

STAGECOACH PROPERTY OWNERS ASSOCIATION

Financial Statements

December 31, 2015

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, 2015, and the related statements of revenues, expenses and changes in fund balance, and cash flows for the sixteen months 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 required 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.

Supplementary Information

The accompanying combining statement of revenues, expenses, and changes in fund balances on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Catterson + Company, P.C.

Steamboat Springs, Colorado
November 7, 2016

STAGECOACH PROPERTY OWNERS ASSOCIATION
Balance Sheet
December 31, 2015

	Operating Fund	Reserve Fund	Total
Assets:			
Cash	\$ 98,811	\$ 110,997	\$ 209,808
Restricted cash	-	157,664	157,664
Accounts receivable	105,193	75,720	180,913
Prepaid expenses	2,212	-	2,212
Property and equipment, net	-	8,865	8,865
Total assets	\$ 206,216	\$ 353,246	\$ 559,462
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 3,043	\$ -	\$ 3,043
Prepaid assessments	331	-	331
Assessments billed in advance	104,636	113,104	217,740
Total liabilities	108,010	113,104	221,114
Fund balances:			
Restricted for roads	-	157,664	157,664
Project/Reserve Fund	-	82,478	82,478
Operating	98,206	-	98,206
Total fund balances	98,206	240,142	338,348
Total liabilities and fund balances	\$ 206,216	\$ 353,246	\$ 559,462

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

STAGECOACH PROPERTY OWNERS ASSOCIATION
Statement of Revenues, Expenses and Changes in Fund Balances
For the 16 Months Ended December 31, 2015

	Operating Fund	Reserve Fund	Total
Revenues:			
Regular assessments, net	\$ 110,191	\$ 57,002	\$ 167,193
Late fees and fines	5,967	-	5,967
Architectural control committee fees	2,250	-	2,250
Interest	-	2,582	2,582
Loss on disposal of assets	-	(860)	(860)
Other	2,209	-	2,209
Total revenues	120,617	58,724	179,341
Expenses:			
Operating:			
Management services	81,050	-	81,050
Professional fees	4,530	-	4,530
Insurance	4,261	-	4,261
Maintenance and repairs	8,493	-	8,493
Communications	8,565	-	8,565
Meetings	6,784	-	6,784
Other	4,532	-	4,532
Reserve:			
Legal projects/reserves	-	13,556	13,556
Common areas and infrastructure	-	8,554	8,554
Road infrastructure	-	875	875
Wildfire mitigation	-	5,000	5,000
Depreciation	-	3,191	3,191
Total expenses	118,215	31,176	149,391
Change in fund balances	2,402	27,548	29,950
Fund balances, beginning of period	95,804	212,594	308,398
Fund balances, end of period	<u>\$ 98,206</u>	<u>\$ 240,142</u>	<u>\$ 338,348</u>

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

STAGECOACH PROPERTY OWNERS ASSOCIATION
Statement of Cash Flows
For the 16 Months Ended December 31, 2015

	Operating Fund	Reserve Fund	Total
Cash flows from operating activities:			
Change in fund balances	\$ 2,402	\$ 27,548	\$ 29,950
Adjustments to reconcile change in fund balances to cash provided by operating activities:			
Depreciation	-	3,191	3,191
Los on disposal of assets	-	860	860
(Increase) decrease in:			
Accounts receivable	(43,112)	(75,720)	(118,832)
Prepaid expenses	(2,212)	-	(2,212)
Increase (decrease) in:			
Accounts payable	(4,472)	-	(4,472)
Prepaid assessments	(1,170)	-	(1,170)
Assessments billed in advance	104,636	113,104	217,740
Net cash provided by operating activities	56,072	68,983	125,055
Net change in cash and cash equivalents	56,072	68,983	125,055
Cash and cash equivalents, beginning of year	42,739	199,678	242,417
Cash and cash equivalents, end of year	\$ 98,811	\$ 268,661	\$ 367,472

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

STAGECOACH PROPERTY OWNERS ASSOCIATION
Notes to Financial Statements
December 31, 2015

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, 2015, the Association consists of 2,300 residential lots within sixteen 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 \$591 was recorded at December 31, 2015 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, 2015

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 2013.

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, 2015 were as follows:

Horseback subdivision	\$ 83,343
Morningside subdivision	28,797
South Shore subdivision	<u>45,524</u>
Total	<u>\$ 157,664</u>

Note 3: Property and Equipment

Property and equipment at December 31, 2015 is as follows:

Land	\$ 2,330
Depreciable assets:	
Infrastructure and improvements	33,252
Equipment	<u>15,440</u>
	51,022
Less: Accumulated depreciation	<u>(42,157)</u>
Total	<u>\$ 8,865</u>

See Independent Accountant's Review Report.

STAGECOACH PROPERTY OWNERS ASSOCIATION
Notes to Financial Statements
December 31, 2015

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 \$81,050 to SAM during the sixteen months ended December 31, 2015.

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

Subsequent to December 31, 2015, property owners within the High Cross Subdivision voted to amend their subdivision covenants to leave the Association and form a new association responsible for the management and enforcement of their covenants for the 65 lots in that subdivision.

The Association management has evaluated subsequent events through November 7, 2016, the date these financial statements were available to be issued.

STAGECOACH PROPERTY OWNERS ASSOCIATION
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the 16 Months Ended December 31, 2015

	Operating Fund			Reserve Fund			Total
	9/1/2014 - 12/31/2014	1/1/2015 12/31/2015	Total	9/1/2014 - 12/31/2014	1/1/2015 12/31/2015	Total	
Revenues:							
Regular assessments, net	\$ 326	\$ 109,865	\$ 110,191	\$ -	\$ 57,002	\$ 57,002	\$ 167,193
Late fees and fines	1,805	4,162	5,967	-	-	-	5,967
Architectural control committee fees	250	2,000	2,250	-	-	-	2,250
Interest	-	-	-	469	2,113	2,582	2,582
Loss on disposal of assets	-	-	-	(860)	-	(860)	(860)
Other	715	1,494	2,209	-	-	-	2,209
Total revenues	3,096	117,521	120,617	(391)	59,115	58,724	179,341
Expenses:							
Operating:							
Management services	20,000	61,050	81,050	-	-	-	81,050
Professional fees	1,413	3,117	4,530	-	-	-	4,530
Insurance	513	3,748	4,261	-	-	-	4,261
Maintenance and repairs	2,401	6,092	8,493	-	-	-	8,493
Communications	3,271	5,294	8,565	-	-	-	8,565
Meetings	1,752	5,032	6,784	-	-	-	6,784
Other	1,887	2,645	4,532	-	-	-	4,532
Reserve:							
Legal projects/reserves	-	-	-	3,384	10,172	13,556	13,556
Common areas and infrastructure	-	-	-	-	8,554	8,554	8,554
Road infrastructure	-	-	-	-	875	875	875
Wildfire mitigation	-	-	-	5,000	-	5,000	5,000
Depreciation	-	-	-	930	2,261	3,191	3,191
Total expenses	31,237	86,978	118,215	9,314	21,862	31,176	149,391
Change in fund balances	(28,141)	30,543	2,402	(9,705)	37,253	27,548	
Fund balances, beginning of period	95,804	67,663	95,804	212,594	202,889	212,594	
Fund balances, end of period	<u>\$ 67,663</u>	<u>\$ 98,206</u>	<u>\$ 98,206</u>	<u>\$ 202,889</u>	<u>\$ 240,142</u>	<u>\$ 240,142</u>	