

HOBBS & MURPHY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Compilation Report

To the Board of Directors
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, (a Colorado Corporation) as of December 31, 2011 and the related Statement of Revenues and Expenses - Income Tax Basis for the month ended December 31, 2011 and year to date then ending December 31, 2011, the Statement of Revenues & Expenses year to date ending December 31, 2011 as compared to previous year to date ended December 31, 2010, and Statement of Revenue and Expenses – Income Tax Basis Budget versus actual for the year to date ending December 31, 2011. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the income tax basis of accounting.

Management is (the owners are) responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management (the owners) in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has (the owners have) elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the association's assets, liabilities, equity, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Hobbs & Murphy, PC

Hobbs & Murphy PC

January 24, 2012

Villas @ Elk Run Homeowners Assoc.
Statement of Assets, Liabilities & Equity-Income Tax Basis
 As of December 31, 2011

	<u>Dec 31, 11</u>
ASSETS	
Current Assets	
Checking/Savings	
Alpine Bank OP	26,295.22
Alpine Bank MM	108,084.56
Total Checking/Savings	134,379.78
Accounts Receivable	
ACCOUNTS RECEIVABLE	8,978.89
Total Accounts Receivable	8,978.89
Total Current Assets	143,358.67
Fixed Assets	
Deff Computer	767.94
Accumulated Depreciation	-767.94
Total Fixed Assets	0.00
TOTAL ASSETS	143,358.67
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	20,966.77
Total Accounts Payable	20,966.77
Total Current Liabilities	20,966.77
Long Term Liabilities	
N/P Alpine Bank	240,495.22
Total Long Term Liabilities	240,495.22
Total Liabilities	261,461.99
Equity	
Fund Balance	14,708.68
Net Income	-132,812.00
Total Equity	-118,103.32
TOTAL LIABILITIES & EQUITY	143,358.67

Villas @ Elk Run Homeowners Assoc.
Statement of Revenues and Expenses-Income Tax Basis
December 2011

	Dec 11	Jan - Dec 11
Ordinary Income/Expense		
Income		
Assessments	17,728.53	208,350.78
Finance Charges / Late Fees	151.98	1,589.23
Interest Income	10.10	193.71
Miscellaneous Income	0.00	125.00
Pet Registration	0.00	3,500.00
Total Income	<u>17,890.61</u>	<u>213,758.72</u>
Expense		
Accounting/Legal	360.00	8,848.00
Bank Charges	0.00	5.00
Dog Grounds Maintenance	474.00	3,161.40
Elk Run Master Owners' Dues	0.00	7,650.00
General & Admin Expense		
Board Compensation	190.00	1,710.00
Management & Monitor Fees	1,585.00	16,795.00
Total General & Admin Expense	<u>1,775.00</u>	<u>18,505.00</u>
Insurance	2,145.13	23,164.20
Landscaping		
Landscaping-Other	0.00	22,610.37
Total Landscaping	<u>0.00</u>	<u>22,610.37</u>
Miscellaneous G & A	0.00	475.00
Office Supplies/Postage	88.44	607.31
Repairs & Maintenance	447.56	20,482.13
Snow Removal	920.00	6,169.60
Utilities		
Electricity	1,039.06	8,522.07
Sewer	9,849.60	36,288.00
Trash Removal	1,365.00	16,380.00
Water	6,196.80	27,056.40
Total Utilities	<u>18,450.46</u>	<u>88,246.47</u>
Website	50.00	683.90
Total Expense	<u>24,710.59</u>	<u>200,608.38</u>
Net Ordinary Income	-6,819.98	13,150.34
Other Income/Expense		
Other Income		
Reserve Assessments	6,007.17	36,043.02
Roof Special Assessment 10/10	5,560.23	66,722.76
Total Other Income	<u>11,567.40</u>	<u>102,765.78</u>
Other Expense		
New Roof	0.00	227,970.00
Roof Interest Expense	1,460.58	20,758.12
Total Other Expense	<u>1,460.58</u>	<u>248,728.12</u>
Net Other Income	<u>10,106.82</u>	<u>-145,962.34</u>
Net Income	<u>3,286.84</u>	<u>-132,812.00</u>

Villas @ Elk Run Homeowners Assoc.
Statement of Revenues & Expenses Prev Year Comp - Inc Basis
January through December 2011

	Jan - Dec 11	Jan - Dec 10	% Change
Ordinary Income/Expense			
Income			
Assessments	208,350.78	195,175.68	6.8%
Finance Charges / Late Fees	1,589.23	1,326.72	19.8%
Interest Income	193.71	1,177.12	-83.5%
Miscellaneous Income	125.00	150.00	-16.7%
Pet Registration	3,500.00	3,567.00	-1.9%
Total Income	213,758.72	201,396.52	6.1%
Expense			
Accounting/Legal	8,848.00	15,903.00	-44.4%
Bank Charges	5.00	0.00	100.0%
Dog Grounds Maintenance	3,161.40	2,876.10	9.9%
Elk Run Master Owners' Dues	7,650.00	2,338.00	227.2%
General & Admin Expense			
Board Compensation	1,710.00	0.00	100.0%
Management & Monitor Fees	16,795.00	16,550.00	1.5%
Total General & Admin Expense	18,505.00	16,550.00	11.8%
Insurance	23,164.20	19,615.23	18.1%
Landscaping			
Landscaping-Other	22,610.37	17,222.71	31.3%
Total Landscaping	22,610.37	17,222.71	31.3%
Miscellaneous G & A	475.00	187.14	153.8%
Office Supplies/Postage	607.31	848.21	-28.4%
Repairs & Maintenance			
Insurance Repairs	0.00	11,810.67	-100.0%
Repairs & Maintenance - Other	20,482.13	18,093.90	13.2%
Total Repairs & Maintenance	20,482.13	29,904.57	-31.5%
Snow Removal	6,169.60	16,351.20	-62.3%
Utilites			
Electricity	8,522.07	6,292.81	35.4%
Sewer	36,288.00	35,251.20	2.9%
Trash Removal	16,380.00	16,200.79	1.1%
Water	27,056.40	26,472.24	2.2%
Total Utilites	88,246.47	84,217.04	4.8%
Website	683.90	600.00	14.0%
Total Expense	200,608.38	206,613.20	-2.9%
Net Ordinary Income	13,150.34	-5,216.68	352.1%
Other Income/Expense			
Other Income			
Reserve Assessments	36,043.02	101,058.36	-64.3%
Roof Special Assessment 10/10	66,722.76	172,874.23	-61.4%
Total Other Income	102,765.78	273,932.59	-62.5%
Other Expense			
New Roof	227,970.00	367,016.35	-37.9%
Roof Interest Expense	20,758.12	0.00	100.0%
Reserve Expenses			
Roof/Gutter Work	0.00	400.00	-100.0%
Total Reserve Expenses	0.00	400.00	-100.0%
Total Other Expense	248,728.12	367,416.35	-32.3%
Net Other Income	-145,962.34	-93,483.76	-56.1%
Net Income	-132,812.00	-98,700.44	-34.6%

Villas @ Elk Run Homeowners Assoc.
Statement of Revenues & Expenses Budget vs Actual-Inc Basis
January through December 2011

	Jan - Dec 11	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Assessments	208,350.78	208,350.06	0.72	100.0%
Finance Charges / Late Fees	1,589.23	1,000.00	589.23	158.9%
Interest Income	193.71	120.00	73.71	161.4%
Miscellaneous Income	125.00	150.00	-25.00	83.3%
Pet Registration	3,500.00	3,000.00	500.00	116.7%
Total Income	<u>213,758.72</u>	<u>212,620.06</u>	<u>1,138.66</u>	<u>100.5%</u>
Expense				
Accounting/Legal	8,848.00	12,000.00	-3,152.00	73.7%
Bank Charges	5.00			
Dog Grounds Maintenance	3,161.40	3,000.00	161.40	105.4%
Elk Run Master Owners' Dues	7,650.00	2,338.00	5,312.00	327.2%
General & Admin Expense				
Board Compensation	1,710.00	2,025.00	-315.00	84.4%
Management & Monitor Fees	16,795.00	18,000.00	-1,205.00	93.3%
Total General & Admin Expense	<u>18,505.00</u>	<u>20,025.00</u>	<u>-1,520.00</u>	<u>92.4%</u>
Insurance	23,164.20	26,844.00	-3,679.80	86.3%
Landscaping				
Landscaping-Other	22,610.37	18,000.00	4,610.37	125.6%
Total Landscaping	<u>22,610.37</u>	<u>18,000.00</u>	<u>4,610.37</u>	<u>125.6%</u>
Miscellaneous G & A	475.00			
Office Supplies/Postage	607.31	1,000.00	-392.69	60.7%
Repairs & Maintenance				
Insurance Repairs	0.00	5,000.00	-5,000.00	0.0%
Repairs & Maintenance - Other	20,482.13	22,000.00	-1,517.87	93.1%
Total Repairs & Maintenance	<u>20,482.13</u>	<u>27,000.00</u>	<u>-6,517.87</u>	<u>75.9%</u>
Snow Removal	6,169.60	20,000.00	-13,830.40	30.8%
Taxes	0.00	100.00	-100.00	0.0%
Utilites				
Electricity	8,522.07	6,700.00	1,822.07	127.2%
Sewer	36,288.00	35,500.00	788.00	102.2%
Trash Removal	16,380.00	16,000.00	380.00	102.4%
Water	27,056.40	26,500.00	556.40	102.1%
Total Utilites	<u>88,246.47</u>	<u>84,700.00</u>	<u>3,546.47</u>	<u>104.2%</u>
Website	683.90	650.00	33.90	105.2%
Total Expense	<u>200,608.38</u>	<u>215,657.00</u>	<u>-15,048.62</u>	<u>93.0%</u>
Net Ordinary Income	<u>13,150.34</u>	<u>-3,036.94</u>	<u>16,187.28</u>	<u>-433.0%</u>
Other Income/Expense				
Other Income				
Reserve Assessments	36,043.02	36,043.02	0.00	100.0%
Roof Special Assessment 10/10	66,722.76	66,722.76	0.00	100.0%
Total Other Income	<u>102,765.78</u>	<u>102,765.78</u>	<u>0.00</u>	<u>100.0%</u>
Other Expense				
New Roof	227,970.00	225,795.00	2,175.00	101.0%
Roof Interest Expense	20,758.12	15,200.00	5,558.12	136.6%
Total Other Expense	<u>248,728.12</u>	<u>240,995.00</u>	<u>7,733.12</u>	<u>103.2%</u>
Net Other Income	<u>-145,962.34</u>	<u>-138,229.22</u>	<u>-7,733.12</u>	<u>105.6%</u>
Net Income	<u><u>-132,812.00</u></u>	<u><u>-141,266.16</u></u>	<u><u>8,454.16</u></u>	<u><u>94.0%</u></u>