

STEAMBOAT LAKE ASSOCIATION, INC.

FINANCIAL STATEMENTS AND
ACCOUNTANTS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004

**STEAMBOAT LAKE ASSOCIATION, INC.
FINANCIAL STATEMENTS AND ACCOUNTANTS' REPORT
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Ingalls, Ingalls & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Steamboat Lake Association, Inc.
Steamboat Springs, Colorado

We have audited the accompanying balance sheets of Steamboat Lake Association, Inc., as of December 31, 2005 and 2004, and the related statements of revenues, expenses and changes in members' equity, 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 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 Steamboat Lake Association, Inc., as of December 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.

Ingalls, Ingalls & Company, P.C.
Certified Public Accountants

Steamboat Springs, CO
March 4, 2006

**STEAMBOAT LAKE ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ 83,748	\$ 61,473
Assessments receivable	17,418	21,792
Special assessments receivable	25,759	31,089
Prepaid Expenses	<u>2,248</u>	<u>-</u>
Total current assets	<u>129,173</u>	<u>114,354</u>
Property and equipment:		
Fence	34,451	34,451
Lot 52	8,949	8,949
Lot 42	<u>551</u>	<u>551</u>
	43,951	43,951
Accumulated depreciation	<u>(6,909)</u>	<u>(5,186)</u>
Total fixed assets	<u>37,042</u>	<u>38,765</u>
TOTAL ASSETS	<u>\$ 166,215</u>	<u>\$ 153,119</u>
LIABILITIES AND FUND BALANCES		
Accounts payable	\$ 23,295	\$ 23,390
Deposits	26,300	18,300
Vista Meadows	<u>5,730</u>	<u>8,650</u>
Total liabilities	55,325	50,340
Fund balances	<u>110,890</u>	<u>102,779</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 166,215</u>	<u>\$ 153,119</u>

See accompanying notes to financial statements.

STEAMBOAT LAKE ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Assessments	\$ 147,870	\$ 128,770
Special Assessments	13,182	28,424
Interest income	1,378	1,409
Other	<u>685</u>	<u>13,403</u>
	<u>163,115</u>	<u>172,006</u>
 EXPENSES		
Snow plowing	35,395	49,845
Depreciation	1,723	1,723
Legal	3,995	4,234
Management fee and accounting	12,000	9,575
Web site	779	-
Insurance	2,848	1,374
Road improvements and repairs	82,328	53,597
Office supplies	-	215
License and permits	-	345
Property tax	1,389	-
Homeowner's meeting	467	146
Copies/printing/postage	556	446
Miscellaneous	342	307
Special assessment expense	<u>13,182</u>	<u>29,621</u>
	<u>155,004</u>	<u>151,428</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	 8,111	 20,578
 BEGINNING FUND BALANCES (DEFICIT)	 <u>102,779</u>	 <u>82,201</u>
ENDING FUND BALANCES	<u>\$ 110,890</u>	<u>\$ 102,779</u>

See accompanying notes to financial statements.

STEAMBOAT LAKE ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ 8,111	\$ 20,578
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	1,723	1,723
(Increase) decrease in:		
Assessments receivable	4,374	381
Special assessments receivable	5,330	37,070
Prepaid Expenses	(2,248)	-
Increase (decrease) in:		
Accounts payable	(95)	21,897
Prepaid assessments	-	-
Deposits	8,000	(195)
Gravel assessment Vista Meadows	(2,920)	(4,850)
Gravel assessment Willow Gulch	-	(1,125)
Net cash provided by operating activities	<u>22,275</u>	<u>75,479</u>
Cash flows from investing activities:		
Purchase of equipment	-	(41,245)
Net cash provided by investing activities	<u>-</u>	<u>(41,245)</u>
NET INCREASE (DECREASE) IN CASH	22,275	34,234
CASH AT BEGINNING OF YEAR	<u>61,473</u>	<u>27,239</u>
CASH AT END OF YEAR	<u>\$ 83,748</u>	<u>\$ 61,473</u>
SUPPLEMENTAL DISCLOSURE		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STEAMBOAT LAKE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A—NATURE OF ORGANIZATION

Steamboat Lake Association, a nonprofit corporation, was incorporated on September 24, 1984, in the state of Colorado. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of Filings 1 through 4, within Steamboat Lakes Subdivision, Routt County Colorado.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

Operating Fund—This fund is used to account for financial resources available for the general operations of the Association.

Gravel Assessment Fund—This fund is used to accumulate financial resources designated for future repairs and upgrades for the roadways.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses. Assessment receivable at the balance sheet date represents fees due from lot owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are deemed uncollectible. The Association considers all assessments receivable at December 31, 2005 and 2004 to be fully collectible. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Special Assessments

In 2004 there was a special assessment of \$28,424 for road improvements and in 2005 there was a special assessment of \$13,182 for road improvements.

STEAMBOAT LAKE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Income Taxes

For income tax purposes, the Association has elected to apply the excess of its revenues from assessments over expenses, if any, as a reduction of the subsequent year's assessment. The Association pays income tax on unrelated business income only. For the years ended December 31, 2005 and 2004, the Association incurred an income tax expense of \$-0- and \$-0-, respectively.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property. At December 31, 2005 and 2004, property not capitalized consists of lot #52 and #42 of the Steamboat Lakes Subdivision. Property and equipment acquired by the Association are recorded at cost.

Depreciation

Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that effect the reported amounts 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.

Cash equivalent

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

NOTE C—MANAGEMENT CONTRACT

The Association is operated and managed by Double H Management Company. The Association paid Double H Management Company \$12,000 and \$9,575 in management fees for the years ended December 31, 2005, and 2004.

**STEAMBOAT LAKE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE D—FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the board of directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

NOTE E—ASSESSMENT CONTINGENCY

Former members of the Association, filed a complaint against the Association for assessments paid to the Association. The former members owned multiple lots but, pursuant to an agreement with the Association, they were required to pay assessments as if all the lots were one lot. The lots were then subdivided and sold as separate lots. At the point of that sale, the Association, pursuant to the agreement, charged back assessments on each lot. The assessments were paid under protest and a complaint was filed. Per the Association's attorney, they are seeking to get back \$15,000 in assessments paid. The Association intends to vigorously defend the claim.