

**Town & Country Village Homeowners  
Association, Inc.**

Auditor's Report and Financial Statements

For the Year Ended August 31, 2014

**Town & Country Village Homeowners Association, Inc.**  
**August 31, 2014**

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## Independent Auditor's Report

To the Board of Directors and Members  
Town & Country Village Homeowners Association, Inc.  
Parker, Colorado

We have audited the accompanying balance sheet of Town & Country Village Homeowners Association, Inc. as of August 31, 2014, and the related statements of revenues, expenses, and changes in fund balance, comprehensive income / (loss), and cash flows for the year then ended. These financial statements are the responsibility of Town & Country Village Homeowners Association, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 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 Town & Country Village Homeowners Association, Inc. as of August 31, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Supplementary Information about Future Major Repairs and Replacements on page fourteen is not a required part of the basic financial statements of Town & Country Village Homeowners Association, Inc. but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

*Latitude Accounting Solutions*

Latitude Accounting Solutions  
March 31, 2015

**Town & Country Village Homeowners Association, Inc.**  
**Balance Sheet**  
**August 31, 2014**

	Operating Fund	Replacement Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 149,598	\$ 87,630	\$ 237,228
Available for Sale Securities	-	190,975	190,975
Assessments Receivable, Net of Allowance for Doubtful Accounts of \$31,496	69,874		69,874
Prepaid Insurance	10,375		10,375
Property & Equipment, Net of Accumulated Depreciation of \$146,846 for Operating Fund; of \$25,130 for Replacement Fund	33,687	151,714	185,401
Due from Reserve Fund	9,723		9,723
	9,723		9,723
Total Assets	\$ 273,257	\$ 430,319	\$ 703,576
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts Payable	\$ 64,492		\$ 64,492
Payroll Payable	6,552		6,552
Assessments Received in Advance	36,185		36,185
Income Taxes Payable	4,746		4,746
Due to Operating Fund		9,723	9,723
	111,975	9,723	121,698
Total Liabilities	111,975	9,723	121,698
Fund Balance	171,686	396,682	568,368
Other Comprehensive Income	-	13,510	13,510
	171,686	410,192	581,878
Total Fund Balance	171,686	410,192	581,878
Total Liabilities and Fund Balance	\$ 283,661	\$ 419,915	\$ 703,576

**Town & Country Village Homeowners Association, Inc.**  
**Statement of Revenues, Expenses, And Changes in Fund Balance**  
**For the Year Ended August 31, 2014**

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Member Assessments	\$ 1,095,061	\$ 176,386	\$ 1,271,447
Investment Income	169	10,505	10,674
Gain on Sale of Investments		17,651	17,651
Insurance Claims Proceeds		186,586	186,586
Rental		14,200	14,200
Other	21,803		21,803
			-
Total Revenues	1,117,033	405,328	1,522,361
<b>EXPENSES</b>			
Utilities	562,670		562,670
Insurance	158,035		158,035
Grounds Maintenance	155,532		155,532
Management/Payroll Expenses	74,609		74,609
Snow Removal	49,688		49,688
Pool Maintenance	22,733		22,733
Building Maintenance	18,024		18,024
Administrative	17,298		17,298
Depreciation	9,628		9,628
Office Rent	9,120		9,120
Income Tax Expense	7,996		7,996
Professional Fees	3,070		3,070
Bad Debts	118		118
Replacement Fund Expenses:			
Hail Damage		574,202	574,202
Buildings		161,224	161,224
Professional Fees		57,971	57,971
Streets		28,609	28,609
Landscaping		18,510	18,510
Fences		18,400	18,400
Rocks and Ties		11,530	11,530
Lights/Wiring		5,089	5,089
Depreciation - 19606 Rosewood Court		4,534	4,534
19606 Rosewood Court		3,739	3,739
Other		345	345
Total Expenses	1,088,521	884,153	1,972,674
Excess (Deficit) of Revenues Over Expenses	28,512	(478,825)	(450,313)
Fund Balance September 1, 2013	143,174	875,507	1,018,681
Fund Balance, August 31, 2014	\$ 171,686	\$ 396,682	\$ 568,368

**Town & Country Village Homeowners Association, Inc.**  
**Statement of Other Comprehensive Income / (Loss)**  
**For the Year Ended August 31, 2014**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess (Deficit) of Revenues Over Expenses	\$ 28,512	\$ (478,825)	\$ (450,313)
Other Comprehensive Income:			
Unrealized Holding Gain on Available for Sale Securities	-	3,354	3,354
Comprehensive Income / (Loss)	<u>\$ 28,512</u>	<u>\$ (475,471)</u>	<u>\$ (446,959)</u>

**Town & Country Village Homeowners Association, Inc.**  
**Statement of Cash Flow**  
**For the Year Ended August 31, 2014**

	Operating Fund	Replacement Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess (Deficit) of Revenues Over Expenses	\$ 28,512	\$ (478,825)	\$ (450,313)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided / (used) by operating activities:			
Depreciation	9,628	4,534	14,162
Gain on Sale of Investments		17,651	17,651
(Increase) decrease in assets:			
Assessments Receivable	29,056		29,056
Interest Receivable		543	543
Prepaid Insurance	1,496		1,496
Increase (decrease) in liabilities:			
Accounts Payable	(22,449)		(22,449)
Payroll Payable	(1,157)		(1,157)
Assessments Received in Advance	(5,569)		(5,569)
Income Taxes Payable	4,242		4,242
	<u>43,759</u>	<u>(456,097)</u>	<u>(412,338)</u>
Net Cash Provided / (Used) by Operating Activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net Sales of Available for Sale Securities		235,324	235,324
Purchase of Fixed Assets	(15,044)		(15,044)
	<u>(15,044)</u>	<u>235,324</u>	<u>220,280</u>
Net Cash Provided / (Used) by Investing Activities			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Unrealized Gains		3,354	3,354
Interfund Accounts	14,902	(14,902)	-
	<u>14,902</u>	<u>(11,548)</u>	<u>3,354</u>
Net Cash Provided / (Used) by Financing Activities			
Net Increase in Cash and Cash Equivalents	43,617	(232,321)	(188,704)
Cash and Cash Equivalents, September 1, 2013	105,981	319,951	425,932
Cash and Cash Equivalents, August 31, 2014	<u>\$ 149,598</u>	<u>\$ 87,630</u>	<u>\$ 237,228</u>
<b>Supplemental Information</b>			
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income Taxes Paid	<u>\$ 3,754</u>	<u>\$ -</u>	<u>\$ 3,754</u>

**Town & Country Village Homeowners Association, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Town & Country Village Homeowners Association, Inc. (the “Association”) is a Colorado non-profit corporation whose mission and principal activities are to maintain and preserve common areas of the development owned jointly by members of the Association. The development consists of 501 single family homes and is located in Parker, Colorado.

***Fund Accounting***

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund	This fund is used to account for financial resources available for the general operations of the Association.
Replacement Fund	This fund is used to accumulate financial resources designated for future major repairs and replacements.

***Basis of Accounting***

Both the accompanying financial statements and related corporate income tax returns have been prepared in accordance with the accrual method of accounting.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchases with a maturity of three months or less to be cash equivalents.

***Concentration of Credit Risk***

The Association has one source of accounts receivable, homeowners. Accounts receivable from homeowners may be secured by a lien upon their unit. The Association has adjusted accounts receivable for all known uncollectible accounts.



**Town & Country Village Homeowners Association, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2014**

***Accounts Receivable and Allowance for Doubtful Accounts***

The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members. It is the opinion of the Association's Board that, in the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will ultimately prevail in most instances. However, the Association has adopted the allowance for doubtful accounts method of providing for assessments which may not be collected during the next twelve month period.

***Common Area***

Title to the common area has been deeded to the Association by the developer. The common area properties are not reflected in the accompanying financial statements because the Association owns an undivided ownership interest in the common area properties.

The disposition of common property is restricted by the Association's governing documents, but the Association may decide to dispose of the capitalized property by approval of the unit owners.

Property and equipment are stated at cost, net of depreciation. Depreciation is computed using the modified accelerated cost recovery system. The Association uses tax depreciation methods for the book depreciation.

Property and equipment are summarized by major classifications as follows:

Operating Fund

Land	\$ 17,761
Pool Building	35,852
Furnishings and Equipment	<u>126,920</u>
	180,533
Less accumulated depreciation	<u>(146,846)</u>
	<u>\$ 33,687</u>

Replacement Fund

19606 Rosewood Court	\$ 176,845
Less accumulated depreciation	<u>(25,130)</u>
	<u>\$ 151,715</u>

***Interest Earned***

The Board's policy is to not allocate interest earned between funds, but rather report such interest in the fund in which it was earned.

**Town & Country Village Homeowners Association, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2014**

**Note 2: Held-to-Maturity and Available-for-Sale Securities**

*Held-to-Maturity Investments*

The Association no longer holds any held-to-maturity investments.

*Available-for-Sale Investments*

The Association has invested in shares of common stock, mutual funds and exchange traded products, the total of which are recorded at market value on the balance sheet. The combined cost basis for all available-for-sale securities, as of August 31, 2014 was \$177,729 and combined market value was \$190,975, for a combined unrealized gain of \$13,246.

**Note 3: Owners' Assessments**

Monthly assessments to owners for the year ended August 31, 2014 ranged between \$206 and \$231 based on the size of the unit. Approximately 14% of total assessments were designated to the replacement fund. The annual budget and assessments of owners are determined by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Association approved a change to monthly assessments to range between \$208 and \$230 beginning September 1, 2014.

**Note 4: Future Major Repairs and Replacements**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

A reserve study update was prepared by Bradley Property Consultants in May of 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. No adjustments were made for an interest rate or an inflation rate on amounts funded for future major repairs and replacements. The table included in the Supplementary Information about Future Major Repairs and Replacements on page fourteen is based on the study.

The Board is funding major repairs and replacements over their remaining useful lives based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures may vary from the estimated future expenditures and the variation may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are

**Town & Country Village Homeowners Association, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2014**

needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Note 5: Federal and State Corporate Income Taxes**

Homeowners may be taxed either as homeowners' associations or as regular corporations. For the year ended August 31, 2014, the Association was taxed as a homeowners' association based on the policy of tax minimization. When taxed as a homeowners' association, membership income is not taxed while net non-membership income is taxed at 30% and 4.63%, federal and state respectively. When taxed as a regular corporation, net membership and net non-membership income is taxable at normal corporate rates starting at 15% and 4.63% for federal and state respectively. The Association incurred a combined income tax expense of \$7,996 for the year ended August 31, 2014, a savings over the option of being taxed as a regular corporation.

The Association has a loss carryforward of \$9,015 left from prior years, which can be taken next time if filing as a regular corporation in the future.

**Note 6: Accounting for Uncertainty in Income Taxes**

The Association adopted the provisions of FASB ASC Topic 740 Income Taxes. ASC 740 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken (or expected to be taken) in a tax return. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

At August 31, 2014, the Association had no income tax related interest or penalties recognized in the balance sheet or the statement of revenues and expenses and changes in fund balance. Additionally, the Association has no uncertain tax positions for which a reasonable possibility exists that the total amounts of unrecognized tax liabilities will significantly increase or decrease within 12 months of August 31, 2014.

Tax years that remain subject to examination by taxing authorities are years 2011/2012 and forward for the United States of America and year 2010/2011 and forward for the State of Colorado.

**Note 7: Related Parties**

Maintenance services are provided by Western Ventures, LLC which is owned by an owner of ten homes in the Association. The Association paid \$164,201 to Western Ventures, LLC for services

**Town & Country Village Homeowners Association, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2014**

received during the year ended August 31, 2014, which included painting and major wood replacement due to hail damage.

**Note 8: Lease Agreement**

The Association entered into a five year lease agreement for the rental of office space beginning November 1, 2004 and renewed the agreement for two more three-year periods until October 31, 2015. Monthly rent expense for the year ended August 31, 2014 and through October 31, 2015 is \$760 per month. Future lease commitments total \$10,640 for the remainder of the lease period following August 31, 2014.

**Note 9: Contingencies**

The Association is a party to various legal actions normally associated with homeowners' associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

**Note 10: Purchase of Unit**

In January 2009 the Association purchased a unit from foreclosure for \$164,907 and paid \$11,938 in improvements. Currently the unit is leased.

**Note 11: Insurance Claims**

The Association received a significant insurance claims settlement in the past two years, for roof replacement and other repairs due to hail damage. The repairs have been completed.

**Note 12: Evaluation of Subsequent Events**

Subsequent events have been evaluated through March 31, 2015, which is the date the financial statements were available to issued.

**Town & Country Village Homeowners Association, Inc.**  
**August 31, 2014**

**Supplementary Information**

**Town & Country Village Homeowners Association, Inc.**  
**Supplementary Information about Future**  
**Major Repairs and Replacements (Unaudited)**  
**August 31, 2014**

<u>Components</u>	<u>Estimated Economic Life</u>	<u>Estimated Remaining Life</u>	<u>Estimated Current Cost</u>
Sprinkler System	25	11	\$ 351,000
Landscape Refurbish	5	2	25,000
Entrance Signs	30	4	14,000
Concrete Repair Budget: Project	5	4	75,000
Asphalt: Overlay Entire Project	20	7	764,750
Asphalt: Seal Coat & Maintenance	5	3	52,325
Pool Boiler	15	14	6,000
Pool Filter	15	4	6,000
Pool Resurface	15	4	9,000
Pool Cover	10	3	4,500
Pool Fence	40	9	11,025
Wood Fence & Stain	20	12-15	570,000
Mailboxes	25	19	40,000
Large Light Poles	35	11	72,000
Wood Retaining Walls	5	3	37,500
Roof Done 2012-2014	40	39	2,355,000
Gutters	30	29	48,848
Paint	10	9	501,000
Carpentry Repairs	6	5	50,100
Metal Handrails	35	5	11,800
			<u>\$ 5,004,848</u>