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TANNER
BUSINESS ADVISORS AND CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Timber Lakes Property Owners Association

We have audited the accompanying balance sheet of Timber Lakes Property Owners Association (the Association) as of June 30, 2010. This balance sheet is the responsibility of the Association's management. Our responsibility is to express an opinion on this balance sheet 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 balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of Timber Lakes Property Owners Association as of June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4, the Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statement.

Tanner LLC

February 25, 2011

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TIMBER LAKES PROPERTY OWNERS ASSOCIATION
Balance Sheet

As of June 30, 2010

<u>Assets</u>	<u>Operating Fund</u>
Cash	\$ 1,022,510
Member assessments receivable, less allowance for doubtful accounts of \$236,833	100,557
Prepaid expenses and other	17,678
Property and equipment:	
Road maintenance equipment	102,688
Transportation equipment	6,500
Security equipment	13,249
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	122,437
Accumulated depreciation	(48,194)
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Property and equipment, net	74,243
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Total assets	\$ 1,214,988
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<u>Liabilities and Fund Balance</u>	
Accounts payable	\$ 36,505
Accrued expenses	13,715
Deferred assessment revenues	942,181
Building bond payables	129,780
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Total liabilities	1,122,181
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Commitments and contingencies	
Fund balance	92,807
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Total liabilities and fund balance	\$ 1,214,988
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See accompanying notes to balance sheet.