

**Town and Country Village
Homeowners Association, Inc.**
Financial Statements
And Supplementary Information
For the Year Ended August 31, 2008

With Independent Auditors' Report

Town and Country Village Homeowners Association, Inc.

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Brashier & Foss, CPAs, PC

Independent Auditors' Report

To the Board of Directors and Members of
Town and Country Village Homeowners Association, Inc.

We have audited the accompanying balance sheet of Town and Country Village Homeowners Association, Inc. as of August 31, 2008, and the related statements of revenues, expenses, and changes in fund balance, comprehensive income (loss), and cash flows for the year then ended. These financial statements are the responsibility of Town and Country Village Homeowners Association, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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. as of August 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Supplementary Information about Future Major Repairs and Replacements on page twelve is not a required part of the basic financial statements of Town and Country Village Homeowners 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 presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Brashier & Foss, CPAs, PC

Brashier & Foss, CPAs, PC

July 15, 2009

Town and Country Village Homeowners Association, Inc.
Balance Sheet
August 31, 2008

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 117,907	\$ 273,465	\$ 391,372
Held to Maturity Securities		616,160	616,160
Available for Sale Securities		47,602	47,602
Accrued Interest Receivable		5,806	5,806
Assessments Receivable, Net of Allowance for Allowance for Doubtful Accounts of \$52,204	76,542		76,542
Special Assessments			
Prepaid Insurance	4,023		4,023
Prepaid Income Taxes	167		167
Property and Equipment, Net of Accumulated Depreciation of \$96,293	73,560		73,560
Due From Operating Fund		6,495	6,495
Total Assets	\$ 272,199	\$ 949,528	\$ 1,221,727
 LIABILITIES AND FUND BALANCE			
Held Checks	\$ 10,151	\$ -	\$ 10,151
Accounts Payable	81,035		81,035
Payroll Payable	5,703		5,703
Assessments Received in Advance	38,882		38,882
Income Taxes Payable			
Due to Replacement Fund	6,495		6,495
Total Liabilities	142,266	-	142,266
Fund Balance	129,933	951,289	1,081,222
Other Comprehensive Income (Loss)		(1,761)	(1,761)
Total Liabilities and Fund Balance	\$ 272,199	\$ 949,528	\$ 1,221,727

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

Town and Country Village Homeowners Association, Inc.
Statement of Revenues, Expenses
and Changes in Fund Balance
For the Year Ended August 31, 2008

	Operating Fund	Replacement Fund	Total
REVENUES			
Member Assessments	\$ 917,524	\$ 223,212	\$ 1,140,736
Interest/Investment Income	327	39,792	40,119
Gain on Sale of Fixed Asset	331		331
Other	37,105		37,105
	<hr/>	<hr/>	<hr/>
Total Revenue	955,287	263,004	1,218,291
EXPENSES			
Utilities	480,598		480,598
Grounds Maintenance	130,135		130,135
Building Maintenance	78,376		78,376
Management/Payroll Expenses	67,047		67,047
Insurance	55,232		55,232
Bad Debt Expense	25,000		25,000
Refunds to Owners for Plumbing Repairs	20,040		20,040
Pool Maintenance	17,337		17,337
Administrative	16,396		16,396
Office Rent	8,340		8,340
Depreciation	6,659		6,659
Professional Fees	3,138		3,138
Income Tax Expense	6,233		6,233
Replacement Fund Expenses			
Fences		172,000	172,000
Other		16,039	16,039
	<hr/>	<hr/>	<hr/>
Total Expenses	914,531	188,039	1,102,570
Excess of Revenues over Expenses	40,756	74,965	115,721
Fund Balance, September 1, 2007	89,177	876,324	965,501
	<hr/>	<hr/>	<hr/>
Fund Balance, August 31, 2008	<u>\$ 129,933</u>	<u>\$ 951,289</u>	<u>\$ 1,081,222</u>

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

Town and Country Village Homeowners Association, Inc.
Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2008

	Operating Fund	Replacement Fund	Total
Excess of Revenues over Expenses	\$ 40,756	\$ 74,965	\$ 115,721
Other Comprehensive Income (Loss):			
Unrealized Holding Loss on Available for Sale Securities	_____	(1,761)	(1,761)
Comprehensive Income (Loss)	\$ 40,756	\$ 73,204	\$ 113,960

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

Town and Country Village Homeowners Association, Inc.
Statement of Cash Flows
For the Year Ended August 31, 2008

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 40,756	\$ 74,965	\$ 115,721
Adjustment to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Gain on Sale of Equipment	(331)		(331)
Bad Debt Expense	25,000		25,000
Depreciation	6,659		6,659
(Increase) decrease in:			
Accrued Interest Receivable		5,843	5,843
Assessments Receivable:	(75,315)		(75,315)
Regular			
Special			
Prepaid Insurance	(385)		(385)
Prepaid Federal Income Taxes	(167)		(167)
Increase (decrease) in:			
Held Checks	10,151		10,151
Accounts Payable	29,973		29,973
Payroll Payable	476		476
Assessments Received in Advance	8,506		8,506
Income Taxes Payable	(975)		(975)
 Net Cash Provided by Operating Activities	 <u>44,348</u>	 <u>80,808</u>	 <u>125,156</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:			
Net Proceeds from Investments		82,279	82,279
Proceeds from Sale of Equipment	500		500
Purchase of Equipment	(6,995)		(6,995)
 Net Cash Provided (Used) by Operating Activities	 <u>(6,495)</u>	 <u>82,279</u>	 <u>75,784</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:			
Interfund Accounts	6,495	(6,495)	-
 Net Cash Provided (Used) by Financing Activities	 <u>6,495</u>	 <u>(6,495)</u>	 <u>-</u>
 Net Increase in Cash and Cash Equivalents	 44,348	 156,592	 200,940
 Cash and Cash Equivalents, September 1, 2007	 <u>73,559</u>	 <u>116,873</u>	 <u>190,432</u>
 Cash and Cash Equivalents, August 31, 2008	 <u>\$ 117,907</u>	 <u>\$ 273,465</u>	 <u>\$ 391,372</u>
 Supplemental Disclosure:			
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income Taxes Paid	<u>\$ 7,375</u>	<u>\$ -</u>	<u>\$ 7,375</u>

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

Town & Country Village Homeowner Association, Inc.
Notes to Financial Statements
August 31, 2008

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Town and Country Village Homeowners Association, Inc. is a statutory homeowners' association which was organized as a Colorado non-profit corporation on December 23, 1982, for purposes of maintaining and preserving common areas of the development owned jointly by members of the Association. The development consists of 501 single family homes and is located in Parker, Colorado.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

<i>Operating Fund</i>	This fund is used to account for financial resources available for the general operations of the Association.
<i>Replacement Fund</i>	This fund is used to accumulate financial resources designated for future major repairs and replacements.

Basis of Accounting

Both the accompanying financial statements and related corporate income tax returns have been prepared in accordance with the accrual method of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchases with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Association has one source of accounts receivable, homeowners. Accounts receivable from homeowners may be secured by a lien upon their unit. The Association has adjusted accounts receivable for all known uncollectible accounts.

Town & Country Village Homeowner Association, Inc.
Notes to Financial Statements
August 31, 2008

Note 1. Nature of Operations and Summary of Significant Accounting Policies - continued

Allowance for Doubtful Accounts

The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members. It is the opinion of the Association's Board that, in the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will ultimately prevail in most instances. However, the Association has adopted the allowance for doubtful accounts method of providing for assessments which may not be collected during the next twelve month period.

Common Area

Title to the common area has been deeded to the Association by the developer. The common area properties are not reflected in the accompanying financial statements because the association owns an undivided ownership interest in the common area properties.

The disposition of common property is restricted by the Association's governing documents, but the Association may decide to dispose of the capitalized property by approval of the unit owners.

Property and equipment are stated at cost, net of depreciation. Depreciation is computed using the modified accelerated cost recovery system. The Association uses tax depreciation methods for the book depreciation.

Property and equipment are summarized by major classifications as follows:

Land	\$ 17,761
Pool Building	35,852
Furnishings and Equipment	<u>116,239</u>
	169,852
Less accumulated depreciation	<u>(96,292)</u>
	<u>\$ 73,560</u>

Interest Earned

The Board's policy is to not allocate interest earned between funds, but rather report such interest in the fund in which it was earned.

Town & Country Village Homeowner Association, Inc.
Notes to Financial Statements
August 31, 2008

Note 1. Nature of Operations and Summary of Significant Accounting Policies - continued

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Held-to-Maturity and Available for Sale Securities

The Association has invested in certificates of deposit and debt securities with long term maturities, which are recorded at adjusted cost on the balance sheet. The Board of Directors intends to hold these securities until maturity.

The Association also had investments in common stock which were recorded at market value as of August 31, 2008.

Certificates of Deposit

The Association has invested funds in certificates of deposit. The Association intends to hold the investments until maturity.

<u>Description</u>	<u>Amount</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>
New York Community Bank	\$50,000	1/16/09	3.200%
First South Bank Spartanburg	50,000	1/23/09	3.100%
First Chicago Bank & Trust	50,000	4/20/09	3.400%
Wright Express Financial Services Corp.	75,000	4/27/09	5.200%
Mercantile Bank Michigan	50,000	7/19/09	3.700%
American Trust Bank	50,000	9/18/09	3.800%
Discover Bank Greenwood	50,000	3/25/10	5.200%
Lehman Bros. Bank FSB - DE	40,000	5/17/11	5.350%
Southwest Bk of St Louis - MO	<u>75,000</u>	10/05/11	5.250%
	<u>\$490,000</u>		

Town & Country Village Homeowner Association, Inc.
Notes to Financial Statements
August 31, 2008

Note 2. Held-to-Maturity and Available for Sale Securities – continued

US Government Bonds - continued

<u>Description</u>	<u>Adjusted Cost Basis</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>
Federal Home Loan BK Cons Bond	\$25,382	\$25,430	48	8/24/11	5.300%
Federal Home Loan BK Cons Bond	<u>25,398</u>	<u>25,133</u>	<u>(265)</u>	8/15/34	5.250%
	<u>\$50,780</u>	<u>\$50,563</u>	<u>(217)</u>		

Government-Backed Mortgage Securities

<u>Description</u>	<u>Adjusted Cost Basis</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>
FHLMC Multiclass Mtg Partn Ctfs Gtd	N/A	\$3,081	N/A	8/15/34	5.250%
GNMA Gtd Mtg Pass Thru Ctfs	N/A	<u>22,300</u>	N/A	5/15/37	5.000%
		<u>\$25,381</u>			

Corporate Bonds

<u>Description</u>	<u>Adjusted Cost Basis</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>
CIT Group Inc NT Internotes	<u>\$50,000</u>	<u>\$40,699</u>	<u>(\$9,331)</u>	9/15/10	5.250%

Common Stock

The Association has invested in shares of common stock, the total of which are recorded at market value on the balance sheet. The combined cost basis for all stock as of August 31, 2008 was \$49,363 and combined market value was \$47,602. The combined unrealized loss was \$1,761.

Town & Country Village Homeowner Association, Inc.
Notes to Financial Statements
August 31, 2008

Note 3. Owners' Assessments

Monthly assessments to owners for the year ended August 31, 2008 were \$182 and \$219 based the size of the unit. Approximately 20% of total assessments were designated to the replacement fund. The annual budget and assessments of owners are determined by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Association approved an increase in monthly assessments of \$1 beginning September 1, 2008.

Note 4. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

A reserve study was prepared by Bradley Property Consultants in 2005 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. No adjustments were made for an interest rate or an inflation rate on amounts funded for future major repairs and replacements. The table included in the Supplementary Information about Future Major Repairs and Replacements on page ten is based on the study.

The Board is funding major repairs and replacements over their remaining useful lives based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures may vary from the estimated future expenditures and the variation may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 5. Federal and State Corporate Income Taxes

Homeowners' associations may be taxed either as regular corporations or as homeowners' associations. For the year ended August 31, 2008, the Association was taxed as a regular corporation in accordance with Internal Revenue Service Code Section 277. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates. The Association incurred a combined income tax expense of \$6,233 for the year ended August 31, 2008.

Town & Country Village Homeowner Association, Inc.
Notes to Financial Statements
August 31, 2008

Note 5. Federal and State Corporate Income Taxes – continued

The choice of filing as a regular corporation or as a homeowners' association is based primarily on the policy of tax minimization.

Note 6. Related Parties

Maintenance services are provided by Western Ventures, LLC which is owned by an owner of ten homes in the Association. The Association paid \$110,193 to Western Ventures, LLC for services received during the year ended August 31, 2008.

An owner worked in the Association's office and was paid \$2,595 for services received during the year ended August 31, 2008.

Note 7. Lease Agreement

The Association has entered into a lease agreement for the rental of office space beginning November 1, 2004 renewed for three years until October 31, 2009. Monthly rent expense for the year ended August 31, 2008 was \$695 and increases to \$710 and \$745 for the following two years. The Association had not renewed the lease as of July 15, 2009. Future lease commitments total \$18,850 for the remainder of the lease period following August 31, 2008.

Note 8. 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 9. Purchase of Unit

In January 2009 the Association purchased a unit from foreclosure for \$164,907 and paid \$9,684.54 in improvements. Currently the unit is leased; however, the Association plans to sell the unit in one to two years

Town & Country Village Homeowner Association, Inc.
Supplementary Information about Future
Major Repairs and Replacements (Unaudited)
August 31, 2008

A reserve study was prepared by Bradley Property Consultants in 2005 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. No adjustments were made for an interest rate or inflation rate on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property, which has not been revised.

<u>Components</u>	<u>Estimated Economic Life</u>	<u>Estimated Remaining Life</u>	<u>Estimated Current Cost</u>
Sprinkler System	25	20	\$288,000
Landscape Refurbish	5	3	10,000
Entrance Signs	30	10	4,500
Concrete Repair	5	4	40,000
Asphalt	20	16	348,700
Asphalt Seal Coat	5	2	60,375
Pool Boiler	15	14	9,500
Pool Filter	15	13	4,000
Pool Resurface	15	2	12,000
Pool Cover	10	9	4,500
Pool Deck	40	20	12,172
Pool Fence	40	20	11,025
Wood Fence & Stain	25	2-5	553,170
Mailboxes	35	15	24,000
Large Light Poles	35	15	17,000
Timber Retaining Walls	45	6	229,900
Roof	25	23	973,400
Gutters	5	5	50,100
Paint	5	5	526,050
Carpentry Repairs	5	5	65,130
Metal Handrails	35	14	8,496
Total			<u>\$3,252,018</u>

See Auditors' Report.