

ROBERTSON & MARCHETTI, P.C.

Certified Public Accountants

Accountant's Compilation Report

December 17, 2013

Board of Directors
Brightwater Club Property Owners Association
Gypsum, Colorado

I have compiled the accompanying balance sheet of Brightwater Club Property Owners Association as of September 30, 2013 and the related statement of revenues, expenditures and changes in fund balance with budgets for the nine month period then ended. I also compiled the accompanying budget and forecast of revenues, expenditures and changes in fund balance for the year ending December 31, 2013 and the 2014 adopted budget, in accordance with standards established by the American Institute of Certified Public Accountants.

I 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 accounting principles generally accepted in the United States of America.

As a consulting financial manager, I participate in the financial management of the Association. Management (with my participation) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. I have prepared these financial statements in my capacity as consulting financial manager for the Association.

My responsibility includes conducting 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 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 (with my participation) has elected to omit substantially all the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Association's financial position, results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

A compilation of a forecasted financial statement is limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast.

I have not examined the accompanying forecast and, accordingly, do not express an opinion or any other form of assurance on the forecasted statement or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. I have no responsibility to update this report for events or circumstances occurring after the date of this report.

I also compiled the accompanying 2012 historical financial statements of the Association and my report thereon stated that I did not audit or review those financial statements and, accordingly, expressed no opinion or any other form of assurance on them. Management had elected to omit substantially all disclosures and the statement of cash flows, and if these omissions had been included, they might influence the user's conclusions about the Association's 2012 financial position, results of operations, and cash flows. Accordingly, the 2012 financial statements are not designed for those who are not informed about such matters.

I am not independent from an accounting and auditing perspective with respect to Brightwater Club Property Owners Association because I perform certain accounting services that impair my independence.

ROBERTSON & MARCHETTI, P.C.



Eric Weaver, CPA
Vice President

**Brightwater Club Property Owners Association
Combined Balance Sheet**

Current Assets	<u>12/31/12</u>	<u>09/30/13</u>
Cash		
US Bank	383,593	210,996
Alpine- Operating Checking	21,364	9,057
Alpine- DRB	30,048	30,050
Alpine CD	150,743	150,906
Petty Cash	186	186
UMB Bank		340,025
Total Cash	<u>585,934</u>	<u>741,221</u>
Other Current Assets		
Accounts Receivable, Net of CDI Allowance	489,958	473,200
Prepaid Expenses	6,157	4,419
Total Other Current Assets	<u>496,115</u>	<u>477,619</u>
Total Assets	<u>1,082,050</u>	<u>1,218,840</u>
Liabilities and Fund Equity		
Current Liabilities		
Accounts Payable	20,823	16,830
Prepaid Assessments	-	-
Compliance & Security Deposits	20,000	20,000
Transponder Deposits		150
Deferred Receivables		
Uncollected Accounts Receivable	489,958	473,200
Total Deferred Receivables	<u>489,958</u>	<u>473,200</u>
Total Liabilities	<u>530,781</u>	<u>510,181</u>
Fund Equity		
Working Capital Deposits	93,350	89,700
Fund Balance - Operating Fund	457,919	618,959
Total Equity	<u>551,269</u>	<u>708,659</u>
Total Liabilities and Fund Equity	<u>1,082,050</u>	<u>1,218,840</u>
See accompanying accountant's report.	=	=

Brightwater Club Property Owners Association Stmnt of Revenues and Expenditures and Fund Ba For The Periods Indicated	12/31/12 Unaudited Actual	2013 Adopted Budget	Variance Favorable (Unfavor)	2013 ** Forecast **	YTD Thru 09/30/13 Actual	YTD Thru 09/30/13 Budget	Variance Favorable (Unfavor)	2014 Adopted Budget	Budget Comments
Units In Association	312	312	-	312				312	
Less Non-Paying Lots	(68)	(76)	34	(42)				(42)	Based on 2013 Forecast
Net Fully Paying Individual Lots	244	236	34	270				270	
Quarterly Assessments Per Unit	400.00	300.00		300.00				300.00	
Operating Fund Revenues									
Operating Assessments Billed	499,200	374,400	-	374,400	280,800	280,800	-	374,400	312 lots at \$300 per quarter
Less Current Year Billings Not Collected	(126,395)	(91,200)	40,800	(50,400)	(48,179)	(68,400)	20,221	(50,400)	42 Lots estimated to not pay
Prepayment of Dues	1,900	-	-	-	73,476	70,800	2,676	-	
Less Prepay Discounts	(42,000)	(70,800)	(600)	(71,400)	(71,400)	(70,800)	(600)	(81,000)	270 Lots at \$300
Prior Year Revenues Collected	50,911	5,000	71,111	76,111	47,266	3,750	43,516	5,000	Made major headway in 2010- 2013
Working Capital Applied	1,350	-	1,450	1,450	1,450	-	1,450	-	Most have already been applied
Design Review Board Fees		-	250	250	250	-	250	-	New home submittal doubtful
Late Fees and Interest Charges Collected	4,353	250	(153)	97	96	188	(91)	250	
Title Statement Charges	500	500	-	500	350	375	(25)	500	10 properties at \$50 each
Interest Income- DRB	4	5	(3)	2	2	4	(2)	2	Based on 2013
Interest Income- Reserves	701	700	(400)	300	247	525	(278)	300	Based on 2013
Legal Fees Collected	4,175	-	4,849	4,849	-	-	-	-	
Total Common Revenues	394,700	218,855	117,304	336,159	284,359	217,241	67,117	249,052	

See accompanying accountant's report.

** Forecast is an estimate as of the date of this report and is subject to change

Brightwater Club Property Owners Association Stmnt of Revenues and Expenditures and Fund Ba For The Periods Indicated	12/31/12 Unaudited Actual	2013 Adopted Budget	Variance Favorable (Unfavor)	2013 ** Forecast **	YTD Thru 09/30/13 Actual	YTD Thru 09/30/13 Budget	Variance Favorable (Unfavor)	2014 Adopted Budget	Budget Comments
Operating Fund Expenses									
Operating Expenses									
Accounting & Management	53,398	55,000	-	55,000	38,252	38,200	(52)	50,000	Based on reduced activity
Covenant Enforcement	-	3,000	3,000	-	-	2,250	2,250	2,400	Begin weekly review and follow up
Legal- General	13,104	12,000	(1,000)	13,000	10,090	9,000	(1,090)	13,000	Normal issues
Legal & Administration- CDI Bankruptcy	20,688	-	-	-	-	-	-	-	Bankruptcy dismissed
Legal- Collections	7,169	15,000	(30,000)	45,000	38,833	10,909	(27,924)	27,500	Continued collection efforts
Legal- Declarant Issues	2,162	5,000	5,000	-	-	3,125	3,125	-	Bankruptcy dismissed
Legal- Club Rights & Matters	-	5,000	5,000	-	-	3,125	3,125	-	Bankruptcy dismissed
Legal - SEMA Lawsuit	5,404	-	-	-	-	-	-	-	Bankruptcy dismissed
BPC Funding	4,996	5,500	5,150	350	350	5,500	5,150	-	Entity was dissolved
Tax Return Prep	400	500	100	400	400	500	100	500	
Design Review Consultants	1,200	1,000	-	1,000	-	750	750	1,500	Administration and minor work
Insurance	7,861	8,000	283	7,717	6,237	6,000	(237)	8,000	Based on 2013
Meetings & Communications	1,080	1,000	-	1,000	557	409	(148)	1,000	Based on 2013
Phone, Copies, & Office Supplies	1,793	2,000	-	2,000	1,285	1,286	1	2,000	Based on 2013
Mailing & Postage	134	200	-	200	-	170	170	200	Based on 2013
Bank Charges	-	-	(100)	100	61	-	(61)	100	Based on 2013
Income Tax Expense	400	400	300	100	-	400	400	100	Based on 2013
Contingency/ Other	-	10,000	10,000	-	-	7,500	7,500	10,000	
Total Operating Expenses	119,786	123,600	(2,267)	125,867	96,064	89,124	(6,940)	116,300	

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Operating Fund Expenses (Continued)									
Security/ Gatehouse Expenses									
Contribution to Valagua Metro Towards Staffing	4,500	20,000	13,333	6,667	6,667	15,000	8,333	-	Split \$5K donations and \$30K Valagua
Cleaning & Maintenance	149	250	250	-	-	188	188	-	Done In-House
Utilities- Water & Sewer	414	600	600	-	-	450	450	-	Based on 2013
Utilities- Telephone/Internet	3,966	6,000	2,500	3,500	2,675	4,500	1,825	3,500	Phone & Internet to run system
Utilities- Natural Gas	327	500	200	300	249	375	126	300	Based on 2013
Utilities- Electric	1,513	1,700	300	1,400	1,030	1,275	245	1,400	Based on 2013
Pest Control	127	-	-	-	-	-	-	-	-
Equipment	14,715	3,000	996	2,004	2,004	2,250	246	-	System completed
Operating Supplies	-	1,000	1,000	-	-	750	750	500	Annual Maintenance by Denver Company
Software Fees	-	2,688	665	2,023	1,127	2,016	889	2,688	\$224 per month for camera software
Contingency/ Other	-	2,500	2,500	-	-	1,875	1,875	2,500	
Total Security Expenses	25,711	38,238	22,344	15,894	13,752	28,679	14,927	10,888	
Common Area Maintenance Expenses									
Grounds Contract	-	5,000	5,000	-	-	4,167	4,167	5,000	Roundabout & other common areas
Reserve Study	-	8,000	5,166	2,834	2,834	8,000	5,166	-	Completed in 2013
Engineering	-	5,000	(2,000)	7,000	7,000	5,000	(2,000)	-	Completed in 2013
Repairs & Maintenance	2,565	2,500	2,500	-	-	2,500	2,500	2,500	Lights, misc other
Electric- Street Lights	854	1,200	300	900	669	900	231	900	Based on 2012 Forecast
Snow Plowing	3,850	4,600	-	4,600	3,000	3,680	680	4,600	Based on current contract
Weed Control	-	-	-	-	-	-	-	6,000	Common areas
Road & Shoulder Maintenance	-	-	-	-	-	-	-	6,000	Higher in first year to treat roadway edges
Irrigation	-	-	-	-	-	-	-	500	Paid to GCH for shared irrigation system
Tree Care	-	-	-	-	-	-	-	8,000	Higher in first year for deferred treatments
Conservation Easement Inspections	-	-	-	-	-	-	-	3,900	\$20 per sold lot pd to Land Trust
Contingency/ Other	-	20,000	20,000	-	-	20,000	20,000	10,000	
Total Common Area Maintenance Exp.	7,269	46,300	30,966	15,334	13,503	44,247	30,744	47,400	
Total Expenses	152,766	208,138	51,043	157,095	123,318	162,049	38,731	174,588	
Transfer to Reserve Fund	-	-	(550,000)	(550,000)	-	-	-	(75,000)	Needs to increase to \$180K annually
Change in Fund Balance	241,934	10,717	(381,653)	(370,936)	161,041	55,192	105,849	(536)	Funding of capital reserves
Operations Fund Balance - Beginning	215,984	445,048	12,870	457,919	457,919	445,048	12,870	86,982	
Operations Fund Balance - Ending	457,919	455,765	(368,783)	86,982	618,959	500,240	118,719	86,446	Roughly 6 Months of Expenses

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Replacement Reserve Revenues									
Interest Income		-	2,821	2,821		-	-	2,668	0.5% of Fund Balance
Transfer From Operating Fund		-	550,000	550,000		-	-	75,000	Funding for future major repairs
GCH Contribution for Deferred Maintenance				19,225				70,285	Per Agreement to split deferred maintenance
Total Repl. Reserve Revenues	-	-	552,821	572,046	-	-	-	147,953	
Replacement Reserve Expenditures									
Roads									
Overlays		-	-	-		-	-	-	Slated for 2020
Crackfilling		-	(9,270)	9,270		-	-	9,270	Per Reserve Study
Repair Settled Areas		-	(26,780)	26,780		-	-	53,560	Per Reserve Study
Curb & Gutter Repair		-	(2,400)	2,400		-	-	-	
Bridge Maintenance		-	-	-		-	-	5,150	Per Reserve Study
Gate House Entrance Repair (Sinkhole)		-	-	-		-	-	40,000	Expand beyond scope of engineering report
Landscaping									
Complete Irrigation		-	-	-		-	-	-	
Irrigation Maintenance		-	-	-		-	-	3,090	Per Reserve Study
Tree Replacement		-	-	-		-	-	10,000	Replace a portion of dead trees
Gatehouse									
Exterior Lighting		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Staining		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Doors		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Windows		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Gutters & Downspouts		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Roof		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Gates		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Access Control System		-	-	-		-	-	-	Per Reserve Study
Security System		-	-	-		-	-	-	Per Reserve Study
Other Common Elements									
Street Light Maintenance		-	-	-		-	-	6,750	Per Reserve Study
Street Light Replacement		-	-	-		-	-	-	
Ballard Light Maintenance		-	-	-		-	-	5,250	Per Reserve Study
Ballard Light Replacement		-	-	-		-	-	-	
Sign Maintenance		-	-	-		-	-	7,500	Per Reserve Study
Sign Replacement		-	-	-		-	-	-	
Pond Liners		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Pond Pumps		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Pond Aerators		-	-	-		-	-	-	Per Reserve Study, Once Conveyed
Repl. Res. Expenditures	-	-	(38,450)	38,450	-	-	-	140,570	
Repl Res Net Income	-	-	514,371	533,596	-	-	-	7,383	
Repl. Res. Fund Balance - Begin		-	-	-		-	-	533,596	
Repl. Res. Fund Balance - End	-	-	514,371	533,596	-	-	-	540,979	\$1.3 M needed in 2020 for overlays

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See accompanying accountant's report.

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Brightwater POA

Accounts Receivable As of 09/30/13

	<u>Lots</u>	<u>Current Balance</u>
Individual Owners- Current	88	23,738
Multi-Lot Owners- Current	66	(12,862)
Gypsum Creek Holdings- Current	116	(34,800)
Bank Owned- Current	-	-
Still In Collections	34	439,828
Others Not Paying	8	57,296
	<u>312</u>	<u>473,200</u>
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Accounts Receivable Summary:	<u>Actual YTD</u>
2012 Beginning Balance	489,958
Less Prior Year Balances Paid	(47,266)
Less Working Capital Applied	(1,450)
Less Write-Off's	(31,548)
2013 Assessments	280,800
Less Prepay Discounts	(71,400)
Less Current Year Dues Payment	(234,697)
Prepaid 2014 Assessments	(300)
2013 Interest Charges	38,394
Less Interest Paid	(96)
Legal Fee Charges	50,806
Less Legal Fees Paid	-
Ending Balance	<u><u>473,201</u></u>
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