

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

Auditors' Report and Financial Statements

For the Year Ended August 31, 2016

# Town & Country Village Homeowners Association, Inc.

## Contents

<b>Independent Auditors' Report .....</b>	<b>3</b>
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### **Financial Statements**

Balance Sheet .....	4
Statement of Revenues, Expenses, And Changes in Fund Balance .....	5
Statement of Comprehensive Income / (Loss) .....	6
Statements of Cash Flows.....	7
Notes to Financial Statements .....	8
Supplementary Information about Future Major Repairs and Replacements.....	14

## Independent Auditors' 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, 2016, 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, 2016, 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.

*Whipplewood CPAs, PC*

December 3, 2018

Town and Country Village Homeowners Association, Inc.  
 Balance Sheet  
 August 31, 2016

	Operating Fund	Replacement Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 201,287	\$ 202,322	\$ 403,609
Available for Sale Securities	-	303,592	303,592
Assessments Receivable, Net of Allowance for Doubtful Accounts of \$31,496	49,309	-	49,309
Prepaid Expenses	29,680	-	29,680
Property & Equipment, Net of Accumulated Depreciaton of \$168,411 for Operating Fund; of \$34,198 for Replacement Fund	12,122	142,647	154,769
Due from Reserve Fund	-	-	-
 Total Assets	 \$ 292,398	 \$ 648,561	 \$ 940,959
 <b>LIABILITIES AND FUND BALANCE</b>			
Accounts Payable	\$ 75,740	\$ -	\$ 75,740
Payroll Payable	8,205	-	8,205
Assessments Received in Advance	37,766	-	37,766
Income Taxes Payable	11,120	-	11,120
Due to Replacement Fund	-	-	-
 Total Liabilities	 132,831	 -	 132,831
Fund Balance	159,567	635,051	794,617
Other Comprehensive Income	-	13,510	13,510
 Total Fund Balance	 159,567	 648,561	 808,128
 Total Liabilities and Fund Balance	 \$ 292,398	 \$ 648,561	 \$ 940,959

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

See independent auditors' report.

Town and Country Village Homeowners Association, Inc.  
Statement of Revenues, Expenses,  
And Changes in Fund Balance  
August 31, 2016

	Operating Fund	Replacement	Total
<b>REVENUES</b>			
Member Assessments	\$ 1,095,279	\$ 228,756	\$ 1,324,035
Investment Income	320	3,934	4,253
Gain on Sale of Investments	-	20,414	20,414
Insurance Claims Proceeds	-	-	-
Rental	-	14,366	14,366
Other	23,007	-	23,007
Total Revenues	<u>1,118,606</u>	<u>267,470</u>	<u>1,386,076</u>
<b>EXPENSES</b>			
Utilities	573,498	-	573,498
Insurance	129,049	-	129,049
Grounds Maintenance	152,114	-	152,114
Management/Payroll Expenses	79,297	-	79,297
Snow Removal	87,057	-	87,057
Pool Maintenance	14,657	-	14,657
Building Maintenance	46,960	-	46,960
Administrative	19,285	-	19,285
Depreciation	9,242	-	9,242
Office Rent	9,560	-	9,560
Income Tax Expense	6,906	-	6,906
Professional Fees	5,183	-	5,183
Replacement Fund Expenses:	-	-	
Streets	-	14,669	14,669
Landscaping	-	5,858	5,858
Pool	-	1,673	1,673
Rocks and Ties	-	99,085	99,085
19606 Rosewood Court	-	5,165	5,165
Other	-	200	200
Total Expenses	<u>1,132,808</u>	<u>126,650</u>	<u>1,259,458</u>
Excess (Deficit) of Revenues Over Expenses	(14,202)	140,820	126,618
Fund Balance September 1, 2015	<u>306,600</u>	<u>507,741</u>	<u>814,341</u>
Fund Balance, August 31, 2016	<u>\$ 292,398</u>	<u>\$ 648,561</u>	<u>\$ 940,959</u>

The accompanying notes are an integral part of these financial statements.  
See independent auditors' report.

Town and Country Village Homeowners Association, Inc.  
Statement of Other Comprehensive Income / (Loss)  
For the Year Ended August 31, 2016

	Operating Fund	Replacement Fund	Total
Excess (Deficit) of Revenues Over Expenses	\$ (14,202)	\$ 140,820	\$ 126,618
Other Comprehensive Income:			
Unrealized Holding Gain on Available for Sale Securities	-	13,510	13,510
Comprehensive Income / (Loss)	\$ (14,202)	\$ 154,330	\$ 140,128

The accompanying notes are an integral part of these financial statements.  
See independent auditors' report.

Town and Country Village Homeowners Association, Inc.  
Statement of Cash Flows  
For the Year Ended August 31, 2016

	Operating Fund	Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess (Deficit) of Revenues Over Expenses	\$ (14,202)	\$ 140,820	\$ 126,618
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided / (used) by operating activities:			
Depreciation	9,242	-	9,242
Gain on Sale of Investments	-	20,414	20,414
(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
Net Cash Provided / (Used) by Operating Activities	<u>659</u>	<u>161,777</u>	<u>162,435</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net Sales of Available for Sale Securities	-	235,324	235,324
Purchase of Fixed Assets	(15,044)	(201,650)	(216,694)
Net Cash Provided / (Used) by Investing Activities	<u>(15,044)</u>	<u>33,674</u>	<u>18,630</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Unrealized Gains	-	3,354	3,354
Interfund Accounts	14,902	(14,902)	-
Net Cash Provided / (Used) by Financing Activities	<u>14,902</u>	<u>(11,548)</u>	<u>3,354</u>
Net Increase in Cash and Cash Equivalents	517	183,903	184,419
Cash and Cash Equivalents, September 1, 2015	<u>200,770</u>	<u>18,419</u>	<u>219,189</u>
Cash and Cash Equivalents, August 31, 2016	<u><u>\$ 201,287</u></u>	<u><u>\$ 202,322</u></u>	<u><u>\$ 403,609</u></u>
<b>Supplemental Information</b>			
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income Taxes Paid	<u><u>\$ 3,754</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,754</u></u>

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

See independent auditors' report.

# Town & Country Village Homeowners Association, Inc.

## Notes to Financial Statements

August 31, 2016

### 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 Financial Statements

August 31, 2016

### *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>(168,411)</u>
	<u>\$ 12,122</u>

#### Replacement Fund

19606 Rosewood Court	\$ 176,845
Less accumulated depreciation	<u>(34,198)</u>
	<u>\$ 142,647</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 Financial Statements**

**August 31, 2016**

### **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.

### **Note 3: Owners' Assessments**

Monthly assessments to owners for the year ended August 31, 2016 ranged between \$211 and \$235 based on the size of the unit. Approximately 18% 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 \$213 and \$237 beginning September 1, 2016.

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

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

## **Notes to Financial Statements**

**August 31, 2016**

### **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, 2016, 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 \$6,906 for the year ended August 31, 2016, a savings over the option of being taxed as a regular corporation.

### **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, 2016, 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, 2016. As of August 31, 2016, the Association had no significant deferred tax assets or liabilities.

Tax years that remain subject to examination by taxing authorities are years 2012/2013 and forward for the United States of America and year 2011/2012 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 \$140,618 to Western Ventures, LLC for services received during the year ended August 31, 2016 for maintenance services.

### **Note 8: Lease Agreement**

The Association has maintained a lease agreement for the rental of office space continuously from November 1, 2004 through October 1, 2018. Annual rental expense for the year ended August 31, 2016 was \$9,560. Future lease commitments for years ending August 31, 2017, 2018, and 2019 total \$10,040, 10,542, and \$882, respectively.

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

## **Notes to Financial Statements**

**August 31, 2016**

### **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: Litigation**

The Association has various pending litigation and other claims. Those claims which are made in the ordinary course of business may be covered in whole or in part by insurance, and if found against the Association, management does not believe these matters will have a material effect on the Association's financial position, results of operations or cash flows. Management has reviewed all litigation matters arising in the ordinary course of business and has made provisions, not deemed material, for any estimable losses and expenses of litigation.

### **Note 13: Evaluation of Subsequent Events**

Subsequent events have been evaluated through the date of the independent auditors' report, which is also the date the financial statements were available to be issued.

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

**Supplementary Information**

**Town & Country Village Homeowners Association, Inc.**  
**Supplementary Information about Future Major**  
**Repairs and Replacements August 31, 2016**  
**(Unaudited)**

<u>Components</u>	<u>Estimated Economic Life</u>	<u>Estimated Remaining Life</u>	<u>Estimated Current Cost</u>
Sprinkler System	25	9	\$ 351,000
Landscape Refurbish	5	1	25,000
Entrance Signs	30	2	14,000
Concrete Repair Budget: Project	5	2	75,000
Asphalt: Overlay Entire Project	20	5	764,750
Asphalt: Seal Coat & Maintenance	5	2	52,325
Pool Boiler	15	3	6,000
Pool Filter	15	3	6,000
Pool Resurface	15	3	9,000
Pool Cover	10	3	4,500
Pool Fence	40	3	11,025
Wood Fence & Stain	20	10-13	570,000
Mailboxes	25	17	40,000
Large Light Poles	35	9	72,000
Wood Retaining Walls	5	2	37,500
Roof Done 2012-2014	40	37	1,540,449
Gutters	30	27	48,848
Paint	10	7	501,000
Carpentry Repairs	6	3	50,100
Metal Handrails	35	3	11,800
			<u>\$ 4,190,297</u>