

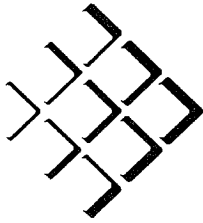
**PAWNEE HILLS
COMMUNITY ASSOCIATION**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITORS' REPORT

For The Year Ended December 31, 2009



**WEIDNER
& ASSOCIATES, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS
3002 SOUTH OAK WAY
LAKEWOOD, CO 80227



Independent Auditors' Report

To the Board of Directors and Members
Pawnee Hills Community Association

We have audited the accompanying balance sheet of Pawnee Hills Community Association as of December 31, 2009, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. 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 Pawnee Hills Community Association as of December 31, 2009, 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 on future major repairs and replacements included in this report is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the supplementary information is in conformity with guidelines established by accounting principles generally accepted in the United States of America.

Certified Public Accountants
Lakewood, Colorado
April 21, 2010

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**Pawnee Hills Community Association
Balance Sheet
December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
ASSETS:			
Cash:			
Checking and money market accounts	\$12,184	\$29,272	\$41,456
Petty cash	350		350
Total cash	<u>12,534</u>	<u>29,272</u>	<u>41,806</u>
Accounts receivable - members, net of an allowance for doubtful accounts of \$1,500	3,382		3,382
Prepaid insurance	<u>3,250</u>		<u>3,250</u>
	<u>\$19,166</u>	<u>\$29,272</u>	<u>\$48,438</u>
LIABILITIES:			
Accounts payable	\$3,488		\$3,488
Deferred revenue - prepaid assessments	<u>6,774</u>		<u>6,774</u>
	10,262	<u>0</u>	<u>10,262</u>
MEMBERS' EQUITY:			
Fund balances	<u>8,904</u>	<u>29,272</u>	<u>38,176</u>
	<u>\$19,166</u>	<u>\$29,272</u>	<u>\$48,438</u>

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

Pawnee Hills Community Association
Statement of Revenues and Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2009

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
REVENUES:			
Assessments - members (Note 3)	\$95,110		\$95,110
Allocation of assessments to reserve fund	(15,218)	\$15,218	0
Legal fees, late fees and other member charges	7,047		7,047
Other	210		210
Interest	39	143	182
	<u>87,188</u>	<u>15,361</u>	<u>102,549</u>
EXPENDITURES:			
Administrative			
Payroll	\$31,142		\$31,142
Accounting	10,020		10,020
Legal and audit fees	8,506		8,506
Insurance	4,557		4,557
Bad debt	1,733		1,733
Other administrative costs	6,729		6,729
Grounds	3,350		3,350
Buildings	12,850		12,850
Utilities	9,117		9,117
Reserve			
Reserve study		\$870	870
	<u>88,004</u>	<u>870</u>	<u>88,874</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(816)	14,491	13,675
Fund balances - beginning of year	<u>9,720</u>	<u>14,781</u>	<u>24,501</u>
Fund balances - end of year	<u><u>\$8,904</u></u>	<u><u>\$29,272</u></u>	<u><u>\$38,176</u></u>

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

**Pawnee Hills Community Association
Statement of Cash Flows
For the Year Ended December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenditures	(\$816)	\$14,491	\$13,675
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	2,140		2,140
(Increase) decrease in prepaid insurance	(716)		(716)
Change in interfund receivable (payable)	(906)	906	0
Increase (decrease) in accounts payable	(4,006)		(4,006)
Increase (decrease) in prepaid assessments	1,121		1,121
Total adjustments	<u>(2,367)</u>	<u>906</u>	<u>(1,461)</u>
Net cash provided by (used in) operating activities	<u>(3,183)</u>	<u>15,397</u>	<u>12,214</u>
Cash at beginning of year	<u>15,717</u>	<u>13,875</u>	<u>29,592</u>
Cash at end of year	<u><u>\$12,534</u></u>	<u><u>\$29,272</u></u>	<u><u>\$41,806</u></u>
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Income taxes paid during the year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Interest paid during the year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

Pawnee Hills Community Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2009
Unaudited

An independent engineer updated the Association's reserve study in 2010 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 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.

Component / Activity	As of January 2010	
	Estimated Remaining Useful Lives (Years)	Estimated Current Repair and Replacement Costs
Roofing	0 - 6	\$24,613
Painted surfaces	0 - 10	14,563
Siding materials	9 - 12	84,050
Windows	9	12,100
Decking	4 - 7	35,625
Mechanical equipment	9 - 5	7,635
Property identification	4	25,975
Fencing	16	8,000
Pool/spa	3 - 14	25,400
Courts	2 - 17	38,500
Interiors	2 - 18	20,025
Flooring	3 - 18	24,198
Railroad ties	0	14,000
Storage shed	5	2,100
Foot bridge	0	5,750
Total		\$342,534
Reserve fund balance at December 31, 2009		\$29,272

**Pawnee Hills Community Association
Notes to Financial Statements
December 31, 2009**

NOTE 1. ORGANIZATION

Pawnee Hills Community Association ("The Association") is a residential management association incorporated on October 4, 1974 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 Elizabeth, Colorado and consists of the owners of 167 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 operating and reserve. The operating fund is used to account for the general operations of the Association. The reserve fund is used to account for money set aside and related expenditures 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 real property and common areas are 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 cash.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires 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.

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 \$47.46 per month during 2009. Assessments for the year included amounts designated in the Association's budget for the reserve fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

**Pawnee Hills Community Association
Notes to Financial Statements
December 31, 2009**

NOTE 4. RESERVE FUND - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that a reserve 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 reserve 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 reserve 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 2009 allocated \$15,218 of assessment revenues to the reserve fund. That amount was transferred during the year.

Future allocations of assessment revenues to the reserve fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual reserve fund expenditures may vary from the reserve study's estimates. These variations may be material. Therefore, the reserve fund may not be adequate to meet the costs of all future major repairs and replacements. 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 the Association's 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.