

Zapata Homeowners Association, Inc.
Financial Statements
December 31, 2008

ZAPATA HOMEOWNERS ASSOCIATION, INC.
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DECEMBER 31, 2008

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To the Board of Directors
Zapata Homeowners Association, Inc.
Alamosa, CO 81101

We have reviewed the accompanying balance sheet of Zapata Homeowners Association, Inc. as of December 31, 2008 and the related statement of revenues, expenses, and changes in fund balances and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Zapata Homeowners Association.

A review consists principally of inquiries of Association management and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the Schedule of Operating Fund Revenues and Expenses-Budget and Actual on page 7 and 8 is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Martinez & Associates, Inc.

Martinez & Associates, Inc.
Certified Public Accountants
July 10, 2009

ZAPATA HOMEOWNERS ASSOCIATION, INC
BALANCE SHEET
DECEMBER 31, 2008

ASSETS

Current Assets

Cash, including interest -bearing deposits	\$ 57,026
Assessments receivable	32,138
Accrued Interest receivable	277
Prepaid insurance	2,067
Treasurer Deed Redemptions	5,842
Total current assets	97,350

Property and equipment:

Land	21,715
Building / Improvements	78,615
Machinery and equipment	46,799
Total property and equipment	147,129
Accumulated depreciation	(75,389)
Property and equipment net	71,740

Other Assets

Investment - MV Coop	107
Total other assets	107

TOTAL ASSETS	\$ 169,197
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LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	\$ 4,227
Total current liabilities	4,227

TOTAL LIABILITIES	4,227
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Fund Balance	164,970
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TOTAL LIABILITIES AND FUND BALANCE	\$ 169,197
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See accompanying notes and accountant's report.

ZAPATA HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, AND EXPENSES, CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUES	
Regular assessments	\$ 94,600
Interest	3,470
Late fees	3,320
Gain / Loss sale of assets	2,500
Other	504
Total revenues	104,394
EXPENSES	
Administrative/Corporate	42,584
Fire Mitigation/Control/Prevention	11,291
Improvements/Maintenance	38,914
Water	9,060
Depreciation	22,688
Total expenses	124,537
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSE	(20,143)
FUND BALANCE BEGINNING OF YEAR	185,113
FUND BALANCE END OF YEAR	\$ 164,970

See accompanying notes and accountant's report.

ZAPATA HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
DECEMBER 31, 2008

CASH FLOW FROM OPERATING ACTIVITIES:

Excess (deficiency) of revenue over expenses	\$ (20,143)
Adjustment to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:	
Depreciation	22,688
(Increase) decrease in:	
Receivables	1,396
Prepaid expenses	(22)
Treasures Deed redemption	(5,842)
Increase (decrease) in operating liabilities:	
Payables	138
Net cash provided by (used) by operating activities	(1,785)

CASH FLOW FROM (USED IN) INVESTING ACTIVITIES

Acquisition of property and equipment	(29,822)
Monte Vista Coop equity investment	(10)
Net cash from (used in) investing activities	(29,832)

CASH FLOW FROM (USED IN) FINANCING ACTIVITIES

Net cash from (used in) financing activities	-
Increase (decrease) in cash and cash equivalents	(31,617)
Cash and cash equivalents at beginning of year	88,643
Cash and cash equivalents at end of year	\$ 57,026

Supplemental information:

Income tax paid	\$ 1,172
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ZAPATA HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 NATURE OF THE ORGANIZATION

The Zapata Homeowners Association, Inc. (ZHA) is a homeowners association created for the management of a subdivision located at the foot of the Sangre de Cristo Mountains, 30 miles north of Alamosa, Colorado. The organization has approximately 360 homeowners who pay annual dues on approximately 900 lots.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Method of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

B. Income Tax

The Zapata Homeowners Association, Inc. is taxed as a homeowner association. The organization is subject to tax on activities that are not property owner functions.

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted or designated cash and cash equivalents.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Allowance for Doubtful Accounts

No allowance for uncollectible accounts receivable is considered necessary as enforceable liens attach to property for delinquent water and sewer billings that are certified to the Alamosa County Treasurer's office.

ZAPATA HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Equipment

Equipment is stated at cost. The fair value of donated equipment is capitalized and reflected as donations at the date of receipt. Depreciation has been recorded using the declining balance method over the estimated useful life of the asset.

NOTE 3 FIXED ASSETS

Fixed assets consist of the following:

Land	\$	21,715
Improvement		78,615
Equipment		46,799
Accumulated depreciation		<u>(75,389)</u>
Total fixed assets	\$	<u><u>71,740</u></u>

SUPPLEMENTARY INFORMATION

ZAPATA HOMEOWNERS ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:			
Regular assessments	\$ 87,800	\$ 93,800	\$ 6,000
Building Application Fees/Gate Piece	1,050	800	(250)
Interest income	1,500	3,470	1,970
Late Fees	2,500	3,320	820
Gain / Loss sale of assets	-	2,500	2,500
Other	500	504	4
	<u>93,350</u>	<u>104,394</u>	<u>11,044</u>
Expenses:			
Administrative/Corporate			
Administrator	18,200	17,624	576
Caretaker	-	-	-
Insurance	2,700	3,167	(467)
Office supplies	3,050	2,372	678
Telephone	700	737	(37)
Trash removal	5,600	6,800	(1,200)
Meetings	960	1,088	(128)
Legal and professional fees	5,600	6,046	(446)
Property taxes	900	870	30
Income taxes	650	-	650
Website	-	2,279	(2,279)
Miscellaneous	2,340	1,601	739
Total Administrative/Corporate	<u>40,700</u>	<u>42,584</u>	<u>(1,884)</u>
Fire Mitigation/Control/Prevention			
Wood recovery lot	-	2,507	(2,507)
Fire Training / Education	-	-	-
Fire Plan	1,000	730	270
Open Wood Recovery Lot	2,500	-	2,500
Deadwood Removal	5,000	4,378	622
Greenbelt Surveys	3,200	3,676	(476)
Fire Equipment repairs/maint	-	-	-
Total Fire Mitigation/Control/Prevention	<u>11,700</u>	<u>11,291</u>	<u>409</u>

ZAPATA HOMEOWNERS ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL (CONTINUED)
DECEMBER 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Physical Improvements/Maintenance			
Utilities	500	306	194
Road Repairs/Improvements/Grading	26,600	33,973	(7,373)
Snow Removal	4,000	1,662	2,338
Fuel	-	-	-
Gate Maintenance	4,500	2,093	2,407
Weed Control / Pond Expense	1,400	815	585
Repairs and maintenance	2,500	65	2,435
Total Physical Improvements/Maintenance	<u>39,500</u>	<u>38,914</u>	<u>586</u>
Water			
Ditch cleaning/maintance	1,500	1,775	(275)
Office expense	1,000	102	898
Engineering	6,500	3,537	2,963
Equipment	300	-	300
Water Legal Fees	13,000	2,022	10,978
Water maintance / meter devices	4,700	1,624	3,076
Total Water	<u>27,000</u>	<u>9,060</u>	<u>17,940</u>
Depreciation	<u>-</u>	<u>22,688</u>	<u>(22,688)</u>
	<u>-</u>	<u>22,688</u>	<u>(22,688)</u>
Total Expenses	118,900	124,537	(5,637)
Excess (Deficiency) of Revenues Over Operating Fund Expenses	<u>\$ (25,550)</u>	<u>\$ (20,143)</u>	<u>\$ 5,407</u>