

**STAGECOACH PROPERTY OWNERS ASSOCIATION**

Financial Statements

December 31, 2016

**STAGECOACH PROPERTY OWNERS ASSOCIATION**

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## Independent Accountant's Review Report

The Board of Directors  
Stagecoach Property Owners Association  
Routt County, Colorado

We have reviewed the accompanying financial statements of the Stagecoach Property Owners Association (the Association) which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

As discussed in Note 5, the Association has omitted disclosures on the estimated remaining lives and replacement costs of the common property and, therefore, has not presented information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our conclusion on the basic financial statements is not affected by this missing information.

*Cutler + Company, P.C.*

Steamboat Springs, Colorado  
October 12, 2017

**STAGECOACH PROPERTY OWNERS ASSOCIATION**  
**Balance Sheet**  
**December 31, 2016**

|  | Operating<br>Fund | Reserve<br>Funds  | Total             |
|--|-------------------|-------------------|-------------------|
| <b>Assets:</b>                             |                   |                   |                   |
| Cash                                       | \$ 37,901         | \$ 252,831        | \$ 290,732        |
| Restricted cash                            | -                 | 157,850           | 157,850           |
| Accounts receivable                        | 82,318            | 79,118            | 161,436           |
| Prepaid expenses                           | 1,590             | -                 | 1,590             |
| Property and equipment, net                | -                 | 6,096             | 6,096             |
|  | -                 | 6,096             | 6,096             |
| <b>Total assets</b>                        | <b>\$ 121,809</b> | <b>\$ 495,895</b> | <b>\$ 617,704</b> |
| <b>Liabilities and fund balances:</b>      |                   |                   |                   |
| Liabilities:                               |                   |                   |                   |
| Accounts payable                           | \$ 2,848          | \$ 750            | \$ 3,598          |
| Prepaid assessments                        | 346               | -                 | 346               |
| Assessments billed in advance              | 98,990            | 112,575           | 211,565           |
|  | 98,990            | 112,575           | 211,565           |
| <b>Total liabilities</b>                   | <b>102,184</b>    | <b>113,325</b>    | <b>215,509</b>    |
| Fund balances:                             |                   |                   |                   |
| Restricted for roads                       | -                 | 157,850           | 157,850           |
| Project/Reserve Fund                       | -                 | 224,720           | 224,720           |
| Operating                                  | 19,625            | -                 | 19,625            |
|  | 19,625            | -                 | 19,625            |
| <b>Total fund balances</b>                 | <b>19,625</b>     | <b>382,570</b>    | <b>402,195</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 121,809</b> | <b>\$ 495,895</b> | <b>\$ 617,704</b> |

See Independent Accountant's Review Report and notes to financial statements.

**STAGECOACH PROPERTY OWNERS ASSOCIATION**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2016**

|                                      | Operating<br>Fund | Reserve<br>Funds  | Total             |
|--------------------------------------|-------------------|-------------------|-------------------|
| <b>Revenues:</b>                     |                   |                   |                   |
| Regular assessments, net             | \$ 98,736         | \$ 112,981        | \$ 211,717        |
| Late fees and fines                  | 3,610             | -                 | 3,610             |
| Architectural control committee fees | 1,500             | -                 | 1,500             |
| Interest                             | -                 | 455               | 455               |
| Other                                | 252               | -                 | 252               |
| <b>Total revenues</b>                | <b>104,098</b>    | <b>113,436</b>    | <b>217,534</b>    |
| <b>Expenses:</b>                     |                   |                   |                   |
| Operating:                           |                   |                   |                   |
| Management services                  | 62,882            | -                 | 62,882            |
| Professional fees                    | 10,040            | -                 | 10,040            |
| Insurance                            | 3,396             | -                 | 3,396             |
| Maintenance and repairs              | 6,991             | -                 | 6,991             |
| Communications                       | 4,087             | -                 | 4,087             |
| Meetings                             | 6,275             | -                 | 6,275             |
| Other                                | 3,886             | -                 | 3,886             |
| Reserve:                             |                   |                   |                   |
| Road infrastructure                  | -                 | 38,125            | 38,125            |
| Trail systems                        | -                 | 11,488            | 11,488            |
| Common areas and infrastructure      | -                 | 4,254             | 4,254             |
| Other                                | -                 | 491               | 491               |
| Depreciation                         | -                 | 1,772             | 1,772             |
| <b>Total expenses</b>                | <b>97,557</b>     | <b>56,130</b>     | <b>153,687</b>    |
| Change in fund balances              | 6,541             | 57,306            | 63,847            |
| Fund balances, beginning of year     | 98,206            | 240,142           | 338,348           |
| Transfer from reserve                | (85,122)          | 85,122            | -                 |
| <b>Fund balances, end of year</b>    | <b>\$ 19,625</b>  | <b>\$ 382,570</b> | <b>\$ 402,195</b> |

See Independent Accountant's Review Report and notes to financial statements.

**STAGECOACH PROPERTY OWNERS ASSOCIATION**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

|   | Operating<br>Fund | Reserve<br>Funds | Total      |
|---|-------------------|------------------|------------|
| <b>Cash flows from operating activities:</b>  |                   |                  |            |
| Change in fund balances   | \$ 6,541          | \$ 57,306        | \$ 63,847  |
| Adjustments to reconcile change in fund balances<br>to cash provided by operating activities: |                   |                  |            |
| Depreciation  | -                 | 1,772            | 1,772      |
| Loss on disposal of equipment   | -                 | 247              | 247        |
| (Increase) decrease in:   |                   |                  |            |
| Accounts receivable   | 22,875            | (3,398)          | 19,477     |
| Prepaid expenses  | 622               | -                | 622        |
| Increase (decrease) in:   |                   |                  |            |
| Accounts payable  | (195)             | 750              | 555        |
| Prepaid assessments   | 15                | -                | 15         |
| Assessments billed in advance   | (5,646)           | (529)            | (6,175)    |
| Net cash provided by operating activities   | 24,212            | 56,148           | 80,360     |
| <b>Cash flows from financing activities:</b>  |                   |                  |            |
| Interfund transfer  | (85,122)          | 85,122           | -          |
| Proceeds from sale of equipment   | -                 | 750              | 750        |
| Net cash provided (used) by financing activities  | (85,122)          | 85,872           | 750        |
| Net change in cash and cash equivalents   | (60,910)          | 142,020          | 81,110     |
| Cash and cash equivalents, beginning of year  | 98,811            | 268,661          | 367,472    |
| Cash and cash equivalents, end of year  | \$ 37,901         | \$ 410,681       | \$ 448,582 |

See Independent Accountant's Review Report and notes to financial statements.

**STAGECOACH PROPERTY OWNERS ASSOCIATION**  
**Notes to Financial Statements**  
**December 31, 2016**

**Note 1: Nature of Association and Significant Accounting Policies**

The Stagecoach Property Owners Association (the Association) is a common interest realty association incorporated in 1972 pursuant to the Colorado Common Interest Ownership Act (CCIOA) as set forth in Colorado Revised Statutes §38-33.3-101 in order to maintain and preserve the common property of the Association. At December 31, 2016, the Association consists of 2,235 residential lots within fifteen subdivisions located near Stagecoach Reservoir in south Routt County.

The owner of each lot is a member of the Association and is entitled to one vote per lot in the affairs of the Association.

*Basis of Presentation*

In accordance with accounting principles generally accepted in the United States of America (US GAAP), the Association uses fund accounting, which requires that funds, such as operating funds and reserve funds, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and management.

The Association maintains the following reserve funds:

- Restricted fund from which disbursements may be made only for designated purposes in specific subdivisions (see Note 2) and
- Project/Reserve Fund from which disbursements are made generally at the discretion of the board of directors.

*Common Assessments*

Common assessments are the primary source of revenue for the Association. The board of directors prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. Each member is assessed for their pro-rata share of these estimated expenses.

The Association may also levy a special assessment as deemed necessary by the Association's board of directors.

Member assessments are billed annually in advance and recognized as income in the budget year for which the assessments apply.

*Cash and Cash Equivalents*

All checking and money market savings accounts are considered cash equivalents for purposes of the statement of cash flows.

*Allowance for Uncollectible Amounts*

The Association utilizes the allowance method of recognizing the future potential uncollectibility of assessments receivable from members. An allowance of \$833 was recorded at December 31, 2016 to estimate uncollectible accounts. Assessments are due within 60 days after the billing date. Interest at the rate of 8% per annum is accrued upon any past due assessment as of the first day of default. Pursuant to the CCIOA, the Association has a statutory lien on a lot for any assessment levied against the lot or fines imposed against its lot owner once the amount becomes due. Recording of the Association's Declaration of Covenants, Conditions and Restrictions constitutes record notice and perfection of the lien. No further recordation of any claim of lien for assessments is required.

The board of directors is responsible for action taken on the enforcement of past-due assessments including foreclosure of a lien, suit in small claims, county or district court for personal judgment against a member individually, or by suit against multiple defendants.



**STAGECOACH PROPERTY OWNERS ASSOCIATION**  
**Notes to Financial Statements**  
**December 31, 2016**

**Note 1: Nature of Association and Significant Accounting Policies (continued)**

*Property and Equipment*

The Association recognizes as assets on its financial statements:

- Common personal property and;
- Common real property to which it has title and that it can dispose of at the discretion of its board of directors for cash, with the Association retaining the proceeds

These assets are recorded at cost and are depreciated using the straight-line method over estimate lives between 7-15 years.

Real common property, including infrastructure assets and other assets which cannot be readily disposed for cash, are not recognized as assets on the Association's financial statements.

*Income Taxes*

The Association files its income tax return, form 1120, as a regular corporation. Generally, common interest realty associations are not taxed on amounts received as assessments from members. Other amounts received by the Association which do not qualify as membership income are taxed, net of related expenses, at normal corporate rates.

The Association is no longer subject to examination by taxing authorities for tax years prior to 2014.

*Estimates*

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

**Note 2: Restricted Cash**

The Association holds funds received through settlement agreements with Routt County, Colorado. The funds are restricted for the improvement, development, or protection of the roads and public rights of way, or other improvements including but not limited to electric, water, sewer and telephone in three of the Association's subdivisions. Funds are held in an interest bearing account and accumulated funds as of December 31, 2016 were as follows:

|                         |        |                    |
|-------------------------|--------|--------------------|
| Horseback subdivision   | \$     | 83,442             |
| Morningside subdivision |        | 28,832             |
| South Shore subdivision |        | 45,576             |
| <br>Total               | <br>\$ | <br><u>157,850</u> |

**Note 3: Property and Equipment**

Property and equipment at December 31, 2016 is as follows:

|                                 |        |                  |
|---------------------------------|--------|------------------|
| Land                            | \$     | 2,330            |
| Depreciable assets:             |        |                  |
| Infrastructure and improvements |        | 33,252           |
| Equipment                       |        | 13,640           |
|                                 |        | 49,222           |
| Less: Accumulated depreciation  |        | (43,126)         |
| <br>Total                       | <br>\$ | <br><u>6,096</u> |

**STAGECOACH PROPERTY OWNERS ASSOCIATION**  
**Notes to Financial Statements**  
**December 31, 2016**

**Note 4: Management Agreement**

The Association entered into a management agreement with Steamboat Association Management, LLC (SAM) on June 1, 2014 effective through December 31, 2017. The agreement automatically renews for successive one-year periods unless terminated by either party with 90 days written notice.

Terms of the agreement required a monthly management fee of \$5,000 through May 31, 2015 with an automatic 3% increase in management fee on the anniversary date of the contract. The Association incurred management fees expense of \$62,882 to SAM during the year ended December 31, 2016.

**Note 5: Reserve Fund and Future Major Maintenance, Repairs and Replacements**

As permitted by the Association's governing documents, the Association is accumulating funds in its Project/Reserve Fund for current and future major repairs and replacements of the Association's common property. Accumulated funds in the Project/Reserve Fund are used for repairs and replacements and for the development and acquisition of common property. These funds are generally not available for expenses for normal operations.

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the members. Therefore, it is the Association's responsibility to determine a method for funding the costs of current and future major repairs and maintenance by assessing members when funds are needed or by anticipating costs over extended time periods, assessing members for the anticipated costs, and accumulating funds in reserves to meet the current and future funding requirements. The board of directors has chosen to fund major repairs and replacements as part of the annual budgeting process.

Funds are being accumulated in the Project/Reserve Fund based on estimates for current and future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated expenditures, and the variations may be material. Therefore, amounts accumulated in the Project/Reserve Fund may not be adequate to meet all current and future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Note 6: Subsequent Events**

The Association's management has evaluated subsequent events through October 12, 2017, the date these financial statements were available to be issued.