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CERTIFIED PUBLIC ACCOUNTANTS
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LAKEWOOD, CO 80227

MEMBER
ROCKY MOUNTAIN CHAPTER
community
ASSOCIATIONS INSTITUTE

The Board of Directors and Members
Trailmark Homeowners Association, Inc.
C/O Hammersmith Management, Inc.
5619 DTC Parkway, Suite 900
Greenwood Village, CO 80111

July 17, 2009

Dear Board and Members,

We recently completed our audit of the Association's financial statements for the year ended December 31, 2008. During our procedures we noted the following matters to bring to the attention of the Board and Members.

Trash Payments

The December 31, 2007 audit noted that the Association was two months ahead on its trash payments. The $11,920 prepaid trash balance ad two components: a duplicate payment for March, 2006 and a more standard prepaid trash amount for an advance payment (January trash was paid in December). Typically we would have expected the prepaid total to have been "used" when the Association changed trash providers. However, that did not occur. The duplicate March payment was not recovered and both the former and the current trash providers were paid for December 2008 service.

Our understanding is that the new trash provider actually did provide the December, 2008 trash service. Further, we understand that the Association's prior trash provider is out of business. Therefore, collection of any of the $11,920 in overpayments made to that firm is unlikely. As a result we have eliminated the prepaid trash balance from the December 31, 2008 balance sheet.

Homeowner Receivable

Homeowner account #142-9595190 had a December 31, 2008 balance of $1,965.74. That account is shown on the receivables detail report as having been sent to the attorney. However, based on our review of the attorney status letter, the attorney is not dealing with that account. We suggest that this situation be reviewed.

Old Outstanding Checks

Two old checks (#6391 written September 11, 2008 and #6393 written September 17, 2008) were in the December 31, 2008 checking account reconciliation. Those checks had not cleared the bank as of the May 31, 2009 reconciliation. They should be reviewed, voided, and if appropriate, reissued.

Elimination of Prior Year-End Interfund Balance

The Association's audited December 31, 2007 balance sheet had a reserve fund payable to the operating fund of $11,230. That interfund balance was not repaid during 2008. A build-up of an interfund balance can result in misleading information regarding the true status of both the operating fund and the reserve fund. Therefore this year's Statement of Revenues and Expenditures and Changes in Fund Balances eliminates the prior year interfund balance.

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July 17, 2009

Missing Receipts

In the prior year audit we had the following comment:

> We noted several instances where checks were issued without supporting documentation. Those checks were generally related to social activities. As a matter of internal control, management should be provided with copies of receipts and invoices when checks are requested.

We again noted many payments related to social expenses that did not have supporting documentation. We reiterate our recommendation that receipts be provided to management before checks are cut. We did see spreadsheets detailing expenses, but without receipts, there is no solid proof that dollars were spent at shown on the spreadsheet.

Operating/Reserve Interfund Receivable/(Payable)

The December 31, 2008 audited financial statements shows that the reserve fund owed the operating fund $12,604 as of that date. That balance resulted from net contributions to the reserve fund in excess of the budgeted amount. We did not locate any Board approvals for incremental reserve fund contributions of this amount. The Association should either transfer cash from the reserve 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 operating fund).

This letter is intended solely for the use of the Board and Members of the Association to assist in management 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.

Weidner & Associates, P.C.

TRAILMARK
HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITORS' REPORT

For The Year Ended December 31, 2008

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

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, 2008, 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, 2008, 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.

Weidner & Associates, P.C.

Certified Public Accountants
Lakewood, Colorado
July 17, 2009

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Trailmark Homeowners Association, Inc.
Balance Sheet
December 31, 2008

	Operating Fund	Reserve Fund	Total Funds
ASSETS:			
Cash:			
Checking and money market accounts	$46,277		$46,277
Certificate of deposit		$546,580	546,580
Total cash	46,277	546,580	592,857
Accounts receivable - members, net of an allowance for doubtful accounts of $4,500	12,913		12,913
Prepaid expenses	1,245		1,245
Interfund receivable (payable)	12,604	(12,604)	0
	$73,039	**$533,976**	**$607,015**
LIABILITIES:			
Accounts payable	$11,666		$11,666
Income tax payable	2,881		2,881
Deferred revenue - prepaid assessments	50,247		50,247
	64,794	0	64,794
MEMBERS' EQUITY:			
Fund balances	8,245	533,976	542,221
	$73,039	**$533,976**	**$607,015**

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, 2008

	Operating Fund	Reserve Fund	Total Funds
REVENUES:			
Assessments - members (Note 3)	$307,200		$307,200
Budgeted allocation of assessments to reserve fund	(37,800)	$37,800	0
Legal fees, late fees and other member charges	14,728		14,728
Other income	6,679		6,679
Interest		12,667	12,667
	290,807	50,467	341,274
EXPENDITURES:			
Administrative			
Management fees	$32,764		$32,764
Social	30,453		30,453
Legal and audit fees	17,484		17,484
Newsletter	16,629		16,629
Income tax	2,881		2,881
Bad debts	2,847		2,847
Other administrative costs	26,212	$50	26,262
Grounds			
Trash removal	91,441		91,441
Common area improvement	21,005		21,005
Landscape contract	15,514		15,514
Sprinkler repairs	5,998		5,998
Snow removal	5,288		5,288
Utilities			
Water and sewer	25,254		25,254
Gas and electric	934		934
Reserve			
Landscape		51,947	51,947
Fence		12,045	12,045
Common area		11,265	11,265
	294,704	75,307	370,011
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**(3,897)**	**(24,840)**	**(28,737)**
Working capital contributions	864		864
Fund balances - beginning of year	22,508	547,586	570,094
Elimination of prior year-end interfund balance (Note 4)	(11,230)	11,230	0
Fund balances - end of year	**$8,245**	**$533,976**	**$542,221**

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, 2008

	Operating Fund	Reserve Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenditures	($3,897)	($24,840)	($28,737)
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(65)		(65)
(Increase) decrease in prepaid expenses	11,920		11,920
Change in interfund receivable (payable)	(12,604)	12,604	0
Increase (decrease) in accounts payable	(1,072)		(1,072)
Increase (decrease) in income taxes payable	(2,237)		(2,237)
Increase (decrease) in prepaid assessments	20,226		20,226
Total adjustments	16,168	12,604	28,772
Net cash provided by (used in) operating activities	12,271	(12,236)	35
Working capital contributions	864		864
Cash at beginning of year	33,142	558,816	591,958
Cash at end of year	**$46,277**	**$546,580**	**$592,857**

Supplemental Disclosure of Cash Flows Information:

	Operating Fund	Reserve Fund	Total Funds
Income taxes paid during the year	$5,118	$0	$5,118
Interest paid during the year	$0	$0	$0

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, 2008
Unaudited

An independent engineer conducted a study in 2006 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.

	As of November 2006	
Activity / Component	**Estimated Remaining Useful Lives (Years)**	**Estimated Current Repair and Replacement Costs**
Wood fencing - restain	20	$14,150
3-Rail fencing - restain	0	6,550
Concrete sidewalks/decks - repair	3	31,125
Monument - rebuild	16	9,750
Rock signs - repair	4	15,500
Privacy fencing - replace	10	71,775
Rock column structures - replace	4	5,750
3-Rail fencing - replace	10	39,275
Irrigation timeclocks	4	13,750
Total		$207,625
Reserve fund balance at December 31, 2008		$533,976

Trailmark Homeowners Association, Inc.
Notes to Financial Statements
December 31, 2008

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, 2008

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 2008. 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 2008 allocated $37,800 of assessment revenues to the reserve fund. The budgeted allocation is included in reserve fund revenues in the Statement of Revenues and Expenditures and Changes in Fund Balances for the year. Net transfers to the reserve fund were $50,404, a difference of $12,604. That difference is reflected as the year end reserve fund payable to the operating fund.

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 $11,230. That interfund balance was not repaid during 2008 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 2008 were $2,480; Colorado income taxes were $401.