

**PAWNEE HILLS
COMMUNITY ASSOCIATION**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITOR'S REPORT

For The Year Ended December 31, 2022



Independent Auditor's Report

To the Board of Directors of
Pawnee Hills Community Association

Opinion

I have audited the accompanying financial statements of Pawnee Hills Community Association, which comprise the balance sheet as of December 31, 2022, 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.

In my 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, 2022, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Pawnee Hills Community Association and to meet my ethical responsibilities in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Management's Responsibility for the Financial Statements

The Association's board of directors and its designated agents comprise "management" of the Association. 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibility for the Audit of the Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance thereon.


Dale Weidner, CPA
Principal
Dale Weidner & Company, LLC
Lone Tree, Colorado
July 7, 2023

Pawnee Hills Community Association
Balance Sheet
December 31, 2022

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
ASSETS			
Cash: checking and money market accounts	\$126,547	\$90,220	\$216,767
Petty cash	350		\$350
Total cash	<u>126,897</u>	<u>90,220</u>	<u>217,117</u>
Accounts receivable - members	4,066		4,066
Prepaid expenses	<u>9,209</u>		<u>9,209</u>
Total assets	<u>\$140,172</u>	<u>\$90,220</u>	<u>\$230,392</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$1,985		\$1,985
Deferred revenue - prepaid assessments	<u>6,108</u>		<u>6,108</u>
Total liabilities	8,093	0	8,093
Fund balances	<u>132,079</u>	<u>90,220</u>	<u>222,299</u>
Total liabilities and fund balances	<u>\$140,172</u>	<u>\$90,220</u>	<u>\$230,392</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, 2022**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
REVENUES			
Assessments - members (Note 3)	\$117,234		\$117,234
Allocation of assessments to reserve fund (Note 4)	(23,447)	\$23,447	0
Legal fees, late fees, and other member charges	1,711		1,711
Interest	64	193	257
Total revenues	<u>95,562</u>	<u>23,640</u>	<u>119,202</u>
EXPENSES			
Administrative			
Payroll	\$21,027		\$21,027
Insurance	10,977		10,977
Accounting services	10,704		10,704
Other administrative	7,401		7,401
Legal and audit	4,464		4,464
Repair and maintenance			
Mailbox shelter		\$23,630	23,630
Clubhouse	7,056		7,056
Pool	3,494		3,494
Clubhouse grounds	2,811		2,811
Arena maintenance	2,360		2,360
Snow removal	1,645		1,645
Security	780		780
Utilities			
Gas and electric	7,907		7,907
Trash removal	433		433
Total expenses	<u>81,059</u>	<u>23,630</u>	<u>104,689</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	14,503	10	14,513
Fund balances - beginning of year	117,576	90,210	207,786
FUND BALANCES - END OF YEAR	<u>\$132,079</u>	<u>\$90,220</u>	<u>\$222,299</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, 2022**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$14,503	\$10	\$14,513
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(1,041)		(1,041)
(Increase) decrease in prepaid expenses	(1,171)		(1,171)
Increase (decrease) in accounts payable	(1,758)		(1,758)
Increase (decrease) in prepaid assessments	(1,220)		(1,220)
Net cash provided by (used in) operating activities	<u>9,313</u>	<u>10</u>	<u>9,323</u>
NET INCREASE (DECREASE) IN CASH	9,313	10	9,323
Cash at beginning of year	<u>117,584</u>	<u>90,210</u>	<u>207,794</u>
CASH AT END OF YEAR	<u>\$126,897</u>	<u>\$90,220</u>	<u>\$217,117</u>

Supplemental Disclosure of Cash Flows Information:

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, 2022**

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

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 reserve fund. The operating fund is used to account for the general operations of the Association. The reserve fund is used to account for major repairs and replacements and the financial resources designated for that purpose.

DELINQUENT ASSESSMENTS

The Association's policy is to enforce the 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 were \$59 per month during 2022. Assessments included amounts designated in the Association's budget for the reserve fund as discussed in Note 4. Total monthly assessment amounts (including amounts assessed for the reserve fund) are included in revenues when charged to owners. 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, 2022**

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. Unaudited information based on the Association's reserve study follows the Notes to Financial Statements.

The Association's budget for 2022 allocated \$23,447 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 expenses 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 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 non-exempt 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. RELATED PARTY TRANSACTIONS

The Association paid \$2,860 during 2022 for arena maintenance to the spouse of a board member.

NOTE 7. DATE OF MANAGEMENT'S REVIEW

The Association's board of directors and its designated agents comprise 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, 2022
Unaudited

The Association engaged an engineer to prepare a reserve study which was completed in January of 2022. The reserve study identifies the major components of the Association's common property, estimates of the remaining useful lives of that property, and estimates the cost of the repairs and replacements through 2052. The summary page of the study follows. The entire study is available in electronic form from the Association's management company and should be utilized for detailed analysis of the reserve status of the Association. Some of the items in the following table may have been repaired or replaced after this study was completed.

Significant Components For Pawnee Hills Community Association

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
108	Metal Roof - Replace	50	43	\$101,713	\$2,034	4.2828%
120	Raingutters/Downspouts - Replace	25	18	\$2,900	\$116	0.2442%
202	Wood Surfaces - Restain	5	1	\$17,600	\$3,520	7.4108%
216	Interior Surfaces - Repaint	10	0	\$11,388	\$1,139	2.3974%
302	Vinyl Siding - Replace	28	1	\$67,338	\$2,405	5.0631%
305	Wood Siding - Replace	30	1	\$71,500	\$2,383	5.0177%
401	Asphalt - Major Overlay	25	18	\$25,200	\$1,008	2.1222%
402	Asphalt - Surface Application	5	0	\$2,600	\$520	1.0948%
501	Doors - Replace	25	17	\$11,725	\$469	0.9874%
506	Windows - Replace	25	19	\$18,375	\$735	1.5474%
601	Concrete Sidewalks/Decks - Repair	5	3	\$6,625	\$1,325	2.7896%
609	Composite Deck - Replace	24	20	\$115,425	\$4,809	10.1253%
701	Gas Stoves - Replace	25	19	\$11,800	\$472	0.9937%
703	Water Heater & Expansion Tank - Replace	15	0	\$2,950	\$197	0.4140%
801	Entry Sign - Major Repairs	12	0	\$4,450	\$371	0.7807%
803	Mailboxes - Replace	20	0	\$27,500	\$1,375	2.8948%
903	Security System - Replace	7	0	\$15,125	\$2,161	4.5490%
910	Key Card System - Replace	12	0	\$30,000	\$2,500	5.2633%
1001	Wood Fencing - Replace	22	0	\$14,450	\$657	1.3828%
1003	Chain Link Fencing - Replace	10	0	\$5,750	\$575	1.2106%
1101	Pool/Coping - Resurface/Replace	12	2	\$23,850	\$1,988	4.1843%
1104	Pool Heater - Replace	12	2	\$6,125	\$510	1.0746%
1108	Pool Filter - Replace	18	16	\$2,200	\$122	0.2573%
1112	Misc. Pool Equipment - Partial Replace	7	1	\$2,175	\$311	0.6542%
1126	Skimmers - Replace	24	14	\$5,250	\$219	0.4605%
1201	Upper Tennis Court - Remove/Refurbish	99	0	\$42,500	\$0	0.0000%
1204	Sport Court - Clean/Repair	3	0	\$2,750	\$917	1.9299%
1204	Sport Court - Replace	24	3	\$51,250	\$2,135	4.4958%
1305	Barbecue - Replace	12	4	\$1,075	\$90	0.1886%
1315	Volleyball Court - Refurbish	18	0	\$7,500	\$417	0.8772%
1402	Appliances - Replace	15	8	\$2,925	\$195	0.4105%
1403	Cabinets/Countertops - Replace	24	2	\$4,100	\$171	0.3597%
1405	Furnishings - Partial Replacement	12	2	\$15,250	\$1,271	2.6755%
1408	Window Treatments - Replace	12	7	\$4,725	\$394	0.8290%
1409	Sauna Room - Refurbish	20	1	\$6,500	\$325	0.6842%
1411	Steam Room - Refinish/Repair	15	7	\$4,700	\$313	0.6597%
1412	Steamer - Replace	15	1	\$4,050	\$270	0.5684%
1413	Restroom - Remodel	17	2	\$13,750	\$809	1.7028%
1417	Office Equipment - Replace	5	4	\$1,750	\$350	0.7369%
1501	Carpeting - Replace	12	2	\$2,925	\$244	0.5132%
1503	Porcelain Tile - Replace	24	2	\$8,325	\$347	0.7303%
1505	Laminate - Replace	20	6	\$19,050	\$953	2.0053%
1507	Indoor/Outdoor Carpet - Replace	12	3	\$1,650	\$138	0.2895%
1604	Pole Lights - Replace	15	12	\$6,800	\$453	0.9544%
1801	Groundcover - Replenish	12	0	\$32,500	\$2,708	5.7019%
1805	Landscape Timbers - Major Repairs	6	0	\$6,375	\$1,063	2.2369%
1901	Maintenance Equipment - Replace Allowance	5	0	\$3,000	\$600	1.2632%
2001	Storage Shed - Replace	20	0	\$3,800	\$190	0.4000%
2030	Arena - Rebuild	30	24	\$33,750	\$1,125	2.3685%
2035	Horse Exercise Pen - Replace	20	11	\$2,050	\$103	0.2158%