

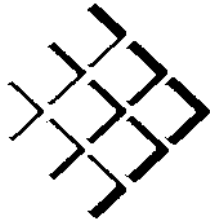
**TRAILMARK  
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**And**

**INDEPENDENT AUDITORS' REPORT**

**For The Year Ended December 31, 2009**



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



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**Independent Auditors' Report**

To the Board of Directors and Members  
Trailmark Homeowners Association, Inc.

We have audited the accompanying balance sheet of Trailmark Homeowners Association, Inc. as of December 31, 2009, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 audit provides 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 Trailmark Homeowners Association, Inc. as of December 31, 2009, 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.

The supplementary information on future major repairs and replacements included in this report is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the supplementary information is in conformity with guidelines established by accounting principles generally accepted in the United States of America.

Certified Public Accountants  
Lakewood, Colorado  
December 27, 2010

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**Trailmark Homeowners Association, Inc.**  
**Balance Sheet**  
**December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
<b>ASSETS:</b>			
Cash: checking and money market accounts	\$72,590	\$521,627	\$594,217
Accounts receivable - members, net of an allowance for doubtful accounts of \$4,500	19,629		19,629
Prepaid income tax	1,808		1,808
Prepaid expenses	1,245		1,245
	<u>\$95,272</u>	<u>\$521,627</u>	<u>\$616,899</u>
<b>LIABILITIES:</b>			
Accounts payable	\$28,382	\$3,693	\$32,075
Income tax payable	31		31
Deferred revenue - prepaid assessments	46,776		46,776
	<u>75,189</u>	<u>3,693</u>	<u>78,882</u>
<b>MEMBERS' EQUITY:</b>			
Fund balances	20,083	517,934	538,017
	<u>\$95,272</u>	<u>\$521,627</u>	<u>\$616,899</u>

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

**Trailmark Homeowners Association, Inc.**  
**Statement of Revenues and Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
<b>REVENUES:</b>			
Assessments - members (Note 3)	\$307,273		\$307,273
Budgeted allocation of assessments to reserve fund	(2,180)	\$2,180	0
Legal fees, late fees and other member charges	26,067		26,067
Other income	9,867		9,867
Interest		7,251	7,251
	<u>341,027</u>	<u>9,431</u>	<u>350,458</u>
<b>EXPENDITURES:</b>			
<b>Administrative</b>			
Management fees	\$32,964		\$32,964
Legal and audit fees	18,755		18,755
Social	10,773		10,773
Newsletter	12,521		12,521
Covenant patrol	12,095		12,095
Income tax	223		223
Bad debts expense	2,246		2,246
Other administrative costs	23,487	\$130	23,617
<b>Grounds</b>			
Trash removal	121,229		121,229
Landscape contract	19,432		19,432
Snow removal	6,925		6,925
Sprinkler repairs	10,281		10,281
Holiday lighting	6,432		6,432
Other grounds	13,944		13,944
<b>Utilities</b>			
Water and sewer	24,115		24,115
Gas and electric	1,803		1,803
<b>Reserve</b>			
Fence		16,975	16,975
Columns		6,505	6,505
Professional		625	625
Grounds		13,842	13,842
	<u>317,225</u>	<u>38,077</u>	<u>355,302</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<b>23,802</b>	<b>(28,646)</b>	<b>(4,844)</b>
Working capital contributions	640		640
Fund balances - beginning of year	8,245	533,976	542,221
Elimination of prior year-end interfund balance (Note 4)	(12,604)	12,604	0
<b>Fund balances - end of year</b>	<u><b>\$20,083</b></u>	<u><b>\$517,934</b></u>	<u><b>\$538,017</b></u>

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

**Trailmark Homeowners Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess (deficiency) of revenues over expenditures	\$23,802	(\$28,646)	(\$4,844)
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(6,716)		(6,716)
(Increase) decrease in prepaid income tax	(1,808)		(1,808)
Increase (decrease) in accounts payable	16,716	3,693	20,409
Increase (decrease) in income taxes payable	(2,850)		(2,850)
Increase (decrease) in prepaid assessments	(3,471)		(3,471)
Total adjustments	<u>1,871</u>	<u>3,693</u>	<u>5,564</u>
Net cash provided by (used in) operating activities	<u>25,673</u>	<u>(24,953)</u>	<u>720</u>
Working capital contributions	640		640
Cash at beginning of year	<u>46,277</u>	<u>546,580</u>	<u>592,857</u>
<b>Cash at end of year</b>	<b><u><u>\$72,590</u></u></b>	<b><u><u>\$521,627</u></u></b>	<b><u><u>\$594,217</u></u></b>
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Income taxes paid during the year	<u><u>\$4,881</u></u>	<u><u>\$0</u></u>	<u><u>\$4,881</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.

**Trailmark Homeowners Association, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
**December 31, 2009**  
**Unaudited**

An independent engineer conducted a study in 2010 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 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.

<b>Activity / Component</b>	<b>As of July 2010</b>	
	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Repair and Replacement Costs</b>
Wood fencing - restrain	0 - 3	\$76,775
Monument - rebuild	15	9,750
Rock signs - repair	6	15,500
Wood fencing - replace	11 - 14	382,475
Rock column structures - replace	6	5,750
Irrigation system - rebuild	7	55,000
Irrigation timeclocks	1 - 11	15,500
Total		<u>\$560,750</u>
Reserve fund balance at December 31, 2009		<u><u>\$517,934</u></u>

**Trailmark Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009**

**NOTE 1. ORGANIZATION**

Trailmark Homeowners Association, Inc. ("The Association") is a residential management association incorporated on February 20, 1997 as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property (primarily fences, landscaping, and concrete sidewalks) on behalf of its members. The Association is located in Jefferson County, Colorado and consists of the owners of 800 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 operating and reserve. The operating fund is used to account for the general operations of the Association. The reserve 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 real property and common areas are 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 cash.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires 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.

WORKING CAPITAL CONTRIBUTIONS

The Association's governing documents require each homeowner to pay a working capital contribution of two times the monthly assessment rate in effect at the time of their closings. Those working capital contributions have been commingled with other Association operating fund resources and are thus included in operating fund equity.

**Trailmark Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009**

**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 \$96 per quarter during 2009. Assessments for the year included amounts designated in the Association's budget for the reserve fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

**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. 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 2009 allocated \$2,180 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 expenditures 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.

At the end of the prior year the Association had a reserve fund payable to the operating fund of \$12,604. That interfund balance was not repaid during 2009 and no plans are in place to repay that balance in future years. Therefore the prior year-end interfund balance has been eliminated as of the end of the current year.

**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 net taxable income for the year which was taxed at a 30% rate on the federal return and at a 4.63% rate on the Colorado return. The Association's federal income taxes for 2009 were \$192; Colorado income taxes were \$31.