

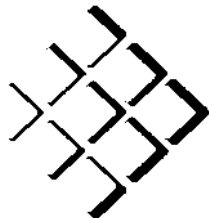
**PAWNEE HILLS
COMMUNITY ASSOCIATION**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITORS' REPORT

For The Year Ended December 31, 2014



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



Independent Auditor's Report

To the Board of Directors of
Pawnee Hills Community Association

We have audited the accompanying financial statements of Pawnee Hills Community Association, which comprise the balance sheet as of December 31, 2014, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the year then ended, and the related notes to the financial statements.

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 responsibility 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.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 2014, 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.

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Disclaimer of Opinion on Required Supplementary Information

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 auditing 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 audit 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.

Weidner & Associates, P.C.

Certified Public Accountants
Lakewood, Colorado
April 22, 2015

**Pawnee Hills Community Association
Balance Sheet
December 31, 2014**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
ASSETS:			
Cash:			
Checking and money market accounts	\$73,638	\$22,341	\$95,979
Petty cash	350		350
Total cash	<u>73,988</u>	<u>22,341</u>	<u>96,329</u>
Accounts receivable - members, net of an allowance for doubtful accounts of \$7,000	5,175		5,175
Prepaid expenses	4,716		4,716
Insurance claim receivable (Note 6)	<u>7,768</u>		<u>7,768</u>
	<u>\$91,647</u>	<u>\$22,341</u>	<u>\$113,988</u>
LIABILITIES:			
Accounts payable	\$3,285		\$3,285
Deferred revenue - prepaid assessments	<u>10,958</u>		<u>10,958</u>
	14,243	0	14,243
MEMBERS' EQUITY:			
Fund balances	<u>77,404</u>	<u>22,341</u>	<u>99,745</u>
	<u>\$91,647</u>	<u>\$22,341</u>	<u>\$113,988</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, 2014

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
REVENUES:			
Assessments - members (Note 3)	\$110,100		\$110,100
Allocation of assessments to replacement fund (Note 4)	(17,616)	\$17,616	0
Legal fees, late fees and other member charges	6,696		6,696
Insurance claim proceeds (Note 6)	11,783		11,783
Interest	119	35	154
	<u>111,082</u>	<u>17,651</u>	<u>128,733</u>
EXPENDITURES:			
Administrative			
Payroll	\$16,759		\$16,759
Accounting fee	11,523		11,523
Insurance	7,275		7,275
Legal and audit	5,560		5,560
Bad debts	4,000		4,000
Other administrative	6,970		6,970
Grounds	3,800		3,800
Building			
Roof and gutter repairs	30,273		30,273
Clubhouse	27,027		27,027
Pool	2,196		2,196
Utilities			
Gas and electric	9,463		9,463
Telephone/pager	1,568		1,568
Trash	348		348
Replacement			
Clubhouse		\$34,864	34,864
Reserve study		1,880	1,880
	<u>126,762</u>	<u>36,744</u>	<u>163,506</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,680)	(19,093)	(34,773)
Fund balances - beginning of year	93,084	41,434	134,518
Fund balances - end of year	<u>\$77,404</u>	<u>\$22,341</u>	<u>\$99,745</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, 2014**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenditures	(\$15,680)	(\$19,093)	(\$34,773)
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(144)		(144)
(Increase) decrease in insurance claim receivable	(7,768)		(7,768)
Increase (decrease) in accounts payable	2,120		2,120
Increase (decrease) in prepaid assessments	<u>(2,346)</u>		<u>(2,346)</u>
Total adjustments	(8,138)	0	(8,138)
Net cash provided by (used in) operating activities	<u>(23,818)</u>	<u>(19,093)</u>	<u>(42,911)</u>
Cash at beginning of year	<u>97,806</u>	<u>41,434</u>	<u>139,240</u>
Cash at end of year	<u><u>\$73,988</u></u>	<u><u>\$22,341</u></u>	<u><u>\$96,329</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
Notes to Financial Statements
December 31, 2014**

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 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 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 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.

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 \$54.94 per month during 2014. Assessments for the year 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.

**Pawnee Hills Community Association
Notes to Financial Statements
December 31, 2014**

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 2014 allocated \$17,616 of assessment revenues to the replacement fund. That amount was transferred during the year. Future allocations of assessment revenues to the replacement fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual replacement fund expenditures may vary from the reserve study's estimates. These variations may be material. Therefore, the replacement 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.

The Association's federal and state income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed. The Association's tax returns for 2012, 2013, and 2014 remain open to examination.

NOTE 6. INSURANCE CLAIM

The Association filed an insurance claim for hail damage. The Association received \$4,015 in 2014 and an additional \$7,768 in January of 2015. No additional proceeds are expected. A receivable has been recorded for the \$7,768 as of December 31, 2014.

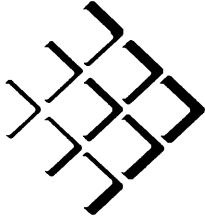
NOTE 7. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.

Pawnee Hills Community Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2014
Unaudited

An independent engineer conducted a study in 2014 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.

<u>Component / Activity</u>	<u>As of Jan 2014</u>	
	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Repair and Replacement Costs</u>
Metal roof-replace	0	\$25,200
Raing gutters/downspouts-replace	0	1,825
Wood surfaces-restrain	0-2	10,725
Interior surfaces-repaint	6	7,775
Vinyl siding-replace	5	47,275
Wood siding-replace	8	46,800
Doors-replace	24	10,050
Windows-replace	1	15,400
Concrete sidewalks/decks-repair	2	4,663
Wood deck-reseal	0	1,750
Wood deck-replace	0	34,000
Water heater-replace	5	2,250
Entry sign- major repairs	4	2,250
Mailboxes-replace	2	25,300
Wood fencing-replace	12	8,000
Arena fence- replace	0	9,500
Pool/coping -resurface/replace	10	16,550
Pool heater - replace	10	4,250
Pool filter-replace	10	1,850
Misc pool equipment-replace	2	1,500
Tennis court- resurface/remove	0	27,500
Sport court- clean/repair/replace	0-8	39,550
Appliances- replace	1	2,750
Cabinet/countertops-replace	14	3,400
Furnishings-replace	0	9,350
Sauna room- refurbish/replace	4-6	5,800
Restroom-remodel	9	7,425
Office equipment-replace	2	3,925
Carpeting -replace	6	1,900
Vinyl flooring-replace	3	1,848
Porcelain tile- replace	14	6,625
Hardwood-replace	14	12,475
Indoor/outdoor carpet-replace	9	1,350
Pole lights-replace	6	4,125
Storage Shed-replace	0	2,538
Horse exercise pen-replace	19	1,250
Total		<u>\$383,524</u>
Replacement fund balance at December 31, 2014		<u>\$22,341</u>



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



To the Board and Management of
Pawnee Hills Community Association
Colorado Management & Associates, Inc.
7430 E. Caley Ave. Suite 120E
Centennial, CO 80111

March 19, 2015

Dear Board and Management,

We recently completed our audit of the Association's financial statements for the year ended December 31, 2014. During our procedures we noted the following matters to bring to the attention of the Board and management.

Books and Records

We recorded a total of three adjustments to the financial statements for the year ended December 31, 2014 (see schedule B-1). The adjustments to accounts payable, insurance claim receivable and the allowance for bad debts were routine adjusting entries.

Additionally, professional standards require that we provide you with the following information related to our audit:

Qualitative Aspects of Accounting Practices

The Board and management are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used within the audited financial statements are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period after audit adjustments proposed by us. The financial statement disclosures are neutral, consistent, and clear.

Accounting estimates are an integral part of the audited financial statements and are based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. One of the estimates which affects the financial statements is the estimate for the allowance for doubtful accounts. The estimate was developed with an analysis of the collectability of individual accounts.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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March 19, 2015

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have provided management with schedules supporting the correction of misstatements identified in the audit. Those adjustments are shown at workpaper B-1 which is attached to the Management Representation Letter. The Board and management should review these adjustments. By signing the Management Representation Letter the Board and management expressly indicate an understanding and approval of these adjustments. Our expectation is that those corrections will be posted to the financial statements as appropriate.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

This letter is intended solely for the use of the Board and management of the Association and is not to be used by third parties for any other purposes. We considered the foregoing in our procedures, and this report does not affect the report on the financial statements. We would be pleased to discuss the above paragraphs with the Board, and to answer any other questions concerning the financial statements and tax returns.

Sincerely,

A handwritten signature in blue ink that reads "Weidner & Associates, P.C." with a stylized flourish at the end.

Weidner & Associates, P.C.