

***TOWN AND COUNTRY VILLAGE
HOMEOWNERS ASSOCIATION, INC.***

FINANCIAL STATEMENTS

August 31, 2005 and 2004

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**Board of Directors
Town and Country Village
Homeowners Association, Inc.
Parker, Colorado**

Independent Auditors' Report

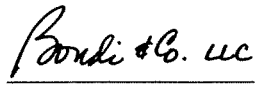
We have audited the accompanying balance sheets of Town and Country Village Homeowners Association, Inc. as of August 31, 2005 and 2004, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Town and Country Village Homeowners Association, Inc. at August 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Future Major Repairs and Replacements Supplementary Information is not a required part of the basic financials statements of Town and Country Village Homeowner's Association, Inc., but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and preparation of the supplementary information. However, we did not audit the information and express no opinion on it.

September 23, 2005


BONDI & Co. LLC



Affiliate Offices Worldwide

TOWN & COUNTRY VILLAGE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET
August 31, 2005 and 2004

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 97,853	\$ 306,067
Monthly Assessments Receivable (Note 3)	69,788	74,575
Special Assessments Receivable (Note 3)	37,600	10,597
Allowance For Doubtful Accounts (Note 3)	<u>(18,877)</u>	<u>(11,750)</u>
Total Current Assets	<u>186,364</u>	<u>379,489</u>
FIXED ASSETS		
Land (Note 4)	17,761	17,761
Property and Equipment (Note 4) (Net of Accumulated Depreciation of \$79,300)	<u>68,662</u>	<u>71,956</u>
Total Fixed Assets	<u>86,423</u>	<u>89,717</u>
OTHER ASSETS		
Restricted Cash and Cash Equivalents (Note 9)	482,249	
Restricted Investments (Note 9)	551,203	202,376
Other Assets	<u>760</u>	<u>513</u>
Total Other Assets	<u>1,034,212</u>	<u>202,889</u>
Total Assets	<u><u>1,306,999</u></u>	<u><u>672,095</u></u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES		
Accounts Payable	44,238	57,360
Other Current Liabilities	44,035	
Income Taxes Payable (Note 6)		150
Payroll Liabilities	239	2,241
Deferred Revenues - Assessments	<u>25,830</u>	<u>18,505</u>
Total Current Liabilities	<u>114,342</u>	<u>78,256</u>
FUND BALANCE		
Designated for Future Major Repairs and Replacements	366,585	366,585
Undesignated Funds	<u>826,072</u>	<u>227,254</u>
Total Fund Balance	<u>1,192,657</u>	<u>593,839</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,306,999</u></u>	<u><u>\$ 672,095</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN & COUNTRY VILLAGE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
 For the Years Ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
REVENUE		
Monthly Assessments	\$ 875,431	\$ 857,532
Special Assessments	706,288	
Late Charges	38,400	35,630
Other Assessments	10,065	9,930
Other Income		5
Interest Income	<u>16,959</u>	<u>2,335</u>
Total Revenue	<u>1,647,143</u>	<u>905,432</u>
EXPENSES		
Water-Sewer	367,376	365,208
Maintenance	179,703	149,946
Insurance	88,019	82,918
Salaries	86,446	67,173
Trash Removal	44,709	47,949
Miscellaneous	6,514	28,482
Bad Debt Expense	41,500	20,474
Building Improvements	408,686	13,808
Postage and Printing	8,155	8,765
Rent (Note 5)	7,776	8,086
Accounting	15,403	6,915
Legal	3,414	5,209
Utilities	5,241	4,897
Architectural Control Committee	6,000	3,800
Telephone	2,898	2,984
Office Equipment/Computer	2,885	1,887
Depreciation (Note 4)	6,128	1,751
Interest		1,722
Community Association's Institute	713	975
Bank Fees	<u>86</u>	<u>60</u>
Total Expenses	<u>1,281,652</u>	<u>823,009</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE EXTRAORDINARY ITEM	<u>365,491</u>	<u>82,423</u>
EXTRAORDINARY GAIN		
Legal Settlement (Note 7)	<u>233,327</u>	<u>12,218</u>
FUND BALANCE, Beginning of Year	593,839	424,579
PRIOR PERIOD ADJUSTMENT (Note 8)		<u>74,619</u>
BEG FUND BALANCE RESTATED		<u>499,198</u>
FUND BALANCE, End of Year	<u>\$ 1,192,657</u>	<u>\$ 593,839</u>

The accompanying notes are an integral part of the financial statements.

TOWN & COUNTRY VILLAGE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For the Years Ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Homeowners	\$ 1,615,293	\$ 926,295
Cash Paid to Suppliers	(1,204,110)	(747,743)
Cash Paid to Employees	(86,446)	(67,173)
Extraordinary Item	233,327	12,218
Interest Received	16,959	2,335
	<u>575,023</u>	<u>125,932</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	3,294	(13,925)
Purchase of Securities	(786,531)	(202,376)
	<u>(783,237)</u>	<u>(216,301)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Retirement of Note Payable		(78,014)
		<u>(78,014)</u>
Net Increase (Decrease) in Cash	(208,214)	(168,383)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>306,067</u>	<u>474,450</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>97,853</u>	<u>306,067</u>
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of Revenue over Expenses	<u>598,818</u>	<u>94,641</u>
ADJUSTMENTS TO RECONCILE EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation Expense	6,128	1,751
Unamortized Loan Fees		1,729
Changes in Assets and Liabilities:		
Monthly Assessments Receivable (Increase) Decrease	4,787	(31,368)
Special Assessments Receivable (Increase) Decrease	(27,003)	52,479
Other Assets-Increase	242	
Accounts Payable Increase (Decrease)	(13,122)	4,224
Income Taxes Payable Increase (Decrease)	(150)	100
Deferred Revenue Increase	7,325	358
Payroll Liabilities Increase (Decrease)	(2,002)	2,018
	<u>(23,795)</u>	<u>31,291</u>
Net Adjustments	<u>(23,795)</u>	<u>31,291</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 575,023</u>	<u>\$ 125,932</u>

The accompanying notes are an integral part of the financial statements.

TOWN AND COUNTRY VILLAGE HOMEOWNERS
ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
August 31, 2005 and 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town and Country Village Homeowners Association, Inc. (Association) was incorporated on December 23, 1982, in the State of Colorado. The Association is a nonprofit corporation organized under the Colorado Nonprofit Corporation Act. The Association members are subject to monthly assessments to provide funds for operating expenses.

As the Association is located in the Parker, Colorado area, the continued payment of homeowners' assessments and the Association's ability to grow are dependent on the economy of Parker. As a homeowners' association, the ability to raise revenues through dues is dependent on the Board's willingness to set dues at a level anticipated to meet current budget needs.

The Articles allow for five (5) members to sit on the Board of Directors. All board members must have their assessments current or, as provided by the Bylaws of the Association, these individuals are not eligible to sit on the Board.

The Association prepares its financial statements on an accrual basis of accounting with an August 31 year end.

Association members are subject to monthly assessments to promote the recreation, health, safety and welfare of the residents of the properties, and for the improvement and maintenance of the common areas. Major repairs and replacements are paid out of designated reserves. Monthly assessments receivable at the balance sheet date represent fees due from homeowners.

Association members are also subject to special assessments to provide funds for the construction, reconstruction, repair, or replacement of a capital improvement on the common areas or for the funding of any operating deficit incurred by the Association. In order for a special assessment to be assessed on the homeowners, a vote must take place where 51% of the homeowners must be present, and a majority of the homeowners must vote to reject the special assessment proposed by the Board. Special assessments receivable at the balance sheet date represent fees due from homeowners.

Monthly assessments for 2005 and 2004 were \$139 per month for small units and \$158 for large units and \$136 per month for small units and \$155 per month for large units, respectively.

TOWN AND COUNTRY VILLAGE HOMEOWNERS
ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
August 31, 2005 and 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Any excess operating assessments at year end are retained by the Association for the use in the succeeding year.

Property and Equipment are recorded at cost, and depreciation is calculated on the straight-line method. Property and Equipment are depreciated over their estimated useful lives ranging from 3 to 7 years. Building and Pool are depreciated over their estimated useful lives of 40 years.

The Association considers cash in demand accounts and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of the financial instruments. Investments are classified as held to maturity.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain information from the prior year has been changed to conform to the current year presentation.

NOTE 2: CASH AND INVESTMENTS

The Association maintains cash accounts in commercial banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Association has, from time to time, deposits with banks in excess of insured limits; management is selective with regard to the choice of financial institutions with which funds are deposited. As of August 31, 2005 and 2004, the Association had \$933,452 and \$308,443 in excess of insured limits, respectively.

TOWN AND COUNTRY VILLAGE HOMEOWNERS
ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
August 31, 2005 and 2004

NOTE 2: CASH AND INVESTMENTS (Continued)

The Association's investments include the following:

	<u>2005</u>	<u>2004</u>
Commercial Fixed Income	\$ 898,157	\$ 87,000
Government Fixed Income		115,376
Certificate of Deposit		197,000
Money Market	<u>135,295</u>	<u>19,459</u>
 Total	 <u>\$ 1,033,452</u>	 <u>\$ 418,835</u>

The Certificate of Deposit and Money Market amounts are listed as cash and cash equivalents on the balance sheet.

NOTE 3: ASSESSMENTS RECEIVABLE

The Association's policy is to consider assessments delinquent if they are not paid by the 10th of the month that they are due. Homeowners that are delinquent in the payment of their assessments are fined a one-time fee of \$25, and the unpaid balance at the end of each month is charged interest at 1.5% per month (18% annually). Further, the Association retains legal counsel and places liens on the properties of homeowners whose assessments are ninety (90) days in arrears. As of August 31, 2005 and 2004, the Association has monthly assessments receivable of \$69,788 and \$74,575, and special assessments receivable of \$37,600 and \$10,597 for total assessments receivable of \$107,388 and \$85,172, respectively.

It is the opinion of the Board of Directors that the Association will ultimately prevail against the majority of homeowners whose assessments are delinquent. However, since there are assessments receivable that may not be fully collectible, an allowance for doubtful accounts as of August 31, 2005 and 2004 was \$18,877 and \$11,750, respectively. The amount of allowance for doubtful accounts is based on management's estimates.

TOWN AND COUNTRY VILLAGE HOMEOWNERS
ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
August 31, 2005 and 2004

NOTE 4: FIXED ASSETS

Changes in property and equipment for the fiscal years ended August 31, 2005 and 2004 are as follows:

	<u>Balance</u> <u>8/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/05</u>
Land	\$17,761	\$	\$	\$17,761
Property and Equipment	145,129	2,834		147,963
Accumulated Depreciation	<u>(73,173)</u>	<u>(6,128)</u>		<u>(79,301)</u>
Property and Equipment – Net	<u>\$89,717</u>	<u>\$ (3,294)</u>	<u>\$</u>	<u>\$86,423</u>

	<u>Balance</u> <u>8/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/04</u>
Land	\$17,761	\$	\$	\$17,761
Property and Equipment	131,204	13,925		145,129
Accumulated depreciation	<u>(71,422)</u>	<u>(1,751)</u>		<u>(73,173)</u>
Property and Equipment – Net	<u>\$77,543</u>	<u>\$12,174</u>	<u>\$</u>	<u>\$89,717</u>

Depreciation expense for the year ended August 31, 2005 and 2004 was \$6,128 and \$1,751, respectively.

TOWN AND COUNTRY VILLAGE HOMEOWNERS
ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
August 31, 2005 and 2004

NOTE 5: LEASE AGREEMENT

The Association renewed an agreement for the rental of their office space with a term beginning on November 1, 2004, and ending on October 31, 2006. The monthly lease expense for the term of the renewed agreement is \$710. Lease expense for the fiscal year ended August 31, 2005 and 2004, is \$7,776 and \$8,086, respectively.

Future lease commitments as of August 31, 2005, are as follows:

2006	\$ 8,520
2007	<u>1,420</u>
Total	<u>\$ 9,940</u>

NOTE 6: INCOME TAXES

The Association must make an annual election to be taxed as a regular corporation or as a homeowners association under Section 528 of the Internal Revenue Code. The Association elected to file as a homeowners association for income tax purposes for the years ending August 31, 2005 and 2004.

The Association pays taxes only on amounts not received as assessments from members. The amounts received that do not qualify as non-taxable revenue are reduced by related expenses and the net amount is taxed at a 30% federal and 4.63% state tax rate.

NOTE 7: EXTRAORDINARY ITEM

During fiscal 2003, the Association joined a class action lawsuit against a siding corporation for the purchase of faulty siding. The Association received approximately \$206,852 from the settlement as of fiscal 2004. The Association received an additional \$233,327 in extraordinary revenue from the settlement in fiscal 2005. At the end of 2005, the lawsuit had been fully resolved.

TOWN AND COUNTRY VILLAGE HOMEOWNERS
ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
August 31, 2005 and 2004

NOTE 8: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required as a result of a correction of an accounting error. The pool, building, and land were acquired by the developer in 1983 and are properly capitalized in the fiscal year ending August 31, 2005. The net effect to August 31, 2004 Fund Balance restated is \$74,619.

NOTE 9: RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments include amounts which have been collected from special assessments. The purpose of these funds is to enable the Association to pay for future capital projects. The amount of restricted cash and investments for the years ended August 31, 2005 and 2004 is \$1,033,452 and \$202,376, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN AND COUNTRY VILLAGE HOMEOWNERS
ASSOCIATION, INC.

FUTURE MAJOR REPAIRS AND REPLACEMENTS
August 31, 2005

In 2001, an outside consulting firm conducted a study to estimate the remaining useful lives and current replacement costs of the components of the common property. The following table is based on that study and presents pertinent information about the common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Designated for Repairs/ Replacements</u>	<u>Proposed Initial Deposit</u>
<u>POOL HOUSE</u>				
Roof	1	\$ 489,005	\$ 101,314	\$ 387,691
Gutters	1	84,960	17,602	67,358
Paint	1	601,200	103,799	497,401
Carpentry Repairs	1	87,675	15,137	72,538
Wood Fences	8	326,400	47,901	34,812
Metal Handrails	18	8,496	891	423
<u>COMMON AREA</u>				
Sprinkler System	23	288,000	4,972	12,306
Landscape Refurbishment	4	10,000	432	2,392
Entrance Signs	13	4,500	550	304
Concrete Repair	1	40,000	6,906	33,094
Asphalt: Entire Project	19	317,000	3,421	16,504
Asphalt: Seal Coat & Maintenance	5	70,438	0	14,088
Pool Boiler	1	8,000	1,611	6,389
Pool Filter	15	4,000	0	267
Pool Resurface	3	12,000	2,072	3,309
Pool Cover	8	3,000	129	359
Pool Deck	23	12,172	1,116	481
Pool Fence	23	11,025	1,011	435
Six Foot Perimeter Wood Fence	9	88,750	12,258	8,499
Mailboxes	18	16,000	1,677	796
Large Light Poles	17	17,000	1,887	889
Timber Retaining Walls	7	229,000	41,898	26,857
Totals		<u>\$ 2,728,621</u>	<u>\$ 366,584</u>	<u>\$ 1,187,192</u>

See the accompanying independent auditors' report.