

Smoky Ridge Maintenance Association, Inc.

Audited Financial Statements
December 31, 2017



Smoky Ridge Maintenance Association, Inc.
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Independent Auditors' Report

To the Board of Directors
Smoky Ridge Maintenance Association, Inc.

We have audited the accompanying financial statements of Smoky Ridge Maintenance Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in members' equity and cash flows for the period 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.

Auditors' Responsibility

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 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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Smoky Ridge Maintenance Association, Inc., at December 31, 2017, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule of Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Griffin Group, CPA

Denver, Colorado
May 1, 2018

Smoky Ridge Maintenance Association, Inc.
December 31, 2017

Balance Sheet

	Operating Fund	Replacement Fund	Total
Assets:			
Cash and cash equivalents	\$ 63,170	\$ 8,954	\$ 72,124
Accounts receivable, net	2,208	-	2,208
Prepaid insurance	2,137	-	2,137
Total assets	\$ 67,515	\$ 8,954	\$ 76,469
Liabilities:			
Accounts payable	\$ 130	\$ -	\$ 130
Prepaid assessments	38,700	-	38,700
Total liabilities	38,830	-	38,830
Members' equity:			
Fund balance (deficit)	28,685	8,954	37,639
Total members' equity	28,685	8,954	37,639
Total liabilities and members' equity	\$ 67,515	\$ 8,954	\$ 76,469

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

Smoky Ridge Maintenance Association, Inc.
December 31, 2017

Statement of Revenues, Expenses, and Changes in Members' Equity

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$ 107,636	\$ 18,000	\$ 125,636
Late fees and other income	1,321	-	1,321
Interest income	29	3	32
Total revenues	108,986	18,003	126,989
Expenses:			
Administrative	9,478	-	9,478
Grounds maintenance	33,064	-	33,064
Insurance	486	-	486
Management	26,220	-	26,220
Professional fees	9,987	-	9,987
Snow removal	750	-	750
Water and sewer	18,420	-	18,420
Repair and replacement	-	13,278	13,278
Total expenses	98,405	13,278	111,683
Excess (deficit) of revenues over expenses	10,581	4,725	15,306
Members' equity:			
Beginning of year	53,561	(31,228)	22,333
Interfund transfer	(35,457)	35,457	-
End of Year	\$ 28,685	\$ 8,954	\$ 37,639

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

Smoky Ridge Maintenance Association, Inc.
December 31, 2017

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
Operating activities:			
Excess (deficit) of revenues over expenses	\$ 10,581	\$ 4,725	\$ 15,306
Interfund transfer	(35,457)	35,457	-
Decrease (increase) in operating assets:			
Accounts receivable, net	11,292	-	11,292
Prepaid insurance	(8)	-	(8)
Interfund due from	31,228	-	31,228
Increase (decrease) in operating liabilities:			
Accounts payable	(1,941)	-	(1,941)
Prepaid assessments	(1,190)	-	(1,190)
Interfund due to	-	(31,228)	(31,228)
Cash provided by (used from) operating	14,505	8,954	23,459
Net change in cash and cash equivalents	14,505	8,954	23,459
Cash and cash equivalents:			
Beginning of year	48,665	-	48,665
End of year	\$ 63,170	\$ 8,954	\$ 72,124
Supplemental Information:			
Cash paid for income taxes	\$ -	\$ -	\$ -
Cash paid for interest	\$ -	\$ -	\$ -

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

(1) Nature of the Organization

Smoky Ridge Maintenance Association, Inc. (the "Association") is a nonprofit corporation organized pursuant to the laws of Colorado on March 11, 1985. The Association was formed to maintain all common property and to govern the community in accordance with the governing documents. The community consists of 516 single family homes located in the Centennial, Colorado.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Accounting Standards Codification as produced by the Financial Accounting Standards Board is the sole source of authoritative GAAP for non-governmental entities.

Basis of Presentation

The Association's governing documents provide certain guidelines for governing its financial activities which includes using a system of fund accounting to classify financial resources to their intended purpose.

The Operating Fund is used to account and report for the use of operating resources.

The Replacement Fund is used to account and report for resources designated for future major repairs and replacement.

Funding Policy

Assessments to unit owners for their proportionate share of common expenses and for funds designated for future major repairs and replacements are based upon a budget established by the board of directors. Special assessments may also be imposed from time to time as deemed appropriate. Any excess assessments at years' end are retained by the Association for use in future years.

Revenue Recognition

Regular member assessments are recognized as revenue during the period for which they are assessed. Assessments received in advance of the period are reported as prepaid assessments on the balance sheet.

Property

The real property acquired from the developer and related improvements to such property are not recognized assets on the balance sheet. Interests in the common elements are owned by the members in common. The Association is responsible to maintain all common property.

Use of Estimates

The preparation of these financial statements requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management base their estimates on historical experience and on various other assumptions and factors that are believed to be reasonable. Actual results may vary from these estimates, and such variations may be material.

(3) Concentration of Credit Risk

The Federal Deposit Insurance Corporation ("FDIC") insures deposit accounts at the respective financial institutions up to \$250,000. The Association maintains balances, which at time, may exceed FDIC insurance levels, however, as of December 31, 2017 the Association held no balance in excess those limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

(4) Federal Income Taxes

The Association elects to file as a homeowners' association using form 1120-H, under Internal Revenue Code Section 528. Under that section, the Association is not taxed on income related to its exempt purpose, which consists primarily of member assessments. Nonexempt function income is taxed at 30%, however, for the period ended December 31, 2017 the Association had no federal tax liability.

The Association's federal tax filings are subject to examination for three years.

(5) Future Major Repairs and Replacements

The Association's governing documents provide certain guidelines for governing its financial activities which includes that each proposed budget includes provisions for reserves for future major repairs and replacements. These accounts, if adopted, are restricted to their intended purpose unless modified by a vote of the board of directors.

The approved budget includes provisions for future major repairs and replacements. These funds are being accumulated based on estimated future costs. Actual results may vary from these estimates, and such 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 funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

(6) Cash and Cash Equivalents

Cash and cash equivalents consists of all highly liquid instruments available for current use. Cash and cash equivalents are carried at historical cost, which approximates market value.

(7) Accounts Receivable, Net

The Association governing documents provide for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances.

In determining the collectability of specific unit owner balances, management considers the number of days' delinquent and the owner's payment history. Accordingly, based on managements' judgment, the Association provided for estimated uncollectible amounts of \$6,000.

(8) Commitments

The Association has various contracts to maintain all common property. These contracts have different expiration dates and renewal terms.

(9) Contingencies

The Association is party to various legal actions normally associated with common interest communities, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

(10) Subsequent Events

Management has evaluated subsequent events through May 1, 2018 the date these financial statements were available to be issued. There was no material subsequent event that required recognition or additional disclosure in these financial statements.

Supplemental Information

Schedule of Future Major Repairs and Replacements

The Association conducted an independent study, dated December 31, 2017, to estimate the remaining useful life and the replacement costs of the significant components of common property. The reserve component detail from that study is presented in the following page. Actual results may vary from these estimates, and such variations may be material.

Component Summary
Smoky Ridge

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Painting							
Wood Fencing Himalaya	2500	LF	5	5	\$ 3.70	\$ 9,250	3
Wood Fencing Progress/Crestline	2736	LF	5	2	\$ 3.70	\$ 10,123	3
Wood Fencing Progress/Crestline	2736	LF	5	4	\$ 3.70	\$ 10,123	3
Wood Fencing Progress/Crestline	2736	LF	5	5	\$ 3.70	\$ 10,123	3
						\$ 39,620	
Fencing/Rails							
Wood Fencing Himalaya	2500	LF	20	19	\$ 50.76	\$ 126,900	3
Wood Fencing Progress/Crestline	2736	LF	20	2	\$ 50.76	\$ 138,879	3
Wood Fencing Progress/Crestline	2736	LF	20	4	\$ 50.76	\$ 138,879	3
Wood Fencing Progress/Crestline	2736	LF	20	6	\$ 50.76	\$ 138,879	3
						\$ 543,538	
Landscaping							
Irrigation System Upgrade	1	Allowance	25	2	\$ 100,000	\$ 100,000	1
Landscape Upgrades	1	Allowance	25	3	\$ 80,000	\$ 80,000	1
Tree Trimming	1	Allowance	2	2	\$ 10,000	\$ 10,000	1
Tree Trimming			Included in Operating Budget				3
						\$ 190,000	
Miscellaneous							
Cluster Mailboxes Newer	6	Each	24	21	\$ 1,350	\$ 8,100	1
Cluster Mailboxes	20	Each	24	3	\$ 1,350	\$ 27,000	1
Cluster Mailboxes	5	Each	24	1	\$ 1,350	\$ 6,750	1
Parcel Lockers Newer	6	Each	24	21	\$ 850	\$ 5,100	1
Parcel Lockers	11	Each	24	3	\$ 850	\$ 9,350	1
Individual Mailboxes			Individual Owner Responsibility				
Entry Monuments	1	Allowance	20	15	\$ 10,000	\$ 10,000	3
						\$ 66,300	
Contingency							
5%							1

TOTALS**\$ 839,458**

Notes: Any other items not listed are included in operating budget.