

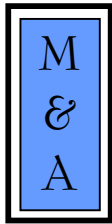
Cordillera Property Owners Association, Inc.

**Financial Statements
December 31, 2005**

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2005

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Cordillera Property Owners Association, Inc.**

We have audited the accompanying balance sheets of Cordillera Property Owners Association, Inc. (the "Association"), a Colorado non-profit corporation, as of December 31, 2005, and the related statements of revenues, expenses and 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. The prior-year summarized information has been derived from the Association's 2004 financial statements; and, in our report dated March 24, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. 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 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 Cordillera Property Owners Association, Inc. as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule on page 12 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McMahan and Associates, LLC.

**McMahan and Associates, L.L.C.
June 12, 2006**

Performing services for resort communities throughout Colorado

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Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2005
(With Comparative Totals for 2004)

	2005			2004
	Operating Fund	Replacement Fund	Total	Total
Assets:				
Cash	4,822	494,288	499,110	671,990
Restricted cash - Transfer assessments	-	604,367	604,367	254,893
Cash - Design Review Board	753,298	-	753,298	651,863
Interest receivable	9,346	-	9,346	10,399
Accounts receivable - Owners	30,927	32,756	63,683	24,522
Design Review Board fines receivable	6,000	-	6,000	11,000
Prepaid expenses	-	-	-	5,948
Prepaid income tax	2,590	-	2,590	15,948
Accounts receivable - Cordillera Metro	58,803	-	58,803	-
Due to (from) other fund	551,529	(551,529)	-	-
Fixed assets, net of accumulated depreciation of \$48,451 and \$20,452 in 2004	1,055,779	-	1,055,779	573
Eagle River Parcel I	-	800,000	800,000	1,650,254
Market/Post Office construction in progress	-	-	-	1,060,415
Total Assets	2,473,094	1,379,882	3,852,976	4,357,805
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable - Other	59,765	-	59,765	13,940
Accounts payable - Construction	-	-	-	103,411
Accounts payable - Cordillera Metro	-	-	-	82,699
Retainage payable	-	-	-	93,179
Note payable	-	-	-	425,000
Interest payable	-	-	-	21,832
Property tax payable	-	-	-	5,096
Landscaping payable	12,338	-	12,338	12,338
Deposits	2,500	-	2,500	-
Deferred assessments	-	-	-	15,746
Design Review Board interest payable	15,298	-	15,298	13,863
Deferred assessments - Design Review Board fees	-	-	-	9,000
Design Review Board deposits	738,000	-	738,000	638,000
Total Liabilities	827,901	-	827,901	1,434,104
Fund Equity:				
Working capital contributions	402,525	-	402,525	402,525
Fund Balances:				
Fund balance - Restricted for transfer assessments	-	604,367	604,367	254,893
Investment in fixed assets, net of depreciation	1,055,779	800,000	1,855,779	2,711,242
Fund balance (deficit)	186,889	(24,485)	162,404	(444,959)
Total Fund Balances	1,242,668	1,379,882	2,622,550	2,521,176
Total Fund Equity	1,645,193	1,379,882	3,025,075	2,923,701
Total Liabilities and Fund Equity	2,473,094	1,379,882	3,852,976	4,357,805

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

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2005
(With Comparative Totals for 2004)

	2005			2004
	Operating Fund	Replacement Fund	Total	Total
Revenues:				
Assessments	855,000	-	855,000	853,886
Real estate transfer assessments	-	1,639,542	1,639,542	1,031,468
Investment income	46,104	12,614	58,718	44,059
Knox Box reimbursement	372	-	372	211
Lift station reimbursement	16,962	-	16,962	18,448
Fishing program	6,446	-	6,446	7,990
Wildfire matching grant	-	-	-	22,500
Kensington Partners contribution	-	30,000	30,000	30,000
Post office sales, net	2,994	-	2,994	-
Miscellaneous income	13,749	-	13,749	6,561
Total Revenues	<u>941,627</u>	<u>1,682,156</u>	<u>2,623,783</u>	<u>2,015,123</u>
Expenses:				
Operating Expenses:				
Administrative	702,397	-	702,397	833,822
Design Review Board	-	-	-	5,500
Community Operations	109,662	123,296	232,958	106,221
Total Operating	<u>812,059</u>	<u>123,296</u>	<u>935,355</u>	<u>945,543</u>
Non-operating Expenses:				
Capital Expenses:				
Utility box project	-	20,370	20,370	28,209
Interest expense	-	3,935	3,935	21,832
Supra boxes	-	-	-	48,638
Wildfire mitigation	-	182,250	182,250	48,346
Marketing program	-	15,223	15,223	17,659
Fishing	-	15,024	15,024	-
Cordillera Metropolitan District contribution	-	500,000	500,000	-
Cordillera Metropolitan District capital contribution	-	850,254	850,254	-
Total Capital Outlay	<u>-</u>	<u>1,587,056</u>	<u>1,587,056</u>	<u>164,684</u>
Total Expenses	<u>812,059</u>	<u>1,710,352</u>	<u>2,522,411</u>	<u>1,110,227</u>
Excess (Deficiency) of Revenues Over Expenses	129,568	(28,196)	101,372	904,896
Fund Balances - Beginning	37,368	2,483,810	2,521,178	1,616,280
Transfer (To) From Other Fund	<u>1,075,732</u>	<u>(1,075,732)</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>1,242,668</u>	<u>1,379,882</u>	<u>2,622,550</u>	<u>2,521,176</u>

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

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2005
(With Comparative Totals for 2004)

	2005			2004
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Cash received from owners	855,129	1,606,786	2,461,915	1,901,076
Investment income received	47,157	12,614	59,771	50,918
Design Review Board fees	-	-	-	5,500
Design Review Board deposits received	400,000	-	400,000	330,000
Other cash receipts	19,907	30,000	49,907	101,729
Design review deposits refunded	(300,000)	-	(300,000)	(289,500)
Cash paid for goods and services	(868,688)	(1,056,689)	(1,925,377)	(950,045)
Transfer (to) from other fund	(266,368)	266,368	-	-
Net Cash Provided (Used) by Operating Activities	(112,863)	859,079	746,216	1,149,678
Cash Flows from Investing Activities:				
Acquisition of fixed assets	(7,473)	(15,317)	(22,790)	(1,037,713)
Net Cash (Used) by Investing Activities	(7,473)	(15,317)	(22,790)	(1,037,713)
Cash Flows from Financing Activities:				
Principal payment	(425,000)	-	(425,000)	-
Cash received for working capital	-	-	-	1,000
Interest	(20,397)	-	(20,397)	21,832
Net Cash Provided (Used) by Financing Activities	(445,397)	-	(445,397)	22,832
Net Increase (Decrease) in Cash	(565,733)	843,762	278,029	134,797
Cash and Cash Equivalents - Beginning	1,323,853	254,893	1,578,746	1,443,949
Cash and Cash Equivalents - End	758,120	1,098,655	1,856,775	1,578,746
Reconciliation of Cash to Financial Statement Captions:				
Cash	4,822	494,288	499,110	671,990
Restricted cash - Transfer assessments	-	604,367	604,367	254,893
Cash - Design Review Board	753,298	-	753,298	651,863
Cash and Cash Equivalents at End of Period	758,120	1,098,655	1,856,775	1,578,746
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:				
Excess (deficiency) of revenues over expenses	129,568	(28,196)	101,372	904,898
Adjustments:				
(Increase) decrease in receivables	(59,155)	(32,757)	(91,912)	2,751
(Increase) decrease in prepaid expenses	5,948	-	5,948	(53)
(Increase) decrease in prepaid income taxes	13,358	-	13,358	10,762
Depreciation	27,999	-	27,999	2,305
Capital contribution	-	850,254	850,254	-
Increase (decrease) in accounts payable - Trade	(36,871)	-	(36,871)	(11,850)
Increase (decrease) in accounts payable - Construction	-	(103,411)	(103,411)	103,411
Increase (decrease) in retainage payable	-	(93,179)	(93,179)	93,179
Increase (decrease) in property taxes payable	(5,096)	-	(5,096)	5,096
Increase (decrease) in deposits held	102,500	-	102,500	40,500
Increase (decrease) in interest payable	-	-	-	1,727
Increase (decrease) in prepaid assessments	(24,746)	-	(24,746)	(3,048)
Increase (decrease) in due to (from) other fund	(266,368)	266,368	-	-
Total Adjustments	(242,431)	887,275	644,844	244,780
Net Cash Provided (Used) by Operating Activities	(112,863)	859,079	746,216	1,149,678

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

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2005

1. Organization

Cordillera Property Owners Association, Inc. (the "Association") was incorporated in the State of Colorado on October 14, 1987 as a non-profit corporation. The Association's original Declaration is dated May 25, 1988 and was amended and restated on May 11, 1993 and May 11, 1998. The Association began operations in 1990 and is responsible for the operation and maintenance of common property within the development. The development consists of residential lots located in Eagle County, Colorado.

The Declaration allows for two types of membership; Class A, which are all owners except the Declarant and; Class B, which is the Declarant. The Declaration allows for a Declarant control period which allows the Declarant the right to approve or disapprove actions of the Board and appoint a majority of the Board. Declarant control period will lapse when:

- (a) Seventy-five (75%) of the units permitted have been issued temporary certificates of occupancy and conveyed to persons other than the Declarant or Builders;
- (b) December 31, 2022; or
- (c) The Class B member so determines at its sole discretion.

At December 31, 2005, 468 of 910 maximum expected units have been issued certificates of occupancy, or 51%.

On August 21, 2003, the Declarant agreed to voluntarily surrender certain rights regarding the appointment of members of the Board before the termination of the Declarant control period. In accordance with (c) above, the Declarant and the Association agreed to a method for a smooth transition of control of the Board. The following schedule has been established. Effective August 15, 2003, the Declarant removed one existing Class B member and appointed one director who is a Class A member in 2003. In 2004 and 2005, a Class A member was elected at the annual meeting to replace a class B member in each year. After the 2005 annual meeting, the Declarant may elect to appoint one director of choice who may be a Class A member, or an employee or an affiliate of Declarant until (a) through (c) as described above occurs. As of December 31, 2005 no board members are affiliated with the Declarant.

2. Summary of Significant Accounting Policies

A. Funds

The Association uses the fund method of accounting, which requires that funds, such as operating funds be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors. As allowed by the Declaration, a Replacement Fund has been established. Disbursements from the Replacement Fund may be made only for purposes as designated by the Board.

B. Basis of Accounting

The Association's records are maintained using the accrual method of accounting.

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2005
(Continued)

2. Summary of Significant Accounting Policies (continued)

C. Assessments

Assessments are billed annually based upon the Association's budgeted expenses. The billing for new filings begins on the first day of the month following the sale of a lot to a party other than the Declarant.

D. Working Capital Contributions

Upon purchase of a unit, each owner contributes working capital. The following working capital changes occurred during 2005:

Working capital contributions, January 1, 2005	\$ 402,525
Additions	-
Working capital contributions, December 31, 2005	<u>\$ 402,525</u>

E. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

F. Recognition of Fixed Assets

The Association recognizes personal common property and real property to which it has title. Assets are recorded at cost and depreciated over their useful life using the straight-line method of depreciation. At December 31, 2005, the Association's fixed assets included an all-terrain vehicle, a security camera and the Market/Post Office. Depreciation expense for 2005 is \$27,999 .

G. Bad Debts

Bad debts are recognized by the allowance method; an allowance for possible uncollectibility of the accounts receivable is established when the collectability becomes doubtful. No such allowance was established at December 31, 2005 or 2004 as all receivables were considered to be collectible.

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2005
(Continued)

H. Design Review Board Deposits

The Association is responsible for the operation of the Cordillera Design Review Board (the "DRB"). The DRB reviews the design of all home construction, exterior refurbishments and landscaping of properties within the Association's boundaries. The DRB requires a compliance deposit equal to \$20,000 with each application. Deposits received prior to March 23, 1999 earn interest at a rate of 2.65% per annum until returned. The deposits and any interest earned on qualifying deposits are refunded after final approval of the project is given. Interest earned on qualifying deposits is recorded on the Association's financial statements as Design Review Board interest payable. Interest earned on deposits received March 23, 1999 or later is income to the Association.

Design Review Board Deposits, January 1, 2005	\$638,000
Additions	400,000
Refunds	(300,000)
Design Review Board Deposits, December 31, 2005	<u>\$ 738,000</u>

2. Summary of Significant Accounting Policies (continued)

I. Cash Equivalents

For purposes of the Statement of Cash Flows, the Association defines cash equivalents as all investments which are available upon demand.

J. Prepaid Expenses

Prepaid expenses consist of expenses paid which will provide benefits in subsequent years.

K. Use 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Comparative Information

The financial statements include certain prior year comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2004, from which the comparative totals were derived.

3. Concentration of Credit Risk

As of December 31, 2005 cash balances exceeded Federal Deposit Insurance Corporation ("FDIC") limits by \$943,053 .

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2005
(Continued)

4. Future Major Repairs and Replacement Reserve

The Association's restated Declaration, dated May 11, 1993, requires the Association to accumulate funds for future capital replacements. Accumulated funds are generally not available for operations. At December 31, 2005, the Association had accumulated \$1,379,882 of equity or net assets for future capital replacements of which \$604,367 is restricted for transfer assessment payments and \$800,000 is invested in the Eagle River Parcel I, with a remaining balance of \$(24,485).

Funds being accumulated in the Replacement Fund are for future replacements of common property components. It is the Association's responsibility to preserve and maintain common property. The Association has conducted a long-range plan of the Association's future replacement expenses which includes required Real Estate Transfer Assessment Agreement payments (see Note 8). Amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for capital replacements. If additional funds are needed, the Association has the right, subject to the Board of Directors' approval, to increase regular assessments, levy special assessments, or delay capital replacements until funds are available. As the Association's common elements are immaterial to the financial statements as a whole, the Association has not conducted a Reserve Study.

5. Cordillera Metropolitan District

Effective January 1, 2004, the Association entered into an agreement with Cordillera Metropolitan District (the "District") to provide general administrative, management, design review services, public safety, covenant enforcement and other such services for the Association. The agreement has an initial term expiring December 31, 2004 and is annually renewable, for a twelve month term, unless terminated by either party.

As of December 31, 2005, the Association had \$58,803 due from the District.

Effective January 1, 2004 the Association entered into a land lease agreement, for the Market/Post Office, with the District. Terms of the land lease include \$1 per year rental payment until January 1, 2103 at which time the Association may continue as a year-to-year tenant.

6. Note Payable

On December 22, 2003 the Association executed a promissory note (the "Note") in the amount of \$425,000 with Cordillera Metropolitan District (the "District"). The Note bears an interest rate of 5% simple interest and was due December 31, 2004. The Note and related accrued interest were paid to the District March 1, 2005.

7. Transfer Assessment

On April 2, 2001, the Association's Board of Directors approved a 1% real estate transfer assessment (the "RETA"), effective July 1, 2001. The revenue from the RETA is pledged to Cordillera Metropolitan District (the "District") for the Association debt transferred to the District to purchase the Chaveno Property, from Kensington Partners. RETA collections in excess of pledged amount may be used by the Association at the Board's discretion.

Effective January 1, 2005 the assessment rate increased to 2% for sale contracts dated January 1, 2005 and after.

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2005
(Continued)

8. Transfer Assessment Agreement

On March 17, 2002, the Association entered into a Transfer Assessment Agreement (the "Agreement") between Cordillera Metropolitan District ("CMD") and Cordillera Mountain Metropolitan District ("CMMD") (collectively, the "Districts") to cooperate in the acquisition and development of the Chaveno Parcel. The Districts each issued General Obligation Bonds, Series 2002 (the "Financing") to provide funding for the project. In order to meet current and future debt service payment on the Financing, the Association has agreed to assess, collect, pledge and pay to the Districts a portion of its Transfer Assessment as required to meet the obligations of this Agreement.

On February 23, 2004, the Third Amended and Restated Transfer Assessment Agreement replaced in entirety all previous Agreements. CMMD is no longer a separate party to the Agreement, but is responsible for debt, due to the consolidation of CMD and CMMD as ordered by the Eagle County District Court.

Under the Agreement, the Association is required to make annual scheduled payments (see the following page) and accumulate a reserve adequate to 1) make the next payment due December 7 of each year, 2) make the payment of the year following the next payment, and, 3) pay any outstanding arrearages. Upon satisfying the scheduled payments, reserve requirements, and providing an accounting to the Districts evidencing that all obligations have been fully funded, the Association may use the Transfer Assessment revenue as it deems appropriate.

If the collection of the RETA is insufficient to meet the payment requirements of this Agreement, the Association shall accrue a liability in the amount of any such shortfall, which is to be paid as collections of the RETA become available.

The Association's obligations under this agreement will terminate upon the District's full accumulation of the amount necessary to pay all obligations under the Financing. Under the Third Amended and Restated Assessment Agreement no principle or interest payment is required in 2005, so no payments were made as of December 7, 2005 and a reserve requirement for 2006 and 2007 in the amount of \$604,367 is established.

The Association's payment to each of the Districts as issued, due December 7, is as follows:

Series 2002:

<u>CMD</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2006	4.000%	\$ 5,000	190,453
2007	4.000%	5,000	190,253
2008	4.000%	5,000	190,053
2009	4.200%	5,000	189,853
2010	4.300%	5,000	189,643
2011-2015	4.400% - 4.750%	1,865,000	856,275
2016-2020	4.850% - 5.050%	1,855,000	243,108
2021-2022	5.100%	240,000	18,360
Total		<u>\$ 3,985,000</u>	<u>2,067,998</u>

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2005
(Continued)

8. Transfer Assessment Agreement (continued)

<u>CMMD</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2006	4.500%	\$ -	59,440
2007	4.850%	-	59,440
2008	5.000%	-	59,440
2009	5.100%	-	59,440
2010	5.200%	-	59,440
2011-2015	5.300% - 5.800%	170,000	295,240
2016-2020	5.900% - 6.000%	830,000	154,650
Total		<u>\$ 1,000,000</u>	<u>747,090</u>

Series 2002B:

<u>CMD</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2006	5.625%	\$ -	-
2007	5.625%	30,000	49,781
2008	5.625%	30,000	48,094
2009	5.625%	35,000	46,406
2010	5.625%	35,000	44,438
2011-2015	5.625%	355,000	187,595
2016-2020	5.625%	400,000	38,251
Total		<u>\$ 885,000</u>	<u>414,565</u>

<u>CMMD</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2006	6.000%	\$ -	-
2007	6.000%	-	15,000
2008	6.000%	-	15,000
2009	6.000%	-	15,000
2010	6.000%	-	15,000
2011-2015	6.000%	40,000	74,400
2016-2020	6.000%	210,000	39,900
Total		<u>\$ 250,000</u>	<u>174,300</u>

Restricted fund balance, January 1, 2005	\$ 254,893
Transfer assessments	1,639,542
Interest earned	22,715
RETA payments	-
Excess after reserve of next 2 years RETA payments	<u>(1,312,783)</u>
Restricted fund balance, December 31, 2005	<u>\$ 604,367</u>

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2005
(Continued)

9. Eagle River Parcel I

On October 8, 2003 the Association entered into a Ground Lease Agreement (the "Lease") with Vail Christian Schools (the "Landlord") for the property known as Eagle River Parcel I ("Parcel I"). The Lease has an initial term of 99 years with the right to renew for a second 99 year term. Rent of \$800,000 was paid for the initial term. Rent for the second term, if renewed, will be \$1. Additionally, the Landlord reserves easement for access for academic and school-related purposes in connection with the Landlord's use of the school located within the property immediately adjacent to the property. Further, the above parties entered into a Purchase Option Addendum (the "Addendum") for Parcel I, which may be exercised at the Association's option without further monetary consideration.

The Association obtained the property for use as open space and fishing rights access for the use of its members.

10. Eagle River Parcel II

Effective October 15, 2003 the Association entered in to agreement with Kensington Partners and all Affiliates of Kensington Partners (the "Kensington") for the purchase of the Eagle River Parcel II ("Parcel II") in exchange for \$850,000 with closing costs of \$254.

The Association transferred Parcel I to Cordillera Metropolitan District at the net book value of \$850,254 in 2005.

11. Trash and Recycling Program

The Association entered in to a service agreement with Vail Honeywagon LTD, May 1, 2002, and amended October 18, 2004, for waste and recycled waste removal services. The agreement is effective until December 31, 2005 and may be renewed for succeeding three year periods unless either party terminates with at least 60 days notice. The agreement is for monthly payments based on a rate of \$15 per unit for services and additional miscellaneous fees for the community receptacle or other special pickup, with a cost of living adjustment based on Denver, Boulder Metro Area CPI effective January 1, 2006.

12. Line of Credit

On January 26, 2005 the Board resolved to obtain a Line of Credit (the "LOC") with the Alpine Bank in an amount up to \$1,000,000. The LOC will have a variable interest rate equal to the JP Morgan Chase Bank prime rate with an initial rate of 5.750%. Interest payments on outstanding balance, if any, are due monthly with a total outstanding principal and accrued interest to date due April 26, 2006. The LOC is secured by assessment rights, assessment proceeds, including special assessments and excluding the real estate transfer assessment, cash on hand and on deposit, and accounts receivable. As of June 2006 no balance has been drawn on the LOC.

13. Non-cash Transaction

The Eagle River Parcel II was transferred to Cordillera Metropolitan District at net book value of \$850,254.

Cordillera Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for 2004)

	<u>2005</u>		Variance Favorable (Unfavorable)	<u>2004</u>
	Budget (Unaudited)	Actual		Actual
Revenues:				
Assessments	855,750	855,000	(750)	853,886
Investment income	35,250	46,104	10,854	40,991
Knox Box reimbursement	-	372	372	211
Lift station reimbursement	38,467	16,962	(21,505)	18,448
Fishing program	20,591	6,446	(14,145)	7,990
Post office sales, net	-	2,994	2,994	-
Miscellaneous income	-	13,749	13,749	6,561
Total Revenues	<u>950,058</u>	<u>941,627</u>	<u>(8,431)</u>	<u>928,087</u>
Expenses:				
Administrative:				
Administrative services	525,219	525,219	-	721,800
Bank and credit card charges	9,500	7,657	1,843	8,999
Insurance	15,000	10,518	4,482	10,226
Professional fees	22,500	19,324	3,176	25,514
Depreciation	-	27,999	(27,999)	2,305
Income taxes	5,000	-	5,000	10,762
Interest expense	-	250	(250)	-
Property taxes	-	-	-	5,096
Post office operations	42,000	54,743	(12,743)	1,100
Homeowner relations	-	335	(335)	6,789
Fishing program	58,007	56,352	1,655	41,231
Total Administrative	<u>677,226</u>	<u>702,397</u>	<u>(25,171)</u>	<u>833,822</u>
Design Review Board:				
Refund	-	-	-	5,500
Total Design Review Board	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,500</u>
Community Operations:				
Lift station reimbursement	21,800	17,037	4,763	18,448
Trash and recycle program	96,000	92,625	3,375	87,773
Total Security Operational	<u>117,800</u>	<u>109,662</u>	<u>8,138</u>	<u>106,221</u>
Total Expenses	<u>795,026</u>	<u>812,059</u>	<u>(17,033)</u>	<u>945,543</u>

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