1, 2020 (through December 31, 2021), for annual compensation of \$96,253 (\$8,021 monthly) to provide emergency medical services to all Waterwood residents.

#### NOTE I – GROUNDS MAINTENANCE CONTRACT

Effective January 21, 2018 and extending until January 22, 2021, Timberlake Nursery received a three-year contract to provide grounds maintenance for \$9,073 per month (including sales tax), with additional services billed separately.

#### NOTE J – SECURITY SERVICES CONTRACT

Effective January 1, 2020, the Association established a contract with Global Executive Protection to provide security services for the residents of Waterwood. The contract shall continue until terminated by either party with at least thirty days' notice. Global Executive Protection will provide services seven days a week, twenty-four hours a day, billed at \$20 per hour (time and a half for holiday pay). The Association paid \$197,071 for security services in 2020.

#### NOTE K – COMMITMENTS UNDER NONCAPITALIZED LEASES

The Association does not have any noncapitalized leases.

#### NOTE L – RELATED PARTY TRANSACTIONS

No material related party transactions were noted during 2020.

## NOTE M – SUBSEQUENT EVENTS

### Fiber Optic Network Installation Project

The Association entered into a contract June 15, 2021, with LCS FiberCom LLC (LCS) to install and operate a fiber optic network within the general physical boundaries of Waterwood. The Association will obtain a one million dollar line of credit through the Association's bond broker, Morgan Stanley, and advance the funds to LCS. During installation and operation, major equipment shall be titled in the name of the Association and the Association shall hold liens on all major fiber materials and supplies. LCS is required to have general liability insurance in amounts sufficient to cover all advanced funds. LCS shall repay the funds advanced by June 16, 2026 or will refinance the outstanding balance.

The network is primarily for the use and enjoyment of the residents and businesses within Waterwood and other external clients the parties mutually agree would benefit from the venture as a whole. The basic design of the network will have the capacity to accommodate every property under the direction of the Association, currently estimated at 2,035 lots plus various non-residential properties, without major rework along the trunk and distribution lines. The proposed system design is for a standardized Gigabit Passive Optical Network (GPON) network.

### Lawsuit Naming the Association and an Association Board Director

A lawsuit naming the Association and an Association Board Director as defendants was filed in the Walker County, TX – 278<sup>th</sup> District Court on July 19, 2021. The Plaintiff claims that Defendants trespassed onto Plaintiff's properties, cutting down and/or damaging trees. Plaintiff values the trees damaged or destroyed at \$250,000.

The Association obtained written authorization from the San Jacinto County Commissioners' Court to maintain roads, easements and right of ways within the Waterwood Subdivision. This authorization explicitly provided the Association the authority to trim trees overhanging roads, easements and right of ways. Prior to initiating any work, the Association obtained signoff from the San Jacinto County Precinct 4 Commissioner on the specific work to be performed. The Association also sent letters to all property owners (including the defendant) notifying them when work was to be performed.

The Association had no other reportable subsequent events through August 11, 2021, 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 December 31, 2020.

*Supplementary Information*





**DAVIS, HEINEMANN & COMPANY, P.C.**

*CERTIFIED PUBLIC ACCOUNTANTS*

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTARY INFORMATION

To the Board of Directors and Property Owners  
Waterwood Improvement Association

The information included in the Schedule of Operating Fund Revenues and Expenses – Budget and Actual for the year ended December 31, 2020 on page 15 is presented only for supplementary analysis purposes. Such information (except for the budget information, which was compiled without audit from information that is the representation of management, on which we did not express an opinion or any other form of assurance) has been subjected to certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The supplementary information on future major repairs and replacements on page 16 is not a required part of the basic financial statements of the Association but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,

*Davis, Heinemann + Co.*

Davis, Heinemann & Company, P.C.

August 11, 2021

**Waterwood Improvement Association, Inc.**  
**Schedule of Operating Fund Revenues and Expenses - Budget and Actual - Budgetary Basis**  
**For the Year Ended December 31, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Annual charges	\$ 441,355	\$ 896,009	\$ 454,654
Interest on delinquent annual charges	-	236,444	236,444
Recoveries	26,332	26,332	-
Investment income	226,174	292,882	66,708
Contributions	2,750	3,250	500
Capital improvement fees	33,000	16,000	(17,000)
Property transfer fees	9,400	13,100	3,700
Fireworks donations	2,433	4,133	1,700
Trailer park maintenace and operating fee	840	2,040	1,200
Pool pass maintenace and operating fee	4,603	4,841	238
WWP lot sales	27,760	35,635	7,875
Other income	100	884	784
Gain/(loss) on sale of assets	500	500	-
<b>Total Revenues</b>	<u>775,247</u>	<u>1,532,050</u>	<u>756,803</u>
<b>BUDGETED EXPENSES</b>			
Vehicle expense	17,571	19,033	(1,462)
Repairs and maintenance	2,034	819	1,215
Licenses and fees	-	-	-
Community events	12,250	11,966	284
EMS contract	96,253	96,253	-
Insurance	31,216	22,575	8,641
Interest Expense	-	-	-
Grounds maintenance contract and landscaping	112,928	112,290	638
Miscellaneous	5,294	40,156	(34,862)
Office expense	18,879	20,560	(1,681)
Salaries and payroll tax	109,367	108,593	774
Professional fees	26,328	28,674	(2,346)
Pool maintainance	8,219	7,474	745
Road repair and maintenance	96,545	119,605	(23,060)
Golf course maintenance	45,000	45,950	(950)
Property taxes	2,921	12,162	(9,241)
Travel and meals	469	169	300
Utilities and services	66,702	70,201	(3,499)
Waterwood Volunteer Fire Department	89,267	65,079	24,188
Security services	189,980	197,071	(7,091)
Contract labor	3,650	2,920	730
<b>Total Budgeted Expenses</b>	<u>934,873</u>	<u>981,550</u>	<u>(46,677)</u>
<b>Excess (Deficiency) Revenues Over (Under)</b>			
<b>Budgeted Expenses</b>	<u>(159,626)</u>	<u>550,500</u>	<u>710,126</u>
<b>NON-CASH AND NON-BUDGETED REVENUES/(EXPENSES)</b>			
Unrealized gain/(loss) on securities	-	45,109	45,109
Depreciation expense	-	(51,650)	(51,650)
Bad debts	-	(623,656)	(623,656)
Bond premium/discount amortization	-	(12,531)	(12,531)
<b>Total Non-Cash and Non-Budgeted Expenses</b>	<u>-</u>	<u>(642,728)</u>	<u>(642,728)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
<b>OVER (UNDER) EXPENSES</b>	<u>\$ (159,626)</u>	<u>\$ (92,228)</u>	<u>\$ 67,398</u>

WATERWOOD IMPROVEMENT ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND  
REPLACEMENTS (COMPILED)  
For the Year Ended December 31, 2020

At some time in the future, major repairs on the road surfaces may be required. The extent of any major repairs or resurfacing will have to be assessed on a case-by-case basis. San Jacinto County is responsible for all subdivision road maintenance as evidenced by an easement granted to the County in 1979. If the Association determines that an additional project is necessary and the County will not fund the necessary work, and additional funds, beyond current operating funds, are required to meet future needs, the Association can borrow money or delay the work until funds are available. The Association would only borrow money in the event that the County will not complete necessary improvements to the roads.