

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

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

FEBRUARY 28, 2014 and 2013

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

**TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.**

TABLE OF CONTENTS

FEBRUARY 28, 2014 and 2013

<i>Independent Auditor's Report</i>	1
<i>Financial Statements</i>	
Balance Sheets	3
Statements of Revenue, Expenditures and Changes in the Fund Balances	4
Statements of Cash Flows	5
Notes to Financial Statements	6
<u>Supplementary Information at February 28, 2014</u>	
<i>Independent Auditor's Report on Supplementary Information</i>	11
Schedule of Actual Revenue and Expenditures Versus Budget, Operating Fund	12
Level 1 Full Reserve Analysis	13

L.R. COMPTON II, LLC

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of Tamarac Hills Homeowners Association, Inc., which comprise the balance sheets as of February 28, 2014 and 2013, and the related statements of revenue, expenditures and changes in fund balances and cash flows for the years 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 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 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 from 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 entity'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 entity'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 audit opinion.

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 28, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lakewood, Colorado
May 1, 2014

A handwritten signature in black ink, appearing to be 'JH' or similar, located to the right of the date.

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEETS

FEBRUARY 28,				
		2014		2013
	Operating Fund	Common and Building Funds	Total	Total
ASSETS				
Cash	\$ 80,205	\$ 156,791	\$ 236,996	\$ 186,508
Certificates of Deposit	-	145,657	145,657	145,657
Assessments Receivable, Net	194	-	194	3,020
Accrued Interest Receivable	-	11	11	132
Prepaid Items	6,225	-	6,225	6,414
Interfund Balances	-	-	-	-
TOTAL ASSETS	\$ <u>86,624</u>	\$ <u>302,459</u>	\$ <u>389,083</u>	\$ <u>341,731</u>
LIABILITIES and FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 2,846	\$ -	\$ 2,846	\$ 10,922
Deferred Assessments	<u>3,680</u>	<u>-</u>	<u>3,680</u>	<u>5,550</u>
Total Liabilities	6,526	-	6,526	16,472
FUND BALANCES				
Additional Paid-In Capital	7,227	-	7,227	7,227
Operating Fund	72,871	-	72,871	53,121
Building and Common Funds	<u>-</u>	<u>302,459</u>	<u>302,459</u>	<u>264,911</u>
Total Fund Balances	<u>80,098</u>	<u>302,459</u>	<u>382,557</u>	<u>325,259</u>
TOTAL LIABILITIES and FUND BALANCES	\$ <u>86,624</u>	\$ <u>302,459</u>	\$ <u>389,083</u>	\$ <u>341,731</u>

See Notes to Financial Statements

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.

STATEMENTS of REVENUE, EXPENDITURES
and CHANGES in the FUND BALANCES

	YEARS ENDED FEBRUARY 28,			
	2014		2013	
	Operating Fund	Common and Building Funds	Total	Total
REVENUE				
Assessments	\$ 167,570	\$ 88,390	\$ 255,960	\$ 249,324
Other Member Income	223	-	223	228
Interest	-	1,252	1,252	1,387
Total Revenue	167,793	89,642	257,435	250,939
EXPENDITURES				
Maintenance				
Grounds	57,605	-	57,605	59,083
Pool/Hot Tub	9,841	-	9,841	8,832
Snow Removal	29,191	-	29,191	17,093
Total Maintenance	96,637	-	96,637	85,008
Replacement Projects	-	52,094	52,094	94,082
Operating				
Utilities	23,401	-	23,401	29,010
Total Operating	23,401	-	23,401	29,010
Administrative				
Bad Debts	(7)	-	(7)	(1,100)
Management Fees	15,560	-	15,560	15,360
Income Taxes	-	-	-	-
Insurance	5,632	-	5,632	5,350
Office and Communications	4,073	-	4,073	3,824
Professional Fees	2,747	-	2,747	2,472
Total Administrative	28,005	-	28,005	25,906
Total Expenditures	148,043	52,094	200,137	234,006
EXCESS of REVENUE OVER EXPENDITURES	19,750	37,548	57,298	16,933
Fund Balances, Beginning of Year	53,121	264,911	318,032	301,099
FUND BALANCES, End of Year	<u>\$ 72,871</u>	<u>\$ 302,459</u>	<u>\$ 375,330</u>	<u>\$ 318,032</u>

See Notes to Financial Statements

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.
STATEMENTS of CASH FLOWS

	YEARS ENDED FEBRUARY 28,			
	2014			2013
	Operating Fund	Common and Building Funds	Total	Total
CASH PROVIDED (USED) by OPERATING ACTIVITIES:				
Excess (Deficit) of Revenue Over Expenditures	\$ 19,750	\$ 37,548	\$ 57,298	\$ 16,933
Adjustments to Reconcile Excess (Deficit) of Revenue over Expenditures to Net Cash Provided (Used) by Operating Activities				
Assessments Receivable, Net	2,826	-	2,826	(186)
Accrued Interest Receivable	-	121	121	116
Prepaid Items	189	-	189	1,568
Accounts Payable and Accrued Liabilities	(8,077)	-	(8,077)	(6,566)
Deferred Assessments	(1,870)	-	(1,870)	(141)
Total Cash Provided (Used) by Operating Activities	12,818	37,669	50,487	11,724
CASH PROVIDED (USED) by INVESTING ACTIVITIES:				
Certificates of Deposit	-	-	-	(657)
Interfund Transfers	-	-	-	-
Total Cash Provided (Used) by Investing Activities	-	-	-	(657)
NET INCREASE (DECREASE) in CASH	12,818	37,669	50,487	11,067
Cash, Beginning of Year	67,387	119,122	186,509	175,441
CASH, End of Year	\$ 80,205	\$ 156,791	\$ 236,996	\$ 186,508
Supplemental Disclosure				
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -	\$ -

See Notes to Financial Statements

TAMARAC HILLS HOMEOWNERS ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS
FEBRUARY 28, 2014 and 2013

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.

Fund Accounting

The books and records of the Association are maintained to recognize two 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 and tree trimming is completed as needed. 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 28, 2014 and 2013

(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.

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.

Interfund Balances

At various times, the Operating Fund and the Replacement Fund may not have completed cash transfers between funds. Cash to be transferred from one fund to the other, if any, is recorded as interfund balances.

Deferred Assessments

Monthly assessments to the homeowners are billed in advance, and may be paid prior to the period billed. Any early payments received are recorded as deferred assessments 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, and other unrelated income. Income tax filings may be under a special election as a Homeowners Association, or as a standard Corporation. All funds are combined for income tax filing, and in the years ending February 28, 2014 and 2013 the Association chose to file standard corporate returns (forms 1120 and 112).

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS
FEBRUARY 28, 2014 and 2013
(Continued)

HISTORY and SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 28, 2014 and 2013. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash balances. Tamarac Hills Homeowners Association, Inc. maintains its cash balances in both national banks and with investment firms. The Federal Deposit Insurance Corporation provides up to \$250,000 of insurance at February 28, 2014 and 2013, for interest earning balances in national banks, and unlimited insurance on demand deposits. Investment firms provide insurance for the balances in their accounts. Based on the FDIC limits at year-end February 28, 2014 and 2013, the Association has \$-0- in uninsured deposits.

Reclassifications

Certain accounts from the 2013 financial statements have been reclassified to conform to the presentation at 2014.

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.

NOTE 2: Assessments Receivable, Net

The accounts receivable from homeowners arise from monthly 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 \$0 and \$1,800 at February 28, 2014 and 2013 based on the time and effort involved in attempting collection, and court decisions relegating Associations to a limited amount in bankruptcy. Assessments receivables are shown on the Association's financial statements at the total receivable amount net of the allowance for uncollectable accounts.

TAMARAC HILLS

HOMEOWNERS ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

FEBRUARY 28, 2014 and 2013

(Continued)

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. The *Level 1 Full Reserve Study*, 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 February 28, 2014 and 2013 of \$259,280 and \$226,487 compare to the study's recommended funded balance of \$60,638 and \$69,335 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 the 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: Replacement Projects

The Board of the Association plans the Replacement Funds expenditures each year depending on the *Level 1 Full Reserve Study*, and on owners' reports of physical conditions. During the years covered herein, the following projects were undertaken and completed:

<u>Project Description</u>	<u>Years Ended February 28,</u>	
	<u>2014</u>	<u>2013</u>
Building Fund		
Building Exterior Renovation	\$ 30,355	\$ 26,678
Tree Trimming	-	18,635
Common Fund		
Grounds Maintenance	10,145	2,884
Retaining Wall	2,967	35,755
Street Paving	8,627	10,130
<i>Total Replacement Funds Projects</i>	<u>\$ 52,094</u>	<u>\$ 94,082</u>

TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

FEBRUARY 28, 2014 and 2013

(Continued)

NOTE 5: Contingencies

The Association is a party to various legal actions normally associated with homeowners associations, such as the collection of delinquent accounts and owner compliance with the covenants, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

NOTE 6: Subsequent Events

For the year ended February 28, 2014 and 2013, the Association has evaluated subsequent events for potential recognition and disclosure through May 1, 2014, the date of the financial statement issuance.

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

SUPPLEMENTARY INFORMATION

FEBRUARY 28, 2014

L.R. COMPTON II, LLC

Certified Public Accountants

3595 S. Teller Street, Suite 402

Lakewood, Colorado 80235

(303) 980-6232

Independent Auditor's Report on Supplementary Information

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

We have audited the financial statements of Tamarac Hills Homeowners Association, Inc. as of and for the years ended February 28, 2014 and 2013, and our report thereon dated May 1, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The *Schedule of Actual Revenue and Expenditures Versus Budget, Operating Fund* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that column marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Level 1 Full Reserve Study*, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

May 1, 2014



TAMARAC HILLS
HOMEOWNERS ASSOCIATION, INC.

SCHEDULE of ACTUAL REVENUE and
EXPENDITURES VERSUS BUDGET
YEAR ENDED FEBRUARY 28, 2014

OPERATING FUND

	Actual	Budget (Unaudited)	Difference (Over)/Under Budget
REVENUE			
Assessments	\$ 255,960	\$ 255,960	\$ -
Other Income	<u>223</u>	<u>100</u>	<u>123</u>
Total Revenue	<u>256,183</u>	<u>256,060</u>	<u>123</u>
EXPENDITURES			
Maintenance Expenses			
Grounds	57,605	63,250	5,645
Pool	9,841	10,500	659
Snow Removal	<u>29,191</u>	<u>32,750</u>	<u>3,559</u>
Total Maintenance	96,637	106,500	9,863
Operating Expenses			
Transfer to Common Fund	53,328	53,328	-
Transfer to Building Fund	35,062	35,062	-
Utilities	<u>23,402</u>	<u>29,100</u>	<u>5,698</u>
Total Operating	<u>111,792</u>	<u>117,490</u>	<u>5,698</u>
Administrative Expenses			
Management Fees	15,560	15,560	-
Bad Debt	(7)	-	7
Office and Communications	4,073	3,950	(123)
Income Taxes	-	500	500
Insurance	5,632	6,450	818
Professional Fees	<u>2,747</u>	<u>5,600</u>	<u>2,853</u>
Total Administrative	<u>28,005</u>	<u>32,060</u>	<u>4,055</u>
Total Expenditures	<u>236,434</u>	<u>256,050</u>	<u>19,616</u>
EXCESS of REVENUE OVER EXPENDITURES	<u>\$ 19,749</u>	<u>\$ 10</u>	<u>\$ 19,739</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 28, 2014

(Unaudited)

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 Remaining Useful Life in Years at August 3, 2011</u>	<u>Estimated Current Replacement Costs at August 3, 2011</u>
Paving and Curbing	4 - 20	\$ 101,600
Flatwork	6 - 7	5,902
Landscaping	1 - 25	161,740
Facade	1 - 6	8,585
Roofing	25	1,872
Interior	15	5,000
Mechanical	2 - 4	7,150
Amenities	1 - 4	41,620
Miscellaneous	2 - 22	<u>67,500</u>
<i>Total Cost Projection based on 1 cycle</i>		\$ <u>400,969</u>