

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

FEBRUARY 29, 2012 and FEBRUARY 28, 2011

L.R. COMPTON II, LLC
Certified Public Accountants
3595 South Teller Street, Suite 402
Lakewood, Colorado 80235

***TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.***

FEBRUARY 29, 2012 and FEBRUARY 28, 2011

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Independent Auditor's Report

Board of Directors
Tamarac Hills Homeowners Association, Inc.
Denver, Colorado

We have audited the accompanying balance sheets of Tamarac Hills Homeowners Association, Inc. as of February 29, 2012 and February 28, 2011 and the related statements of revenue, expenditures and changes in fund balance of the operating fund and the revenue, expenditures and changes in its replacement funds, and cash flows of the operating fund for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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, and 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 audits provide 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 Tamarac Hills Homeowners Association, Inc. as of February 29, 2012 and February 28, 2011 and the results of operations of its operating fund and of its replacement funds, and its cash flows of the operating fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

May 9, 2012

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TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEETS

	FEBRUARY 29,	
	2012	2011
ASSETS		
Cash, Operating Fund	\$ 46,732	\$ 35,049
Cash, Building Fund	52,369	46,086
Cash, Common Fund	76,340	156,649
Certificates of Deposit, Common Fund	145,000	70,000
Receivable from Homeowners	2,834	4,983
Interest Receivable, Common Fund	248	118
Prepaid Items	<u>7,982</u>	<u>6,690</u>
TOTAL ASSETS	\$ <u>331,505</u>	\$ <u>319,575</u>
LIABILITIES and FUND BALANCES		
CURRENT LIABILITIES		
Accounts Payable	\$ 17,488	\$ 8,688
Prepaid Homeowners' Dues	<u>5,691</u>	<u>3,784</u>
<i>Total Liabilities</i>	<u>23,179</u>	<u>12,472</u>
FUND BALANCES		
Additional Paid-In Capital	7,227	7,227
Operating Fund	27,142	27,023
Replacement Funds		
Building Fund	52,369	46,086
Common Fund	<u>221,588</u>	<u>226,767</u>
<i>Total Fund Balances</i>	<u>308,326</u>	<u>307,103</u>
TOTAL LIABILITIES and FUND BALANCES	\$ <u>331,505</u>	\$ <u>319,575</u>

See Notes to Financial Statements

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.

STATEMENTS of REVENUE, EXPENDITURES
and CHANGES in OPERATING FUND

	<u>YEARS ENDED FEBRUARY 29,</u>	
	<u>2012</u>	<u>2011</u>
<i>REVENUE</i>		
Homeowners' Dues	\$ 243,636	\$ 243,636
Other Income	<u>391</u>	<u>428</u>
<i>Total Revenue</i>	244,027	244,064
 <i>EXPENDITURES</i>		
Maintenance Expenses	100,276	93,192
Operating Expenses		
Dues Transfer to Building Fund	31,270	31,270
Dues Transfer to Common Fund	50,200	50,200
Utilities	<u>29,223</u>	<u>24,178</u>
<i>Total Operating Expenses</i>	110,693	105,648
Administrative Expenses		
Management Fees	15,240	14,880
Bad Debt	2,900	-
Office and Communications	3,837	3,684
Insurance	5,482	5,476
Income Taxes	-	-
Professional Fees	<u>5,480</u>	<u>1,337</u>
<i>Total Administrative Expenses</i>	32,939	25,377
 Total Expenditures	<u>243,908</u>	<u>224,217</u>
 <i>EXCESS of REVENUE</i>		
<i>OVER EXPENDITURES</i>	119	19,847
 Operating Fund, Beginning of Year	<u>27,023</u>	<u>7,176</u>
 <i>OPERATING FUND</i> , End of Year	<u>\$ 27,142</u>	<u>\$ 27,023</u>

See Notes to Financial Statements

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.

STATEMENTS of REVENUE, EXPENDITURES
and CHANGES in REPLACEMENT FUNDS

BUILDING FUND

	<u>YEARS ENDED FEBRUARY 29,</u>	
	<u>2012</u>	<u>2011</u>
REVENUE		
Dues Transfer from		
Operating Fund	\$ 31,270	\$ 31,270
Interest	<u>88</u>	<u>98</u>
Total Revenue	31,358	31,368
EXPENDITURES		
Major Maintenance		
Exterior Refinishing	<u>25,075</u>	<u>26,783</u>
Total Expenditures	<u>25,075</u>	<u>26,783</u>
EXCESS of REVENUE		
OVER EXPENDITURES	6,283	4,585
Building Fund, Beginning of Year	<u>46,086</u>	<u>41,501</u>
BUILDING FUND, End of Year	<u>\$ 52,369</u>	<u>\$ 46,086</u>

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
 STATEMENTS of REVENUE, EXPENDITURES
 and CHANGES in REPLACEMENT FUNDS

COMMON FUND

	<u>YEARS ENDED FEBRUARY 29,</u>	
	<u>2012</u>	<u>2011</u>
<i>REVENUE</i>		
Dues Transfer from		
Operating Fund	\$ 50,200	\$ 50,200
Interest	<u>1,047</u>	<u>1,127</u>
<i>Total Revenue</i>	51,247	51,327
<i>EXPENDITURES</i>		
Major Maintenance		
Street Paving	37,975	19,856
Retaining Wall	3,079	12,913
Grounds Maintenance	6,147	5,660
Reserve Study	4,500	-
Tennis Court Resurfacing	<u>4,725</u>	<u>-</u>
<i>Total Expenditures</i>	<u>56,426</u>	<u>38,429</u>
<i>EXCESS/(Deficit) of REVENUE</i>		
<i>OVER EXPENDITURES</i>	(5,179)	12,898
Common Fund, Beginning of Year	<u>226,767</u>	<u>213,869</u>
<i>COMMON FUND, End of Year</i>	<u>\$ 221,588</u>	<u>\$ 226,767</u>

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
STATEMENTS of CASH FLOWS, OPERATING FUND

	<u>YEARS ENDED FEBRUARY 29,</u>	
	<u>2012</u>	<u>2011</u>
<i>CASH PROVIDED (USED) by</i>		
<i>OPERATING ACTIVITIES</i>		
Excess (Deficit) of Revenue		
Over Expenditures	\$ 119	\$ 19,847
<i>Adjustments to Reconcile Excess (Deficit) of</i>		
<i>Revenue Over Expenditures to Net Cash</i>		
<i>Provided (Used) by Operating Activities</i>		
Receivable from Homeowners	2,149	(2,156)
Prepaid Items	(1,292)	(50)
Accounts Payable	8,801	(384)
Prepaid Homeowners' Dues	<u>1,906</u>	<u>659</u>
<i>Total Cash Provided (Used)</i>		
<i>by Operating Activities</i>	<u>11,683</u>	<u>17,916</u>
<i>NET INCREASE (DECREASE) in CASH</i>	11,683	17,916
Cash, Beginning of Year	<u>35,049</u>	<u>17,133</u>
<i>CASH, End of Year</i>	<u><u>\$ 46,732</u></u>	<u><u>\$ 35,049</u></u>
SUPPLEMENTARY DATA:		
Cash Paid for Income Taxes	\$ <u>-</u>	\$ <u>-</u>
Cash Paid for Interest	\$ <u>-</u>	\$ <u>-</u>

See Notes to Financial Statements

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
NOTES to FINANCIAL STATEMENTS
FEBRUARY 29, 2012 and FEBRUARY 28, 2011

HISTORY and SIGNIFICANT ACCOUNTING POLICIES

History

Tamarac Hills Homeowners Association, Inc. commenced operations under a Declaration of Covenants and Restrictions dated March 12, 1984, and revised June 23, 2000. The Association was organized as a Colorado Nonprofit Corporation. Tamarac Hills Homeowners Association, Inc. (the Community), consists of 79 residential units located in Denver, Colorado. Its members are the owners of the units and the Association's purpose is to operate and manage the common areas and related improvements within the Community. Examples of the common areas include landscaped areas as well as the pool and tennis court areas. Related improvements refers to buildings, fences or walls on the property or lot for which the Association is responsible.

The common areas of the community were transferred to the Association by the Developer and since no value for the common areas transferred was set at the date of transfer no historical cost for these assets is recorded in these financial statements.

Significant Accounting Policies

Accrual Accounting

The financial statements of Tamarac Hills Homeowners Association, Inc. are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to *Common Interest Realty Associations*.

Fund Accounting

The books and records of the Association are maintained to recognize three primary funds:

Operating Fund:

This fund records the daily activities of operating the Association, including billing and collecting monthly dues to/from the homeowners, disbursing funds under the annual budget and paying income taxes, if any are due, on income unrelated to membership in the Association.

Replacement Funds:

Building Fund

The Association has an ongoing major maintenance project under which the exteriors of the buildings are refurbished on a five year cycle. The annual refinishing contract, the allocation of homeowners' dues for and payments of refurbishing expenditures constitute the sole purpose of this fund. Allocated homeowners' dues collected are maintained in an interest bearing account that is anticipated to be sufficient for the projected costs estimated to be incurred in following fiscal year.

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
NOTES to FINANCIAL STATEMENTS
FEBRUARY 29, 2012 and FEBRUARY 28, 2011
(Continued)

HISTORY and SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Common Fund

This fund records that portion of monthly homeowners' dues budgeted toward future major maintenance and replacement expenditures as projected in the Association's August 2011 *Level 1 Full Reserve Study*. This study, prepared by an independent building consultant, forecasts the cash necessary to fund the projects considered advisable to maintain the Association's property in first class condition. Homeowners' dues collected for this fund are invested in money market funds and certificates of deposit due over the following fiscal year.

Prepaid Items

The Association may pay certain expenses in advance of their actual due or usage dates, including insurance, memberships and/or taxes. Until expensing in the appropriate accounting period, these items are shown as prepaid.

Prepaid Homeowners' Dues

Monthly homeowners' dues are billed in advance, and may be paid prior to the period billed. Payments received in advance are recorded as prepaid homeowners' dues and not recognized as income until the appropriate accounting period.

Income Taxes

The Association is responsible for any income taxes due on income from sources unrelated to members' ownership of a unit. Such income includes interest, dividends or investment gains/losses, advertising and other unrelated income. Income tax filings may be under a special election as a Homeowners Association, or as a standard Corporation. The funds are combined for tax filing, and in the years ending February 29, 2012 and February 28, 2011 the Association chose to file standard corporate returns (forms 1120 and 112).

Fair Value of Financial Instruments

The carrying value of cash, short-term receivables, short-term payables and long-term debt approximate their fair value at February 29, 2012 and February 28, 2011. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

Estimates

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

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
NOTES to FINANCIAL STATEMENTS
FEBRUARY 29, 2012 and FEBRUARY 28, 2011
(Continued)

HISTORY and SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain accounts presented in the February 28, 2011 financial statements have been reclassified to conform to the February 29, 2012 format.

NOTE 2: Receivable from Homeowners

The accounts receivable from homeowners arise from quarterly assessments, late charges and legal fees incurred in the collection of overdue accounts. These balances from ordinary business activities are second in seniority only to any first mortgage on the property and are, in management's opinion, collectible in full. Even though receivables are considered collectible in the long run, the Board has established a reserve for uncollectable accounts of \$2,900 and \$0 at February 29, 2012 and February 28, 2011 based on the time and effort involved in attempting collection, and the court decisions relegating Associations to a limited amount in bankruptcy. This allowance has been subtracted from the gross homeowner receivables.

NOTE 3: Common Fund

The Association's governing documents direct the Board to accumulate funds for future major repairs and replacements. Homeowners' dues designated in the annual budget for the Common Fund are transferred monthly and held in money market funds and certificates of deposit generally not available for normal operations. The Board commissioned an independent building consultant to prepare a study of the future major repairs and replacement needs of the common areas of the Association. This study, *Level 1 Full Reserve Study* was completed in August 2011, projects the need for funds and their possible use for the years 2012 through 2042. The study used a calendar year basis and showed all annual expenditures being recognized in January. Assumptions in the study include an annual inflation rate of 2.75% and an after-tax interest rate of 0.625%. The Common Fund balances at year-end 2012 and 2011 of \$221,588 and \$226,767 compare to the study's recommended funded balance of \$156,908 and \$247,489 respectively.

Actual earnings and expenditures may vary from the amounts estimated in the 2011 study, and the variations may be material. Therefore, amounts accumulated in Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional monies are found to be necessary, the Board can pass special assessments, delay the major repairs and replacement projects until funds are available, or, subject to membership approval, to increase regular assessments designated for the Replacement Fund.

NOTE 4: Subsequent Events

For the year ended February 29, 2012 and February 28, 2011, the Association has evaluated subsequent events for potential recognition and disclosure through May 9, 2012, the date of the financial statement issuance.

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION

FEBRUARY 29, 2012

L.R. COMPTON II, LLC

Certified Public Accountants

3595 S. Teller Street, Suite 402

Lakewood, Colorado 80235

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***Independent Auditor's Report on
Supplementary Information***

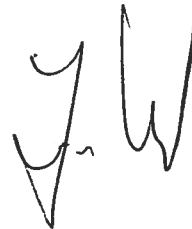
Board of Directors
Tamarac Hills Homeowners Association, Inc.
Denver, Colorado

Our report on our audit of the basic financial statements of Tamarac Hills Homeowners Association, Inc. at February 29, 2012 and February 28, 2011 and for the years then ended appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The *Schedule of Actual Revenue and Expenditures Versus Budget*, on page 11, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the column marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplementary information on future major repairs and replacements, *Level 1 Full Reserve Study*, presented on page 12, is not a required part of the basic financial statements of Tamarac Hills Homeowners Association, Inc. at February 29, 2012 but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

May 9, 2012

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TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
 SCHEDULE of ACTUAL REVENUE and
 EXPENDITURES VERSUS BUDGET
 YEAR ENDED FEBRUARY 29, 2012

OPERATING FUND

	Actual	Budget (Not Audited)	Difference (Over)/Under Budget
<i>REVENUE</i>			
Homeowners' Dues	\$ 243,636	\$ 243,636	\$ -
Other Income	<u>391</u>	<u>100</u>	<u>291</u>
<i>Total Revenue</i>	<u>244,027</u>	<u>243,736</u>	<u>291</u>
 <i>EXPENDITURES</i>			
Maintenance	100,277	102,800	2,523
Operating Expenses			
Transfer to Common Fund	50,200	50,200	-
Transfer to Building Fund	31,270	31,270	-
Utilities	<u>29,223</u>	<u>28,300</u>	<u>(923)</u>
<i>Total Operating</i>	<u>110,693</u>	<u>109,770</u>	<u>(923)</u>
Administrative Expenses			
Management Fees	15,240	15,240	-
Bad Debt	2,900	-	(2,900)
Office and Communications	3,836	4,000	164
Income Taxes	-	500	500
Insurance	5,482	6,250	768
Professional Fees	<u>5,480</u>	<u>5,100</u>	<u>(380)</u>
<i>Total Administrative</i>	<u>32,938</u>	<u>31,090</u>	<u>(1,848)</u>
 Total Expenditures	<u>243,908</u>	<u>243,660</u>	<u>(248)</u>
 <i>EXCESS of REVENUE</i>			
<i>OVER EXPENDITURES</i>	\$ <u><u>119</u></u>	\$ <u><u>76</u></u>	\$ <u><u>43</u></u>

NOTE:

Revenue and Expenditure Differences in () represent amounts in excess of the budgeted items while the "EXCESS of REVENUE OVER EXPENDITURES" represents the amount exceeding the budget.

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
LEVEL 1 FULL RESERVE STUDY
FEBRUARY 29, 2012
(Not Audited)

COMMON REPLACEMENT FUND

The Association's Board of Directors contracted a study, *Level 1 Full Reserve Study*, to estimate the remaining useful lives and the replacement costs of the major components of the Association's common property. The 30 year study was prepared by an independent building consultant who inspected the common areas of property and issued the report on August 3, 2011. Costs were based on the estimated costs to repair or replace the common property components at the date of the study and assumed an annual inflation rate of 2.75% and an after-tax interest rate of 0.625%.

The following table is based on the 2011 study and presents summarized significant information about the components and estimated costs of common property based on 1 cycle.

<u>Components</u>	<u>Estimated Current Replacement Costs at August 3, 2011</u>
Paving and Curbing	\$ 101,600
Flatwork	5,902
Landscaping and Appurtenances	161,740
Facade	8,585
Roofing	1,872
Interior	5,000
Mechanical	7,150
Amenities	41,620
Miscellaneous	<u>67,500</u>
<i>Total Cost Projection based on 1 cycle</i>	<i>\$ <u>400,969</u></i>