

**STAGECOACH PROPERTY
OWNERS' ASSOCIATION**

FINANCIAL STATEMENTS

And

ACCOUNTANT'S REVIEW REPORT

For The Year Ended December 31, 2019



Accountant's Review Report

To the Board of Directors of
Stagecoach Property Owners' Association

We have reviewed the accompanying financial statements of Stagecoach Property Owners' Association, which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balances and of cash flows for the year then ended, and the related notes to the financial statements. A review includes principally applying analytical procedures to management's financial data and making inquiries of Association 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

The Association's Board of Directors and its designated agents comprise "Management" of the Association. 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 responsibility 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 AICPA. 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 conclusion.

Accountant's Conclusion on the Financial Statements

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 conformity with accounting principles generally accepted in the United States of America.

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Required Supplementary Information

As discussed in Note 4, the Association does not have information regarding future major repairs and replacements of the Association's common property. Therefore, that information is not included in this report. Accounting principles generally accepted in the United States of America require that information to 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the absence of this information.

Dale Weidner, CPA

Dale Weidner, CPA
Principal
Dale Weidner & Company, LLC
Lone Tree, Colorado
October 2, 2020

Stagecoach Property Owners' Association
Balance Sheet
December 31, 2019
(See Accountant's Review Report)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
ASSETS:			
Cash:			
Checking and money market accounts	\$29,078	\$234,803	\$263,881
Restricted funds (Note 2)		150,108	150,108
Certificates of deposit		300,898	300,898
Total cash	<u>29,078</u>	<u>685,809</u>	<u>714,887</u>
Accrued interest		2,145	2,145
Accounts receivable - members, net of an allowance for doubtful accounts of \$3,188 (Note 3)	77,493	100,424	177,917
Prepaid expenses	1,689		1,689
Equipment, less accumulated depreciation of \$11,375 (Note 2)			0
Interfund receivable (payable)	<u>21,798</u>	<u>(21,798)</u>	<u>0</u>
Total assets	<u>\$130,058</u>	<u>\$766,580</u>	<u>\$896,638</u>
LIABILITIES AND FUND BALANCES:			
Accounts payable	\$6,084	\$10,344	\$16,428
Income tax payable	986		986
Deferred revenue - prepaid assessments	1,200		1,200
Deferred revenue - assessments billed in advance (Note 3)	111,350	\$167,025	278,375
Total Liabilities	<u>119,620</u>	<u>177,369</u>	<u>296,989</u>
Fund balances	<u>10,438</u>	<u>589,211</u>	<u>599,649</u>
Total liabilities and fund balances	<u>\$130,058</u>	<u>\$766,580</u>	<u>\$896,638</u>

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

Stagecoach Property Owners' Association
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2019
(See Accountant's Review Report)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
REVENUES:			
Assessments - members (Note 3)	\$85,940	\$181,300	\$267,240
Legal fees, late fees, and other member charges	7,892		7,892
Other income	760	268	1,028
Interest	2	7,548	7,550
Total revenues	<u>94,594</u>	<u>189,116</u>	<u>283,710</u>
EXPENSES:			
Administrative			
Professional management	\$83,000		\$83,000
Legal		\$20,902	20,902
Other professional	3,530		3,530
Insurance	2,709		2,709
Bad debt	2,163		2,163
Income tax	986		986
Other administrative	14,748		14,748
Grounds			
Road maintenance		54,465	54,465
Wildfire mitigation		21,734	21,734
Depreciation		193	193
Other grounds	6,872	21,544	28,416
Utilities			
Water and sewer	2,235		2,235
Total expenses	<u>116,243</u>	<u>118,838</u>	<u>235,081</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(21,649)	70,278	48,629
Fund balances - beginning of year	32,087	518,933	551,020
FUND BALANCES - END OF YEAR	<u>\$10,438</u>	<u>\$589,211</u>	<u>\$599,649</u>

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

**Stagecoach Property Owners' Association
Statement of Cash Flows
For the Year Ended December 31, 2019
(See Accountant's Review Report)**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenses	(\$21,649)	\$70,278	\$48,629
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
Depreciation - does not use cash		193	193
(Increase) decrease in accrued interest		(2,145)	(2,145)
(Increase) decrease in accounts receivable	9,268	16,167	25,435
(Increase) decrease in prepaid expenses	306		306
Increase (decrease) in accounts payable	4,783	10,344	15,127
Increase (decrease) in income tax payable	986		986
Increase (decrease) in prepaid assessments	994		994
Increase (decrease) in assessments billed in advance	4,543	6,592	11,135
Net cash provided by (used in) operating activities	<u>(769)</u>	<u>101,429</u>	<u>100,660</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in interfund receivable (payable)	<u>(42,773)</u>	<u>42,773</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>(42,773)</u>	<u>42,773</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH	(43,542)	144,202	100,660
Cash at beginning of year	<u>72,620</u>	<u>541,607</u>	<u>614,227</u>
CASH AT END OF YEAR	<u>\$29,078</u>	<u>\$685,809</u>	<u>\$714,887</u>
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Income taxes paid during the year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Interest paid during the year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Stagecoach Property Owners' Association
Notes to Financial Statements
December 31, 2019
(See Accountant's Review Report)

NOTE 1. ORGANIZATION

Stagecoach Property Owners' Association ("the Association") is a residential management association incorporated on July 10, 1972, as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Routt County, Colorado, and consists of the owners of 2,227 residences. The members elect the Association's board of directors. The board volunteers its time to manage the affairs of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND ACCOUNTING

The accounts of the Association are maintained in accordance with fund accounting whereby resources are classified for reporting purposes into funds with specified activities or purposes. The Association's two funds are the operating fund and the replacement fund. The operating fund is used to account for the general operations of the Association. The replacement fund is used to account for major repairs and replacements and the financial resources designated for that purpose.

DELINQUENT ASSESSMENTS

The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members.

COMMON PROPERTY

Consistent with preferable accounting for residential associations the Association's common areas and improvements that cannot easily be detached and sold are not capitalized in these financial statements. That property is commonly owned by the resident-owners and is not used by the Association to generate revenue.

The Association recognizes as assets on its financial statements common personal property and common real property to which it has title and that can be sold at the discretion of the board of directors. These assets are recorded at cost and are depreciated over 7 years.

Property and equipment as of December 31, 2019 is as follows:

Equipment	\$ 11,375
Depreciation	<u>(11,375)</u>
	\$ 0

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Stagecoach Property Owners' Association
Notes to Financial Statements
December 31, 2019
(See Accountant's Review Report)

RESTRICTED CASH

The Association holds cash received through settlement agreements with Routt County, Colorado, in an interest-bearing money market account. The funds are restricted for the improvement, development, or protection of the roads and public rights of way in three of the Association's subdivisions. The agreement for the Horseback subdivision also allows the use of the fund for other infrastructure improvements including electric, water, sewer, and telephone. 2019 activity was as follows:

12/31/2018			Restricted	12/31/2019
<u>Balance</u>		<u>Interest</u>	<u>Expenses</u>	<u>Balance</u>
83,847		481		84,328
28,506		173	(4,240)	24,439
45,320		254	(4,233)	41,341
157,673		908	(8,473)	150,108

NOTE 3. ASSESSMENTS

Assessments are determined by the board of directors upon approval of the annual budget and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Annual assessments to homeowners were \$120 for 2019. Those assessments were levied on December 1, 2018, and were initially recorded as "deferred revenue - assessments billed in advance." Income from those assessments was recognized on a monthly basis throughout 2019. The December 31, 2019 "deferred revenue – assessments billed in advance" balance consists of 2020 annual assessments which were charged to lot owners on December 1, 2019. A large portion of the December 31, 2019 accounts receivable balance consists of 2020 assessments charged to lot owners on December 1, 2019.

Assessments included amounts designated in the Association's budget for the replacement fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

NOTE 4. REPLACEMENT FUND - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has established a replacement fund for the future repair and replacement of the major components of the Association's common property. The Association does not have a reserve study which would provide a plan for the accumulation and disposition of replacement fund resources. However, \$181,300 of assessment revenues were allocated to the replacement fund in 2019.

Future allocations of assessment revenues to the replacement fund may vary from allocations needed for the repair and replacement of the major components of the Association's common property. Therefore, the replacement fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future repair and replacement needs.

Stagecoach Property Owners' Association
Notes to Financial Statements
December 31, 2019
(See Accountant's Review Report)

NOTE 5. FEDERAL AND STATE CORPORATE INCOME TAXES

The Association must file annual federal and Colorado income tax returns. The Association files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Association is not taxed on assessment revenues or on other income derived from members and used to serve the Association's exempt purposes. Those exempt purposes generally include the maintenance, management and care of Association property. However, under Section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association had net taxable income for the year which was taxed at a 30% rate on the federal return and at a 4.63% rate on the Colorado return. The Association's federal income taxes for 2019 were \$852; Colorado income taxes were \$134.

NOTE 6. DATE OF MANAGEMENT'S REVIEW

The Association's board of directors and its designated agents comprise "management" of the Association. In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.