



**HEGG & HEGG, CPAs, P.C.**

Lowell E. Hegg, CPA  
Peggy A. Hegg, CPA  
Jeff D. Steffen, CPA

---

CERTIFIED PUBLIC ACCOUNTANTS • 2751 WEST 116th COURT • WESTMINSTER, COLORADO 80234  
(303) 465-2625 • FAX (303) 469-7398 • lowellhegg@comcast.net

**THE VILLAGE AT MOUNTAIN RIDGE HOMEOWNERS ASSOCIATION,  
INC.  
AUDITED FINANCIAL STATEMENTS FOR 2006**

**CONTENTS**

**Report of Independent Auditors**

**Financial Statements**

**Balance Sheet**

**Statement of Revenues, Expenses, and Changes in Fund Balances**

**Statement of Cash Flows**

**Notes to Financial Statements**

**Supplementary Information**

**Supplementary Information on Future Major Repairs and  
Replacements**



INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
The Village at Mountain Ridge HOA, Inc.

We have audited the accompanying balance sheet of The Village at Mountain Ridge HOA, Inc. as of December 31, 2006, and the related statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly the financial position and results of operations and cash flows of The Village at Mountain Ridge HOA, Inc. as of December 31, 2006, in all material respects and in conformity with generally accepted accounting principles for homeowners associations.

The Supplementary Information on Future Major Repairs and Replacements is not a required part of the basic financial statements of the Association, but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hegg & Hegg, CPAs, P.C.  
June 4, 2007

The Village at Mountain Ridge Homeowners Assoc., Inc.  
 Balance Sheet  
 31-Dec-06

	Operating Fund	Reserve Fund	Totals	Prior Year Totals
<b>ASSETS:</b>				
Checking, Colorado Business Bank	\$ 9,339	\$ -	\$ 9,339	\$ 4,637
Reserve Funds--Dain Rauscher	\$ -	\$ 125,181	\$ 125,181	\$ 123,649
Income Tax Deposit	\$ -	\$ -	\$ -	\$ 338
Accounts Receivable--Homeowners	\$ 2,539	\$ -	\$ 2,539	\$ 1,707
Prepaid Insurance	\$ 1,264	\$ -	\$ 1,264	\$ -
Interfund Receivable (Payable)	\$ (3,021)	\$ 3,021	\$ -	\$ -
<b>TOTAL ASSETS</b>	<b>\$ 10,121</b>	<b>\$ 128,202</b>	<b>\$ 138,323</b>	<b>\$ 130,331</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts Payable	\$ 216	\$ -	\$ 216	\$ -
Prepaid Assessments--Homeowners	\$ 13,423	\$ -	\$ 13,423	\$ 20,030
Total Liabilities	\$ 13,639	\$ -	\$ 13,639	\$ 20,030
Fund Balances	\$ (3,518)	\$ 128,202	\$ 124,684	\$ 110,301
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,121</b>	<b>\$ 128,202</b>	<b>\$ 138,323</b>	<b>\$ 130,331</b>

See accompanying notes to financial statements.

The Village at Mountain Ridge Homeowners Assoc., Inc.  
Statement of Revenues and Expenses,  
and Changes in Fund Balances  
For the period 01/01/06 through 12/31/06

	Operating Fund	Reserve Fund	Totals	Prior Year Totals
<b>REVENUES:</b>				
Homeowners Assessments	\$ 83,824	\$ 18,000	\$ 101,824	\$ 101,824
Homeowners Trash Fees	\$ 35,520		\$ 35,520	\$ 35,520
Late Charges/Penalties	2,403		2,403	1,510
Interest and Dividend Income	154	6,515	6,669	4,163
Unrealized Change in Portfolio Asset Values	-	(282)	(282)	(380)
<b>TOTAL REVENUES</b>	<b>\$ 121,901</b>	<b>\$ 24,233</b>	<b>\$ 146,134</b>	<b>\$ 142,637</b>
<b>EXPENSES--ADMINISTRATION</b>				
Accounting Fees	\$ 1,750		\$ 1,750	\$ 1,650
Association Insurance	3,865		3,865	3,996
Legal Fees	1,521		1,521	2,218
Management Services	17,760		17,760	19,705
Picnic	3,849		3,849	3,393
Taxes	283		283	18
Office Supplies, Postage, Printing, Meetings	4,736		4,736	5,881
Other Administration	1,343		1,343	3,070
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 35,107</b>	<b>\$ -</b>	<b>\$ 35,107</b>	<b>\$ 39,931</b>
<b>EXPENSES--BUILDINGS AND GROUNDS</b>				
Common Area Lighting	\$ 2,755		\$ 2,755	\$ 3,677
Electric and Gas	3,082		3,082	3,476
Flags	331		331	421
Holiday Lighting	13,166		13,166	5,000
Landscaping Services	17,655		17,655	17,173
Snow Removal	2,643		2,643	2,214
Sprinkler Repairs	1,456		1,456	1,310
Trash	30,870		30,870	30,870
Tree Service	4,230		4,230	-
Water and Sewer	20,456		20,456	14,550
<b>TOTAL BUILDINGS AND GROUNDS EXPENSES</b>	<b>\$ 96,644</b>	<b>\$ -</b>	<b>\$ 96,644</b>	<b>\$ 78,691</b>
<b>IMPROVEMENTS FROM RESERVE FUNDS</b>				
Reserve Study Update	\$ -	\$ -	\$ -	\$ 500
Political Action Group Donation	\$ -	\$ -	\$ -	\$ 10,000
Landscape Improvements	-	-	-	\$ 29,615
Lighting Improvements	-	-	-	\$ 500
<b>TOTAL IMPROVEMENTS FROM RESERVE FUNDS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,615</b>
<b>TOTAL EXPENSES AND IMPROVEMENTS</b>	<b>\$ 131,751</b>	<b>\$ -</b>	<b>\$ 131,751</b>	<b>\$ 159,237</b>
Excess (Deficit) of Revenues over Expenses	\$ (9,850)	\$ 24,233	\$ 14,383	\$ (16,600)
Fund Balances, January 1, 2006	6,332	103,969	110,301	126,901
<b>FUND BALANCES, DECEMBER 31, 2006</b>	<b>\$ (3,518)</b>	<b>\$ 128,202</b>	<b>\$ 124,684</b>	<b>\$ 110,301</b>

See accompanying notes to financial statements.

The Village at Mountain Ridge Homeowners Assoc., Inc.  
Statement of Cash Flows  
For the period 01/01/06 through 12/31/06

	Operating Fund	Reserve Fund	Total Funds
<b>CASH FROM (USED BY) OPERATIONS:</b>			
Excess (Deficiency) of Revenues over Expenditures	\$ (9,850)	\$ 24,233	\$ 14,383
Adjustments to reconcile excess or deficiency of revenues over expenditures to cash provided by or used in operations:			
(Increase) decrease in receivables	\$ (832)	\$ -	\$ (832)
(Increase) decrease in tax deposits	\$ 338	\$ -	\$ 338
(Increase) decrease in prepaid insurance	\$ (1,264)	\$ -	\$ (1,264)
Increase (decrease) in interfund payable	\$ 22,701	\$ (22,701)	\$ -
Increase (decrease) in prepaid HOA fees	\$ (6,607)	\$ -	\$ (6,607)
Increase (decrease) in accounts payable	\$ 216	\$ -	\$ -
<b>CASH PROVIDED BY (USED IN) OPERATIONS</b>	<b>\$ 4,702</b>	<b>\$ 1,532</b>	<b>\$ 6,234</b>
Cash Balance, January 1, 2006	\$ 4,637	\$ 123,649	\$ 128,286
Cash Balance, December 31, 2006	<u>\$ 9,339</u>	<u>\$ 125,181</u>	<u>\$ 134,520</u>

See accompanying notes to financial statements.

THE VILLAGE AT MOUNTAIN RIDGE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

NOTE 1: ORGANIZATION

The Village at Mountain Ridge Homeowners Association, Inc. (Association), a not-for-profit corporation organized on December 15, 1993, under the laws of Colorado, was formed to manage, maintain, and preserve the common area property on behalf of the members of the Association. The development consists of 296 planned unit development units and is located in Golden, Colorado.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **ACCOUNTING METHODS:** The accompanying financial statements and related income tax returns have been prepared on the accrual method of accounting. The Association uses fund accounting, which requires that operating funds and reserve funds for future major repairs and replacements be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the reserve fund may generally be made only for the purposes established.
- B. **COMMON AREA ASSETS:** Real and personal common property acquired by the original unit owners from the developer, as well as replacements and improvements thereto, are not recognized as assets on the Association's financial statements because they are commonly owned by individual owners.
- C. **DELINQUENT ASSESSMENTS:** The Association's policy is to enforce collection of assessments by retaining legal counsel, by placing liens on the properties of delinquent members, or by proceeding directly against the owner. It is the opinion of the Association's Board that, in the absence of foreclosure or personal bankruptcy proceedings of a delinquent member, the Association will ultimately prevail in collecting homeowners dues.
- D. **WORKING CAPITAL:** A nonrefundable working capital assessment was collected by the Association from the original owner of each unit, in accordance with the requirements of the Declarations. The working capital is reported in the operational fund balance.

NOTE 3: HOMEOWNERS DUES

In 2006, each homeowner was assessed \$464 in two installments of \$232 each.

THE VILLAGE AT MOUNTAIN RIDGE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds total \$125,181 at December 31, 2006, and are held in separate accounts and are generally not available for operating purposes.

Association management conducted a study in 1996 to estimate the remaining useful lives and the replacement costs of the common area components. In 2002, the Association engaged Association Reserves, LLC, to perform an updated study, and in 2005 the Association engaged Reserve Data Analysis, Inc. for another update. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates, considering amounts previously accumulated in the replacement fund. Because the replacement fund is based on estimates, amounts may or may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 5: CONTINGENCIES

The Association is a party to various legal actions normally associated with homeowners associations, 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.

NOTE 6: INCOME TAX

As a corporation, the Association must file annual Federal and Colorado income tax returns. As a HOA, one of two Federal forms can be utilized, a Form 1120 Corporate Return, or a Form 1120H designed for HOAs. Considerations made in tax filings include tax minimization, filing risk minimization, and protecting the Association's reserve assessments from taxation. For tax year 2006, the Association utilized Form 1120, and the Association had tax liabilities of \$530 in Federal income taxes and \$158 in Colorado income taxes.

The Village at Mountain Ridge Homeowners Assoc., Inc.  
 Schedule of Future Major Repairs and Replacements  
 December 31, 2006 (Unaudited)

---

In 2002, the Association engaged Association Reserves, LLC, to estimate the remaining useful lives and the replacement costs of the components of the common property. The estimates were based on Association Reserves experience with contract costs for major repairs and replacements in this region, and the company's evaluation regarding useful lives. In July 2005, Reserve Data Analysis, Inc. prepared an update of that study, and the results are presented below:

COMPONENT	USEFUL LIFE	ESTIMATED REPLACE. COST
Concrete Walk	1 yr.	\$ 2,546
Retaining Wall Replacement	12	\$ 4,111
Mailbox Post Replacement	8	\$ 4,376
Mailbox Replacement	20	\$ 11,737
Solid Wood Fence Replacement	11	\$ 100,409
Wod Rail Fence Replacement	10	\$ 19,568
Mailbox Post Restain	2	\$ 700
Rail Wood Fence Restain	1	\$ 1,369
Solid Wood Fence Restain	0	\$ 15,063
Signage Refurbish	15	\$ 31,827
Tree Trimming--Upkeep	5	\$ 6,000
Landscaping--Upkeep	1	\$ 4,000
Landscaping--Replacement	0	\$ 25,000
Total		<u>\$ 226,706</u>

The Association had a balance of \$125,181 in its reserve fund as of December 31, 2006.