

HOBBS & MURPHY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

206 Cody Lane ♦ Basalt, Colorado 81621 ♦ (970) 927-8510 fax (970) 927-8512

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 Previous Year Comparison - Income Tax Basis of Villas at Elk Run Homeowners Association, (a Colorado Corporation) as of December 31, 2012 and 2011 and the related Statement of Combined Revenues & Expenses Previous Year Comparison - Income Tax Basis for the twelve months ending December 31, 2012 and 2011 and the related Statement of Operating Revenues and Expenses - Income Tax Basis for the quarter and twelve months then ended December 31, 2012 and the Statement of Reserves Revenues & Expenses for the quarter and twelve months then ended December 31, 2012, and Statement of Operating Revenue and Expenses - Income Tax Basis Budget versus Actual for the year to date ending December 31, 2012, and the Statement of Reserves Revenue and Expenses - Income Tax Basis Budget versus Actual for the year to date ending December 31, 2012. 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

February 13, 2013

Villa @ Elk Run Homeowners Assoc.
Stmt of Assets, Liab & Equity Prev Yr Comp-Inc Tax Basis
As of December 31, 2012

	<u>Dec 31, 12</u>	<u>Dec 31, 11</u>	<u>\$ Change</u>
ASSETS			
Current Assets			
Checking/Savings			
Alpine Bank OP	29,224.30	26,295.22	2,929.08
Alpine Bank Reserves MM	133,209.27	108,084.56	25,124.71
Total Checking/Savings	162,433.57	134,379.78	28,053.79
Accounts Receivable			
ACCOUNTS RECEIVABLE	5,583.51	8,978.89	-3,395.38
Total Accounts Receivable	5,583.51	8,978.89	-3,395.38
Total Current Assets	168,017.08	143,358.67	24,658.41
Fixed Assets			
Dell Computer	767.94	767.94	0.00
Accumulated Depreciation	-767.94	-767.94	0.00
Total Fixed Assets	0.00	0.00	0.00
TOTAL ASSETS	<u>168,017.08</u>	<u>143,358.67</u>	<u>24,658.41</u>
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
Accounts Payable	22,700.06	20,966.77	1,733.29
Total Accounts Payable	22,700.06	20,966.77	1,733.29
Total Current Liabilities	22,700.06	20,966.77	1,733.29
Long Term Liabilities			
N/P Alpine Bank	174,829.03	240,495.22	-65,666.19
Total Long Term Liabilities	174,829.03	240,495.22	-65,666.19
Total Liabilities	197,529.09	261,461.99	-63,932.90
Equity			
Reserve Fund Balance	-252,544.64	0.00	-252,544.64
Operating Fund Balance	134,441.32	14,708.68	119,732.64
Net Income	88,591.31	-132,812.00	221,403.31
Total Equity	-29,512.01	-118,103.32	88,591.31
TOTAL LIABILITIES & EQUITY	<u>168,017.08</u>	<u>143,358.67</u>	<u>24,658.41</u>

Village @ Elk Run Homeowners Assoc.
Statement of Combined Rev & Exp Prev Year Comp - Inc Basis
January through December 2012

	Jan - Dec 12	Jan - Dec 11	% Change
Ordinary Income/Expense			
Income			
Assessments	212,742.36	208,350.78	2.1%
Finance Charges / Late Fees	1,919.40	1,589.23	20.8%
Interest Income	95.28	193.71	-50.8%
Miscellaneous Income	150.00	125.00	20.0%
Pet Registration	3,000.00	3,500.00	-14.3%
Total Income	217,907.04	213,758.72	1.9%
Expense			
Accounting/Legal	8,828.00	8,848.00	-0.2%
Bank Charges	0.00	5.00	-100.0%
Dog Grounds Maintenance	2,770.50	3,161.40	-12.4%
Elk Run Master Owners' Dues	0.00	7,650.00	-100.0%
General & Admin Expense			
Board Compensation	2,515.00	1,710.00	47.1%
Management & Monitor Fees	16,904.00	16,795.00	0.7%
Total General & Admin Expense	19,419.00	18,505.00	4.9%
Insurance	26,768.15	23,164.20	15.6%
Landscaping			
Landscaping-Other	27,074.01	22,610.37	19.7%
Total Landscaping	27,074.01	22,610.37	19.7%
Miscellaneous G & A	668.79	475.00	40.8%
Office Supplies/Postage	389.24	607.31	-35.9%
Repairs & Maintenance			
Insurance Repairs	915.00	0.00	100.0%
Repairs & Maintenance - Other	22,734.22	20,482.13	11.0%
Total Repairs & Maintenance	23,649.22	20,482.13	15.5%
Snow Removal	8,320.00	6,169.60	34.9%
Utilites			
Electricity	6,055.54	8,522.07	-28.9%
Sewer	39,916.80	36,288.00	10.0%
Trash Removal	17,202.00	16,380.00	5.0%
Water	29,817.99	27,056.40	10.2%
Total Utilites	92,992.33	88,246.47	5.4%
Website	600.00	683.90	-12.3%
Total Expense	211,479.24	200,608.38	5.4%
Net Ordinary Income	6,427.80	13,150.34	-51.1%
Other Income/Expense			
Other Income			
Reserve Assessments	72,086.04	36,043.02	100.0%
Roof Special Assessment 10/10	75,197.52	66,722.76	12.7%
Total Other Income	147,283.56	102,765.78	43.3%
Other Expense			
New Roof	0.00	227,970.00	-100.0%
Roof Interest Expense	14,010.70	20,758.12	-32.5%
Reserve Expenses			
Seal Driveways	16,000.00	0.00	100.0%
Epoxy Rock Reseal	35,109.35	0.00	100.0%
Total Reserve Expenses	51,109.35	0.00	100.0%
Total Other Expense	65,120.05	248,728.12	-73.8%
Net Other Income	82,163.51	-145,962.34	156.3%
Net Income	88,591.31	-132,812.00	166.7%

Vltra @ Elk Run Homeowners Assoc.
Statement of Operating Revenues & Expenses-Income Tax Basis
October through December 2012

	<u>Oct - Dec 12</u>	<u>Jan - Dec 12</u>
Ordinary Income/Expense		
Income		
Assessments	53,185.59	212,742.36
Finance Charges / Late Fees	536.65	1,919.40
Interest Income	15.60	95.28
Miscellaneous Income	0.00	150.00
Pet Registration	200.00	3,000.00
Total Income	<u>53,937.84</u>	<u>217,907.04</u>
Expense		
Accounting/Legal	2,197.50	8,828.00
Dog Grounds Maintenance	562.50	2,770.50
General & Admin Expense		
Board Compensation	630.00	2,515.00
Management & Monitor Fees	4,248.00	16,904.00
Total General & Admin Expense	<u>4,878.00</u>	<u>19,419.00</u>
Insurance	6,721.50	26,768.15
Landscaping		
Landscaping-Other	6,115.25	27,074.01
Total Landscaping	<u>6,115.25</u>	<u>27,074.01</u>
Miscellaneous G & A	658.79	668.79
Office Supplies/Postage	192.70	389.24
Repairs & Maintenance		
Insurance Repairs	915.00	915.00
Repairs & Maintenance - Other	4,515.13	22,734.22
Total Repairs & Maintenance	<u>5,430.13</u>	<u>23,649.22</u>
Snow Removal	3,695.00	8,320.00
Utilites		
Electricity	1,156.71	6,055.54
Sewer	10,368.00	39,916.80
Trash Removal	4,617.00	17,202.00
Water	6,454.46	29,817.99
Total Utilites	<u>22,596.17</u>	<u>92,992.33</u>
Website	150.00	600.00
Total Expense	<u>53,197.54</u>	<u>211,479.24</u>
Net Ordinary Income	<u>740.30</u>	<u>6,427.80</u>
Net Income	<u><u>740.30</u></u>	<u><u>6,427.80</u></u>

Village @ Elk Run Homeowners Assoc.
Statement of Reserves Revenues & Expenses-Income Tax Basis
October through December 2012

	<u>Oct - Dec 12</u>	<u>Jan - Dec 12</u>
Ordinary Income/Expense		
Income		
Interest Income	0.00	0.00
Total Income	<u>0.00</u>	<u>0.00</u>
Net Ordinary Income	0.00	0.00
Other Income/Expense		
Other Income		
Reserve Assessments	18,021.51	72,086.04
Roof Special Assessment 10/10	19,244.27	75,197.52
Total Other Income	<u>37,265.78</u>	<u>147,283.56</u>
Other Expense		
Roof Interest Expense	3,074.64	14,010.70
Reserve Expenses		
Seal Driveways	0.00	16,000.00
Epoxy Rock Reseal	0.00	35,109.35
Total Reserve Expenses	<u>0.00</u>	<u>51,109.35</u>
Total Other Expense	<u>3,074.64</u>	<u>65,120.05</u>
Net Other Income	<u>34,191.14</u>	<u>82,163.51</u>
Net Income	<u><u>34,191.14</u></u>	<u><u>82,163.51</u></u>

Villas @ Elk Run Homeowners Assoc.
Statement of Operating Rev & Exp Budget vs Actual-Inc Basis
January through December 2012

	Jan - Dec 12	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Assessments	212,742.36	208,344.00	4,398.36	102.1%
Finance Charges / Late Fees	1,919.40	1,589.00	330.40	120.8%
Interest Income	95.28	194.00	-98.72	49.1%
Miscellaneous Income	150.00	125.00	25.00	120.0%
Pet Registration	3,000.00	3,500.00	-500.00	85.7%
Total Income	217,907.04	213,752.00	4,155.04	101.9%
Expense				
Accounting/Legal	8,828.00	9,290.00	-462.00	95.0%
Dog Grounds Maintenance	2,770.50	3,319.00	-548.50	83.5%
Elk Run Master Owners' Dues	0.00	2,300.00	-2,300.00	0.0%
General & Admin Expense				
Board Compensation	2,515.00	2,025.00	490.00	124.2%
Management & Monitor Fees	16,904.00	17,635.00	-731.00	95.9%
Total General & Admin Expense	19,419.00	19,660.00	-241.00	98.8%
Insurance	26,768.15	24,322.00	2,446.15	110.1%
Landscaping				
Landscaping-Other	27,074.01	23,741.00	3,333.01	114.0%
Total Landscaping	27,074.01	23,741.00	3,333.01	114.0%
Miscellaneous G & A	668.79	500.00	168.79	133.8%
Office Supplies/Postage	389.24	638.00	-248.76	61.0%
Repairs & Maintenance				
Insurance Repairs	915.00	3,000.00	-2,085.00	30.5%
Repairs & Maintenance - Other	22,734.22	21,506.00	1,228.22	105.7%
Total Repairs & Maintenance	23,649.22	24,506.00	-856.78	96.5%
Snow Removal	8,320.00	12,000.00	-3,680.00	69.3%
Taxes	0.00	100.00	-100.00	0.0%
Utilites				
Electricity	6,055.54	8,948.00	-2,892.46	67.7%
Sewer	39,916.80	38,102.00	1,814.80	104.8%
Trash Removal	17,202.00	17,199.00	3.00	100.0%
Water	29,817.99	28,409.00	1,408.99	105.0%
Total Utilites	92,992.33	92,658.00	334.33	100.4%
Website	600.00	718.00	-118.00	83.6%
Total Expense	211,479.24	213,752.00	-2,272.76	98.9%
Net Ordinary Income	6,427.80	0.00	6,427.80	100.0%
Net Income	6,427.80	0.00	6,427.80	100.0%

Vines @ Elk Run Homeowners Assoc.
Statement of Reserve Rev & Exp Budget vs Actual-Inc Basis
January through December 2012

	Jan - Dec 12	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Interest Income	0.00			
Total Income	0.00			
Net Ordinary Income	0.00			
Other Income/Expense				
Other Income				
Reserve Assessments	72,086.04	72,086.00	0.04	100.0%
Roof Special Assessment 10/10	75,197.52	66,722.76	8,474.76	112.7%
Total Other Income	147,283.56	138,808.76	8,474.80	106.1%
Other Expense				
Roof Interest Expense	14,010.70	14,400.00	-389.30	97.3%
Reserve Expenses				
Seal Driveways	16,000.00	18,000.00	-2,000.00	88.9%
Epoxy Rock Reseal	35,109.35	36,000.00	-890.65	97.5%
Total Reserve Expenses	51,109.35	54,000.00	-2,890.65	94.6%
Total Other Expense	65,120.05	68,400.00	-3,279.95	95.2%
Net Other Income	82,163.51	70,408.76	11,754.75	116.7%
Net Income	82,163.51	70,408.76	11,754.75	116.7%