

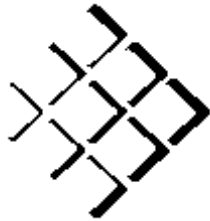
**PAWNEE HILLS
COMMUNITY ASSOCIATION**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITOR'S REPORT

For The Year Ended December 31, 2016



**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, 2016, and the related statements of revenues, expenses, 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

The Association's Board of Directors comprises "Management" of the Association. 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, 2016, 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 thereon.

Weichner & Associates, P.C.

Certified Public Accountants
Lakewood, Colorado
May 11, 2017

**Pawnee Hills Community Association
Balance Sheet
December 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
ASSETS:			
Cash:			
Checking and money market accounts	\$51,785	\$91,667	\$143,452
Petty cash	350		350
Total cash	<u>52,135</u>	<u>91,667</u>	<u>143,802</u>
Accounts receivable - members, net of an allowance for doubtful accounts of \$12,000	5,934		5,934
Prepaid expenses	6,094		6,094
Interfund receivable (payable) (Note 4)	<u>1,654</u>	<u>(1,654)</u>	<u>0</u>
Total assets	<u>\$65,817</u>	<u>\$90,013</u>	<u>\$155,830</u>
LIABILITIES AND FUND BALANCES:			
Accounts payable	\$2,530		\$2,530
Deferred revenue - prepaid assessments	13,660		13,660
Total liabilities	<u>16,190</u>	<u>0</u>	<u>16,190</u>
Fund balances	<u>49,627</u>	<u>90,013</u>	<u>139,640</u>
Total liabilities and fund balances	<u>\$65,817</u>	<u>\$90,013</u>	<u>\$155,830</u>

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

**Pawnee Hills Community Association
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
REVENUES:			
Assessments - members (Note 3)	\$112,224		\$112,224
Allocation of assessments to replacement fund (Note 4)	(67,956)	\$67,956	0
Legal fees, late fees and other member charges	2,191		2,191
Interest	106	60	166
Total revenues	<u>46,565</u>	<u>68,016</u>	<u>114,581</u>
EXPENSES:			
Administrative			
Payroll	\$21,373		\$21,373
Accounting fee	11,523		11,523
Insurance	9,782		9,782
Bad debt	3,274		3,274
Other administrative	6,227		6,227
Repairs and maintenance			
Clubhouse	3,422		3,422
Grounds	5,701		5,701
Pool	2,648		2,648
Barn	2,363		2,363
Utilities			
Gas and electric	6,449		6,449
Telephone/pager	1,948		1,948
Trash	322		322
Total expenses	<u>75,032</u>	<u>0</u>	<u>75,032</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(28,467)	68,016	39,549
Fund balances - beginning of year	78,094	21,997	100,091
FUND BALANCES - END OF YEAR	<u>\$49,627</u>	<u>\$90,013</u>	<u>\$139,640</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, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenditures	(\$28,467)	\$68,016	\$39,549
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	1,306		1,306
Increase (decrease) in accounts payable	(762)	(1,654)	(2,416)
Increase (decrease) in prepaid assessments	6,530		6,530
Net cash provided by (used in) operating activities	<u>(22,771)</u>	<u>66,362</u>	<u>43,591</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Originating interfund receivable (payable)	(1,654)	1,654	0
Net cash provided by (used in) financing activities	<u>(1,654)</u>	<u>1,654</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH	(24,425)	68,016	43,591
Cash at beginning of year	<u>76,560</u>	<u>23,651</u>	<u>100,211</u>
CASH AT END OF YEAR	<u>\$52,135</u>	<u>\$91,667</u>	<u>\$143,802</u>
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Income taxes paid during the year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Interest paid during the year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Pawnee Hills Community Association
Notes to Financial Statements
December 31, 2016

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 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.

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 \$56 per month during 2016. 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.

**Pawnee Hills Community Association
Notes to Financial Statements
December 31, 2016**

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 2016 allocated \$17,956 of assessment revenues to the replacement fund. The Board authorized an additional transfer of \$50,000 at the December board meeting for a total transfer of \$67,956. That amount is included in replacement fund revenues in the Statement of Revenues and Expenses and Changes in Fund Balances for 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 expenses 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.

The Association's operating fund also paid replacement fund expenses of \$1,654 during the year. That amount resulted in the \$1,654 interfund balance on the Balance Sheet.

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 auditor's report, which is the date that the financial statements were available to be issued.

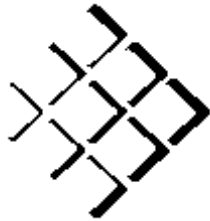
Pawnee Hills Community Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2016
Unaudited

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
Rain gutters/downspouts-replace	0	1,825
Wood surfaces-restain	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		\$383,524

Replacement fund balance at December 31, 2016

\$90,013



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



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

April 17, 2017

Dear Board of Directors,

We recently completed our audit of the Association's financial statements for the year ended December 31, 2016. During our procedures we noted the following matters to bring to the attention of the Board.

Prior Year Summary Adjusting Entry

At the completion of their audits, most auditors prepare a summary adjusting journal entry ("SAJE") to correct the books of the entity being audited. The expectation is that the SAJE will be posted to the books (the books are typically not correct unless that is done).

Our SAJE from the December 31, 2015 audit was not posted to the books of the Association. We have made appropriate cumulative corrections in our December 31, 2016 SAJE. We suggest that the December 31, 2016 SAJE which is being provided to the Association as part of the draft financial statement package be posted to the books of the Association. We would be happy to discuss any questions or concerns regarding the SAJE with the Board and/or management.

Old Receivables

We noted that the Association's attorney recommended writing off the balance on accounts 107401510 and 107401330 due to lack of collectability for both accounts. We found no such evidence this matter was ever discussed in a board meeting or otherwise. We suggest the board vote to write off these accounts at the next board meeting.

Further, according to the attorney collection status report we obtained on April 7th 2017, the Association has not been actively pursuing any of its delinquent accounts in close to a year, even though there are several accounts that have large balances. We suggest the board review these accounts.

Interfund Receivable / (Payable) Balance

The December 31, 2016 balance sheet shows an interfund balance of \$1,654. That balance is the result of payment to Gravina's Windows expenses with operating fund cash in January 2016. The Association should either transfer cash from the replacement fund to the operating fund to eliminate this balance or pass a resolution to eliminate the interfund balance (essentially, formally forgive the debt of the replacement fund).

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

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April 17, 2017

Qualitative Aspects of Accounting Practices

The Board of Directors is 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, 2016. 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 the Board or with management company personnel in performing and completing our audit.

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 Board of Directors. We have provided the Board with schedules supporting the correction of misstatements identified in the audit. Those adjustments are shown at workpaper B-1 which is included in the documents captioned "Drafts for Board" which have been made available to the Board. The Board should review these adjustments. By signing the Representation Letter the Board expressly indicates an understanding and approval of these adjustments. Our expectation is that those corrections will be posted to the financial statements as appropriate.

Disagreements with the Board or with Management Company Personnel

For purposes of this letter, professional standards define a "disagreement" 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 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,



Weidner & Associates, P.C.