

**HOBBS & MURPHY, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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Villas at Elk Run Homeowners Association  
Basalt, Colorado

We have compiled the accompanying Statement of Assets, Liabilities, Equity - Income Tax Basis of Villas at Elk Run Homeowners Association, as of December 31, 2010 and the related statement of Revenues and Expenses - Income Tax Basis for the twelve months and year to date then ending December 31, 2010 in accordance with standards established by the American Institute of Certified Public Accountants (Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants). The financial statements have been prepared on the accounting basis used by the association for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the association's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

**Hobbs & Murphy, PC**

Tim Hobbs, CPA  
March 14, 2011

**Villas @ Elk Run Homeowners Assoc.**  
**Statement of Assets, Liabilities & Equity-Income Tax Basis**  
**As of December 31, 2010**

	<u>Dec 31, 10</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
Alpine Bank OP	263.27
Alpine Bank MM	500.00
Comm Banks Op New 7835	53,245.86
Comm Banks MM New 843	62,338.88
RESERVE ACCOUNTS	15,847.46
<b>Total Checking/Savings</b>	132,195.47
Accounts Receivable	
ACCOUNTS RECEIVABLE	33,510.11
<b>Total Accounts Receivable</b>	33,510.11
Other Current Assets	
Prepaid Taxes	200.00
<b>Total Other Current Assets</b>	200.00
<b>Total Current Assets</b>	165,905.58
<b>Fixed Assets</b>	
Dell Computer	767.94
Accumulated Depreciation	-767.94
<b>Total Fixed Assets</b>	0.00
<b>TOTAL ASSETS</b>	<b>165,905.58</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
Accounts Payable	16,196.90
<b>Total Accounts Payable</b>	16,196.90
<b>Total Current Liabilities</b>	16,196.90
<b>Long Term Liabilities</b>	
N/P Alpine Bank	135,000.00
<b>Total Long Term Liabilities</b>	135,000.00
<b>Total Liabilities</b>	151,196.90
<b>Equity</b>	
Fund Balance	113,409.12
Net Income	-98,700.44
<b>Total Equity</b>	14,708.68
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>165,905.58</b>

**Villas @ Elk Run Homeowners Assoc.**  
**Revenues & Expenses Budget vs. Actual-Income Tax Basis**  
 January through December 2010

	Jan - Dec 10	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Assessments	195,175.68	195,176.00	-0.32	100.0%
Finance Charges / Late Fees	1,326.72	1,000.00	326.72	132.7%
Interest Income	1,177.12	600.00	577.12	196.2%
Miscellaneous Income	150.00	150.00	0.00	100.0%
Pet Registration	3,567.00	3,000.00	567.00	118.9%
<b>Total Income</b>	<b>201,396.52</b>	<b>199,926.00</b>	<b>1,470.52</b>	<b>100.7%</b>
<b>Expense</b>				
Accounting/Legal	15,903.00	8,000.00	7,903.00	198.8%
Dog Grounds Maintenance	2,876.10	3,500.00	-623.90	82.2%
Elk Run Master Owners' Dues	2,338.00	2,500.00	-162.00	93.5%
General & Admin Expense	16,550.00	18,000.00	-1,450.00	91.9%
Insurance	19,615.23	20,000.00	-384.77	98.1%
Landscaping	17,222.71	20,000.00	-2,777.29	86.1%
Miscellaneous G & A	187.14			
Office Supplies/Postage	848.21	700.00	148.21	121.2%
Repairs & Maintenance	29,904.57	25,000.00	4,904.57	119.6%
Snow Removal	16,351.20	20,000.00	-3,648.80	81.8%
Taxes	0.00	500.00	-500.00	0.0%
Utilites	84,217.04	83,000.00	1,217.04	101.5%
Website	600.00	700.00	-100.00	85.7%
<b>Total Expense</b>	<b>206,613.20</b>	<b>201,900.00</b>	<b>4,713.20</b>	<b>102.3%</b>
<b>Net Ordinary Income</b>	<b>-5,216.68</b>	<b>-1,974.00</b>	<b>-3,242.68</b>	<b>264.3%</b>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
Reserve Assessments	101,058.36	101,058.00	0.36	100.0%
Roof Special Assessment 10/10	172,874.23			
<b>Total Other Income</b>	<b>273,932.59</b>	<b>101,058.00</b>	<b>172,874.59</b>	<b>271.1%</b>
<b>Other Expense</b>				
New Roof	367,016.35			
Reserve Expenses	400.00	14,000.00	-13,600.00	2.9%
<b>Total Other Expense</b>	<b>367,416.35</b>	<b>14,000.00</b>	<b>353,416.35</b>	<b>2,624.4%</b>
<b>Net Other Income</b>	<b>-93,483.76</b>	<b>87,058.00</b>	<b>-180,541.76</b>	<b>-107.4%</b>
<b>Net Income</b>	<b>-98,700.44</b>	<b>85,084.00</b>	<b>-183,784.44</b>	<b>-116.0%</b>