

TRAILMARK  
HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

And

SUPPLEMENTARY INFORMATION

For The Year Ended December 31, 2018



**SUNDIN & FISH, PLC**  
Certified Public Accountants

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**Independent Accountant's Review Report**

To the Board of Directors of  
Trailmark Homeowners Association, Inc.

We have reviewed the accompanying balance sheet of the Trailmark Homeowners Association as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended. 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements located after the footnotes in this report 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with reviewing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our review of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance thereon.

A handwritten signature in black ink that reads "Sundin &amp; Fish, PLC".

Sundin & Fish, PLC  
Chandler, AZ

**Trailmark Homeowners Association, Inc.**  
**Balance Sheet**  
**December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>ASSETS</b>			
Cash in checking	\$ 142,250	\$ 663	\$ 142,913
Cash in money market accounts	-	433,550	433,550
Accounts receivable from homeowners	7,009	-	7,009
Deposits	50	-	50
Total assets	<u>\$ 149,309</u>	<u>\$ 434,213</u>	<u>\$ 583,522</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ 8,787	\$ -	\$ 8,787
Prepaid assessments	34,040	-	34,040
Total liabilities	<u>\$ 42,827</u>	<u>\$ -</u>	<u>\$ 42,827</u>
Initial contribution	49,054	-	49,054
Operating fund	55,308	-	55,308
Reserve fund	-	431,590	431,590
Net operating income	416	-	416
Reserve net income	-	2,623	2,623
Prior period adjustment	1,704	-	1,704
Total fund balances	<u>106,482</u>	<u>434,213</u>	<u>540,695</u>
Total liabilities and fund balances	<u>\$ 149,309</u>	<u>\$ 434,213</u>	<u>\$ 583,522</u>

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

Trailmark Homeowners Association, Inc.  
Statement of Revenues, Expenses, and Changes in Fund Balances  
December 31, 2018

	Operating Fund	Replacement Fund	Total Funds
<b>REVENUES</b>			
Assessments - members	352,000	-	352,000
Late fees, legal collections and other member charges	4,775	-	4,775
Reimbursed expenses	17,635	-	17,635
Community activities	4,227	-	4,227
Interest	-	2,633	2,633
Total revenues	<u>378,637</u>	<u>2,633</u>	<u>381,270</u>
<b>EXPENSES</b>			
Administrative			
Management and accounting fees	34,769	-	34,769
Covenant compliance	14,025	-	14,025
Committee activities	26,991	-	26,991
Insurance	3,552	-	3,552
Legal	392	-	392
Other administrative	9,974	10	9,984
Grounds			
Landscape contract	19,800	-	19,800
Fences	33,017	-	33,017
Holiday lighting	5,395	-	5,395
Snow removal	5,352	-	5,352
Sprinkler repairs	16,279	-	16,279
Maintenance	14,470	-	14,470
Trees, shrubs and plants	8,808	-	8,808
Other grounds	2,448	-	2,448
Utilities			
Trash	142,521	-	142,521
Water and sewer	39,416	-	39,416
Gas and electric	1,012	-	1,012
Total expenses	<u>378,221</u>	<u>10</u>	<u>378,231</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	416	2,623	3,039
Initial contributions	2,048	-	2,048
Fund balances - beginning of year	102,314	431,590	533,904
<b>FUND BALANCES - END OF YEAR</b>	<u>104,778</u>	<u>434,213</u>	<u>538,991</u>

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

Trailmark Homeowners Association, Inc.  
Statement of Cash Flows  
December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficit) of Revenues Over Expenses	416	2,623	3,039
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	493	-	493
(Increase) decrease in prepaid expenses	210	-	210
(Increase) decrease in deposits	-	-	-
Increase (decrease) in accounts payable	(16,468)	-	(16,468)
Increase (decrease) in prepaid assessments	(5,061)	-	(5,061)
Net cash provided by (used in) operating activities	(20,410)	2,623	(17,787)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Initial contributions	2,048	-	2,048
Net cash provided by (used in) financing activities	2,048	-	2,048
<b>NET INCREASE (DECREASE) IN CASH</b>	(18,362)	2,623	(15,739)
Cash at the beginning of year	160,612	431,590	592,202
<b>CASH AT END OF YEAR</b>	<u>\$ 142,250</u>	<u>\$ 434,213</u>	<u>\$ 576,463</u>

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



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Certified Public Accountants

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**Independent Accountant's Review Report**

Trailmark Homeowners Association, Inc.  
Independent Account's Review Report

**NOTE 1. ORGANIZATION**

Trailmark Homeowners Association, Inc. ("The Association") is a residential management association incorporated on February 20, 1997 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 Littleton, Colorado and consists of the owners of 800 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**

**BASIS OF ACCOUNTING**

The accompanying financial statements and the related income tax returns have been prepared on the accrual basis.

**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 money set aside and related expenses for major repairs and replacements.

**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 property, including common areas, is not capitalized in these financial statements. That property is commonly owned by the resident-owners, cannot be detached from the development and sold, and is not used by the Association to generate revenue.

**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.

**WORKING CAPITAL CONTRIBUTIONS**

The Association's governing documents require each new homeowner to pay a working capital contribution of two times the monthly assessment rate in effect at the time of their closing to the Association. Working capital contributions are included in the operating fund.



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**Independent Accountant's Review Report**

Trailmark Homeowners Association, Inc.  
Notes to Financial Statements  
December 31, 2018

**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. Assessments to homeowners were \$96 per quarter during 2018. 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's governing documents require that a replacement fund be accumulated for the future repair and replacement of the major components of the Association's common property. The Association's reserve study is a plan for the accumulation and disposition of replacement fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the replacement fund and of the periodic costs to repair and replace the common property. Information based on the Association's reserve study is presented on an unaudited page of this report captioned "Supplementary Information on Future Major Repairs and Replacements."

The Association's budget for 2018 did not make an allocation of assessment revenues to the replacement fund because the replacement fund is fully funded based on the anticipated repair and replacement costs as detailed in the reserve study. The timing and amount of actual replacement fund expenses may vary from the reserve study's estimates. These variations may be material. 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 unforeseen future repair and replacement needs.

**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 no net taxable income for federal or Colorado purposes for the year.

**NOTE 6. DATE OF MANAGEMENT'S REVIEW**

The Association's Board of Directors comprises "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 reviewer's report, which is the date that the financial statements were available to be issued.



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## Independent Accountant's Review Report

Trailmark Homeowners Association, Inc.  
Supplementary Information on Future Major Repairs and Replacements December 31,  
2018  
Unaudited

An independent engineer conducted a study in 2015 to estimate the remaining useful lives and the repair and replacement costs of the components of the Association's common property. The following information is based on the study and presents significant information about the components of the Association's common property. See the reserve study for additional detail regarding the timing and frequency of the repairs and replacements for the various elements of the study. Some of the items in the following table may have already been repaired or replaced as of the date of this report.

<b>Component/Activity</b>	<b>As of May 2015</b>	
	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Repair and Replacement Costs</b>
Fencing – wood	6	\$384,874
Painting – wood fencing	0-3	71,517
Irrigation Controllers	6-9	13,250
<b>Total</b>		<b>\$469,341</b>
Replacement fund balance at December 31,2018		\$434,213