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**THE VILLAGE AT MOUNTAIN RIDGE HOMEOWNERS ASSOCIATION,
INC.
AUDITED FINANCIAL STATEMENTS FOR 2008**

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



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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, 2008, 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, 2008, 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 PC

Hegg & Hegg, CPAs, P.C.
September 3, 2009

The Village at Mountain Ridge Homeowners Assoc., Inc.

Balance Sheet
31-Dec-08

	Operating Fund	Reserve Fund	Totals	Prior Year Totals
ASSETS:				
Checking, Colorado Business Bank	\$ 8,948	\$ -	\$ 8,948	\$ 15,434
Reserve Funds--Dain Rauscher	\$ -	\$ 106,871	\$ 106,871	\$ 141,214
Accounts Receivable--Homeowners	\$ 3,284	\$ -	\$ 3,284	\$ 73
Prepaid Trash Expense	\$ -	\$ -	\$ -	\$ 2,573
Prepaid Insurance	\$ 1,160	\$ -	\$ 1,160	\$ 1,104
TOTAL ASSETS	\$ 13,392	\$ 106,871	\$ 120,263	\$ 160,398
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 1,072	\$ -	\$ 1,072	\$ 6,151
Prepaid Assessments--Homeowners	\$ 27,281	\$ -	\$ 27,281	\$ 40,802
Total Liabilities	\$ 28,353	\$ -	\$ 28,353	\$ 46,953
Fund Balances	\$ (14,961)	\$ 106,871	\$ 91,910	\$ 113,445
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,392	\$ 106,871	\$ 120,263	\$ 160,398

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 01/01/08 through 12/31/08

	Operating Fund	Reserve Fund	Totals	Prior Year Totals
REVENUES:				
Homeowners Assessments	\$ 100,392	\$ 1,432	\$ 101,824	\$ 101,824
Homeowners Trash Fees	35,520		35,520	35,520
Late Charges/Penalties	2,551		2,551	849
Legal Reimbursement	820		820	-
Interest and Dividend Income	58	5,610	5,668	7,059
Unrealized Change in Portfolio Asset Values	-	(55)	(55)	47
TOTAL REVENUES	\$ 139,341	\$ 6,987	\$ 146,328	\$ 145,299
EXPENSES--ADMINISTRATION				
Accounting Fees	\$ 1,700		\$ 1,700	\$ 1,700
Association Insurance	2,059		2,059	1,677
Legal Fees	975		975	1,132
Management Services	17,760		17,760	17,760
Picnic	4,030		4,030	4,241
Taxes	763		763	614
Office Supplies, Postage, Printing, Meetings	5,009		5,009	5,906
Other Administration	1,556	96	1,652	274
TOTAL ADMINISTRATIVE EXPENSES	\$ 33,852	\$ 96	\$ 33,948	\$ 33,304
EXPENSES--BUILDINGS AND GROUNDS				
Common Area Lighting	\$ 4,631		\$ 4,631	\$ 1,745
Electric and Gas	2,690		2,690	2,827
Fence Repair	1,175		1,175	400
Flag Maintenance	596		596	503
Holiday Lighting	5,361		5,361	11,247
Landscaping Services	18,578		18,578	19,216
Snow Removal	4,909		4,909	15,914
Sprinkler Repairs	5,175		5,175	3,235
Trash	34,237		34,237	30,870
Tree Service	2,002		2,002	4,682
Water and Sewer	13,327		13,327	12,655
TOTAL BUILDINGS AND GROUNDS EXPENSES	\$ 92,681	\$ -	\$ 92,681	\$ 103,294
EXPENSES--RESERVES				
Iowa Entrance	\$ -	\$ -	\$ -	\$ 13,340
Mail Box Posts	-	-	-	2,325
Landscape Improvements	-	7,665	7,665	4,275
Fencing Improvements	-	18,409	18,409	-
Retainage Area Cleaning	-	13,000	13,000	-
Reserve Study Update	-	300	300	-
Lighting Improvements	-	1,860	1,860	-
TOTAL IMPROVEMENTS FROM RESERVE FUNDS	\$ -	\$ 41,234	\$ 41,234	\$ 19,940
TOTAL EXPENSES AND IMPROVEMENTS	\$ 126,533	\$ 41,330	\$ 167,863	\$ 156,538
Excess (Deficit) of Revenues over Expenses	\$ 12,808	\$ (34,343)	\$ (21,535)	\$ (11,239)
Fund Balances, January 1, 2008	(27,769)	141,214	113,445	124,684
FUND BALANCES, DECEMBER 31, 2008	\$ (14,961)	\$ 106,871	\$ 91,910	\$ 113,445

See accompanying notes to financial statements.

The Village at Mountain Ridge Homeowners Assoc., Inc.
 Statement of Cash Flows
 For the period 01/01/08 through 12/31/08

	Operating Fund	Reserve Fund	Total Funds
CASH FROM (USED BY) OPERATIONS:			
Excess (Deficiency) of Revenues over Expenditures	\$ 12,808	\$ (34,343)	\$ (21,535)
Adjustments to reconcile excess or deficiency of revenues over expenditures to cash provided by or used in operations:			
(Increase) decrease in receivables	\$ (3,211)	\$ -	\$ (3,211)
(Increase) decrease in prepaid trash expense	\$ 2,573	\$ -	\$ 2,573
(Increase) decrease in prepaid insurance	\$ (56)	\$ -	\$ (56)
Increase (decrease) in prepaid assessments	\$ (13,521)	\$ -	\$ (13,521)
Increase (decrease) in accounts payable	\$ (5,079)	\$ -	\$ -
CASH PROVIDED BY (USED IN) OPERATIONS	\$ (6,486)	\$ (34,343)	\$ (40,829)
Cash Balance, January 1, 2008	\$ 15,434	\$ 141,214	\$ 156,648
Cash Balance, December 31, 2008	<u>\$ 8,948</u>	<u>\$ 106,871</u>	<u>\$ 115,819</u>
Cash Paid in 2008 for:			
Interest	\$ -	\$ -	\$ -
Taxes	\$ 763	\$ -	\$ -

See accompanying notes to financial statements.

THE VILLAGE AT MOUNTAIN RIDGE HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 homes 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 2008, 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, 2008

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 \$106,871 at December 31, 2008, 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 and again in 2008 the Association engaged Reserve Data Analysis, Inc. for additional updates. 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 2008, the Association utilized Form 1120, and the Association had tax liabilities of \$335 in Federal income taxes and \$111 in Colorado income taxes.

The Village at Mountain Ridge Homeowners Assoc., Inc.
 Schedule of Future Major Repairs and Replacements
 December 31, 2008 (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 updated it again in July 2008. The 2008 report is summarized below:

COMPONENT	USEFUL LIFE	ESTIMATED REPLACE. COST
Retaining Wall Replacement	0	\$ 4,111
Mailbox Post Replacement	5	\$ 4,782
Mailbox Posts--Sealcoated	4	\$ 2,369
Mailbox Replacement	0	\$ 9,075
Solid Wood Fence Replacement	5	\$ 109,720
Wood Rail Fence Replacement	7	\$ 21,382
Rail Wood Fence--Restain	1	\$ 1,496
Solid Wood Fence--Sealcoat	0	\$ 12,000
Signage Refurbish	12	\$ 34,778
Tree Trimming--Upkeep	2	\$ 6,556
Lighting, Outdoor Replacement	0	\$ 15,000
Landscaping--Upkeep	0	\$ 4,371
Irrigation Timeclocks, Replacement	0	\$ 2,650
Total		<u>\$ 228,290</u>

The Association had a balance of \$106,871 in its reserve fund as of December 31, 2008.