

**Sopris Village Homeowners Association, Inc.  
(A Colorado Non-Profit Corporation)**

**Financial Statements  
(Unaudited)**

**December 31, 2016**



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**(A Colorado Non-profit Corporation)**  
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**(Unaudited)**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**To the Board of Directors  
Sopris Village Homeowners Association, Inc.  
Basalt, Colorado**

We have reviewed the accompanying financial statements of Sopris Village Homeowners Association, Inc. (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balances, 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 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***

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 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***

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.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

**To the Board of Directors**

**Sopris Village Homeowners Association, Inc.**

**Basalt, Colorado**

***Other Matters***

The supplementary Operating Fund budgetary comparison information appearing on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. Except for the Association's budget – which was compiled from information that is the representation of management, without audit or review, and on which we do not express an opinion or provide any assurance – we have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 10 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled the supplementary information from information that is the representation of the Association's management, without audit or review and, accordingly, we do not express an opinion or provide any assurance on it.

***Summarized Comparative Information***

We have previously reviewed the Association's December 31, 2015 financial statements and, in our conclusion dated December 19, 2016, stated that, based on our review, we were not aware of any material modifications that should be made to the 2015 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2015 for it to be consistent with the reviewed financial statements from which it has been derived.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**

**September 13, 2017**

**Sopris Village Homeowners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Balance Sheets**  
**December 31, 2016**  
**(With Comparative Totals For December 31, 2015)**  
**(Unaudited)**

	<b>2016</b>		<b>2015</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Assets:</b>			<b>Total</b>
Cash and cash equivalents	126,261	137,664	263,925
Accounts receivable, net of allowance for for uncollectible accounts	15,913	-	15,913
<b>Total Assets</b>	<b>142,174</b>	<b>137,664</b>	<b>279,838</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	5,334	-	5,334
Deferred assessment revenue	4,229	-	4,229
<b>Total Liabilities</b>	<b>9,563</b>	<b>-</b>	<b>9,563</b>
<b>Fund Balances</b>	<b>132,611</b>	<b>137,664</b>	<b>270,275</b>
<b>Total Liabilities and Fund Balances</b>	<b>142,174</b>	<b>137,664</b>	<b>279,838</b>

See accompanying notes and Independent Accountant's Review Report.

**Sopris Village Homeowners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals For the Year Ended December 31, 2015)**  
**(Unaudited)**

	<b>2016</b>		<b>2015</b>	
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total</b>
<b>Revenues:</b>				
Common assessments	172,350	-	172,350	172,150
Late fees and finance charges	1,471	-	1,471	311
Violation fines	18,730	-	18,730	-
Interest	836	-	836	134
Other income	3,172	-	3,172	5,567
	<u>196,559</u>	<u>-</u>	<u>196,559</u>	<u>178,162</u>
<b>Total Revenues</b>				
	<u>196,559</u>	<u>-</u>	<u>196,559</u>	<u>178,162</u>
<b>Expenses:</b>				
Office expenses	3,752	-	3,752	2,089
Interest and bank charges	210	-	210	270
Insurance	2,031	-	2,031	2,031
Property management fees	23,186	-	23,186	19,140
Accounting and tax	375	-	375	3,685
Legal	5,570	-	5,570	7,473
Bookkeeping	7,210	-	7,210	7,200
Computer services	-	-	-	199
Bad debts	18,730	-	18,730	-
Trash removal	32,135	-	32,135	22,401
Water and sewer	48,126	-	48,126	48,126
Park maintenance	8,641	-	8,641	8,944
Facilities maintenance	3,003	-	3,003	-
Pump house maintenance	2,076	-	2,076	-
Water system maintenance	7,334	-	7,334	27,182
Water system utilities	4,892	-	4,892	3,752
Water system management and testing	9,095	-	9,095	8,014
Capital improvement study	8,585	-	8,585	-
	<u>184,951</u>	<u>-</u>	<u>184,951</u>	<u>160,506</u>
<b>Total Expenses</b>				
	<u>184,951</u>	<u>-</u>	<u>184,951</u>	<u>160,506</u>
<b>Excess (Deficiency) of Revenues over Expenses</b>	11,608	-	11,608	17,656
<b>Fund Balances - Beginning</b>	181,003	77,664	258,667	241,011
Transfer (to)/from other fund	(60,000)	60,000	-	-
	<u>132,611</u>	<u>137,664</u>	<u>270,275</u>	<u>258,667</u>
<b>Fund Balances - Ending</b>				

See accompanying notes and Independent Accountant's Review Report.

**Sopris Village Homeowners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals For the Year Ended December 31, 2015)**  
**(Unaudited)**

	<b>2016</b>			<b>2015</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>				
Cash received from owners	191,832	-	191,832	171,975
Interest received	836	-	836	134
Other cash receipts	3,172	-	3,172	5,567
Cash paid for goods and services	(182,063)	-	(182,063)	(160,269)
Transfers (to) other fund	(60,000)	60,000	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(46,223)</u>	<u>60,000</u>	<u>13,777</u>	<u>17,407</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(46,223)	60,000	13,777	17,407
<b>Cash and Cash Equivalents - Beginning</b>	<u>172,484</u>	<u>77,664</u>	<u>250,148</u>	<u>232,741</u>
<b>Cash and Cash Equivalents - Ending</b>	<u><u>126,261</u></u>	<u><u>137,664</u></u>	<u><u>263,925</u></u>	<u><u>250,148</u></u>
<b>Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:</b>				
Excess (deficiency) of revenues over expenses	<u>11,608</u>	<u>-</u>	<u>11,608</u>	<u>17,656</u>
<b>Adjustments:</b>				
Transfer (to)/from other fund	(60,000)	60,000	-	-
(Increase) decrease in accounts receivable	(2,798)	-	(2,798)	(771)
Increase (decrease) in accounts payable	2,888	-	2,888	237
Increase (decrease) in deferred assessments	2,079	-	2,079	285
<b>Total Adjustments</b>	<u>(57,831)</u>	<u>60,000</u>	<u>2,169</u>	<u>(249)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>(46,223)</u></u>	<u><u>60,000</u></u>	<u><u>13,777</u></u>	<u><u>17,407</u></u>

See accompanying notes and Independent Accountant's Review Report.

**Sopris Village Homeowners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Unaudited)**

**1. Organization**

Sopris Village Homeowners Association, Inc. (the "Association") was incorporated October 16, 1975 as a Colorado non-profit corporation organized for the purpose of operating and maintaining the common property of the Association, pursuant to a *Declaration of Protective Covenants* recorded July 29, 1975 and subsequently amended (the "Declarations").

The Association, which is located in Basalt, Colorado, consists of 130 residential lots.

**2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

These financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when assessed or earned, and expenses when incurred.

**B. Fund Accounting**

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Association's Board of Directors (the "Board") and consistent with the approved budget. Replacement Fund disbursements may be made only for their designated purpose.

**C. Cash and Cash Equivalents**

All checking, savings, and money market accounts are considered cash equivalents by the Association for the purpose of the Statement of Cash Flows, since all such funds are highly liquid with no stated maturities.

**D. Allowance for Doubtful Accounts**

The Association utilizes the allowance method of recognizing the future potential uncollectibility of unpaid owner assessments and other receivables. At December 31, 2016, the Association had established an allowance in the amount of \$18,730.

**E. Recognition of Assets**

Real and personal common property acquired by the original members from the developer is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Board is restricted.

Replacements and improvements to real and personal common property acquired from the developer are not recorded by the Association as capitalized fixed assets because their disposition is restricted. Rather, such replacements and improvements are expensed in the period in which they are incurred.

The Association recognizes as assets on its financial statements only real and personal property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto. The Association had no such qualifying assets at December 31, 2016.



**Sopris Village Homeowners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Unaudited)**  
**(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**F. Assessments**

Assessments are a primary source of revenue for the Association. The Board prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. Members of the Association are assessed for their pro-rata share of these estimated expenses.

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses will accumulate a reasonable reserve for common expenses.

**G. Income Taxes**

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-member sources.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are no longer subject to examination for tax years prior to 2013 by the Internal Revenue Service and for tax years prior to 2012 by the Colorado Department of Revenue.

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**I. Subsequent Events**

Management has evaluated subsequent events through September 13, 2017; the date these financial statements were available to be issued.

**3. Replacement Funds and Future Major Repairs and Replacements**

As provided by the Declarations, the Association is accumulating funds within its Replacement Fund for the future repair, replacements and construction of common property within the development. Accumulated funds are generally not available for expenditures for normal operations.

In 2016, the Board commissioned a study by independent reserve study engineers to estimate the remaining useful lives and the replacement costs of the components of common property. The tables included in the unaudited Schedule of Future Major Repairs and Replacements on page 10 is based on that study. The information has been classified into the major areas of the Association's common elements.

**Sopris Village Homeowners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Unaudited)**  
**(Continued)**

**3. Replacement Funds and Future Major Repairs and Replacements (continued)**

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association's responsibility to determine a method for funding the costs of future major repairs and maintenance by assessing owners when funds are needed or by anticipating costs over extended time periods, assessing owner for the anticipated costs, and accumulating funds in reserves to meet the future funding requirements. The Board has chosen to fund major repairs and replacements over the remaining useful lives of the components 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 variations may be material. Therefore, amounts accumulated may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

**4. Management Contract**

**A. Borkovec Management, LLC**

During 2014, the Association entered into an agreement with Borkovec Management LLC ("Borkovec") for Borkovec to act as Association Manager. Under the terms of the contract, which ran through June 2016, Borkovec is to provide covenant enforcement, administrative support, and management of the Association's day-to-day operations. The agreement calls for Borkovec to be paid a base monthly fee of \$1,800 plus hourly charges for work exceeding specified limits.

For the year ended December 31, 2016, the Association incurred property management fees totaling \$13,188 (\$19,140 – 2015) under the terms of the contract with Borkovec.

**B. ILP Services, LLC**

During 2016, the Association entered into an agreement with ILP Services LLC ("ILP") for ILP to act as Association Manager. Under the terms of the contract, ILP is to provide covenant enforcement, administrative support, and management of the Association's day-to-day operations. The agreement is considered a month-to-month agreement, and automatically renews each month until terminated by the Association or ILP. The agreement calls for ILP to be paid a fee of \$65 an hour plus a 25% service fee on all payments made for materials and sub-contractors, unless the Association has hired the sub-contractors directly.

For the year ended December 31, 2016, the Association incurred property management fees totaling \$9,998 under the terms of the contract with ILP.

**5. Concentration of Credit Risk**

The Association's cash balances held with financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") at December 31, 2016 up to \$250,000 per depositor at each separately chartered FDIC-member financial institution, without regard to the nature of the accounts. At December 31, 2016, the Association's uninsured cash balances totaled \$14,227.

**Sopris Village Homeowners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Schedule of Operating Fund - Budget and Actual Comparison**  
**For the Year Ended December 31, 2016**  
**(With Comparative Actual Amounts For the Year Ended December 31, 2015)**  
**(Unaudited)**

	2016		Variance Positive (Negative)	2015
	Budget (Unaudited)	Actual		Actual
<b>Revenues:</b>				
Common assessments	172,250	172,350	100	172,150
Late fees and finance charges	216	1,471	1,255	311
Violation fines	-	18,730	18,730	-
Interest	924	836	(88)	92
Other income	-	3,172	3,172	5,567
<b>Total Revenues</b>	173,390	196,559	23,169	178,120
<b>Expenses:</b>				
Office expenses	3,949	3,752	197	2,089
Interest and bank charges	240	210	30	270
Insurance	2,676	2,031	645	2,031
Property management fees	23,000	23,186	(186)	19,140
Accounting and tax	3,900	375	3,525	3,685
Legal	10,000	5,570	4,430	7,473
Bookkeeping	7,200	7,210	(10)	7,200
Computer services	1,000	-	1,000	199
Bad debts	-	18,730	(18,730)	-
Trash removal	32,933	32,135	798	22,401
Water and sewer	48,126	48,126	-	48,126
Park maintenance	14,017	8,641	5,376	8,944
Facilities maintenance	1,741	3,003	(1,262)	-
Pump house maintenance	2,500	2,076	424	-
Water system maintenance	9,567	7,334	2,233	27,182
Water system utilities	6,384	4,892	1,492	3,752
Water system management and testing	8,200	9,095	(895)	8,014
Capital improvement study	-	8,585	(8,585)	-
<b>Total Expenses</b>	175,433	184,951	(9,518)	160,506
<b>Excess (Deficiency) of Revenues over Expenses</b>	(2,043)	11,608	13,651	17,614

See accompanying notes and Independent Accountant's Review Report.

**Sopris Village Homeowners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Schedule of Future Major Repairs and Replacements**  
**December 31, 2016**  
**(Unaudited)**

During the year ended December 31, 2016, the Association's Board of Directors commissioned a study by independent reserve study engineers to estimate the remaining useful lives and the replacement costs of the components of common property. The study did not project future fund balances or allocate fund balance between the individual common elements, nor has the Board elected to allocate fund balance between the components of common property.

The following table is based on the study and presents significant information about the components of the Association's common property.

<b>Components</b>	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Replacement Costs</b>	<b>Replacement Fund Balance Dec. 31, 2016</b>
Main water lines	26 - 51	1,284,731	
Main water valves	26 - 51	83,400	
Water service lines	11	650,000	
Water wells	0	110,000	
Water tank rehab	20	32,750	
Water tank replace/upgrade	61	200,000	
Fire hydrants	26 - 51	48,000	
Chlorine line	0	75,000	
<b>Total</b>		<b>2,483,881</b>	<b>137,664</b>