

L. R. COMPTON II, LLC

Certified Public Accountants

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October 19, 2011

Stapleton Rowhome Association
% WestStar Management Corp.
6795 E. Tennessee Ave., Ste. 601
Denver, Colorado 80224

Attn: Ricardo Lases

Re: December 31, 2010 and 2009 Financial Statements

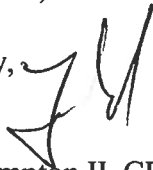
Dear Ricardo:

We have completed our audit of the financial statements of Stapleton Rowhome Association at December 31, 2010 and 2009 and for the year then ended. Six (6) bound copies of the report are enclosed. Also enclosed is one copy which is not bound for WestStar's use.

The 2010 tax returns have been completed and sent to you for handling.

Thank you again for selecting L.R. Compton II, CPA's to perform the annual audit for your managed Association, and we do appreciate your time and help.

Sincerely,



L. R. Compton II, CPA
Managing Principal

Enc.

***STAPLETON ROWHOME
ASSOCIATION***

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010 and 2009

STAPLETON ROWHOME ASSOCIATION

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010 and 2009

L.R. COMPTON II, LLC
CERTIFIED PUBLIC ACCOUNTANTS
3595 SOUTH TELLER STREET, SUITE 402
LAKEWOOD, COLORADO 80235

STAPLETON ROWHOME ASSOCIATION

DECEMBER 31, 2010 and 2009

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L.R. COMPTON II, LLC
Certified Public Accountants
3595 S. Teller Street, Suite 402
Lakewood, Colorado 80235
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Independent Auditor's Report

Board of Directors
Stapleton Rowhome Association
Denver, Colorado

We have audited the accompanying balance sheets of Stapleton Rowhome Association as of December 31, 2010 and 2009, and the related statements of revenue, expenditures and changes in fund balance (deficit) of the operating fund and the revenue, expenditures and changes in fund balance of the replacement fund and the cash flows of the operating fund 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 audits.

We conducted our audits 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 audits provide 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 Stapleton Rowhome Association as of December 31, 2010 and 2009 and the results of its operations of the operating fund; the replacement fund, and its cash flows of the operating fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

May 10, 2011

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STAPLETON ROWHOME ASSOCIATION

BALANCE SHEETS

	DECEMBER 31,	
	2010	2009
ASSETS		
Cash, Operating Fund	\$ 58,815	\$ 42,459
Cash, Replacement Fund	104,625	322,316
Certificates of Deposit, Replacement Fund	250,000	70,000
Assessments Receivable, Net of Allowance, \$3,150 and \$10,100	1,258	3,223
Accrued Interest, Replacement Fund	513	640
Prepaid Items	<u>653</u>	<u>1,936</u>
TOTAL ASSETS	\$ <u>415,864</u>	\$ <u>440,574</u>
LIABILITIES and FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 3,702	\$ 8,161
Prepaid Assessments	<u>14,513</u>	<u>17,532</u>
<i>Total Liabilities</i>	18,215	25,693
FUND BALANCES		
Unrestricted Funds		
Working Capital	43,352	43,352
Operating	(841)	(21,427)
Replacement Fund	<u>355,138</u>	<u>392,956</u>
<i>Total Fund Balances</i>	<u>397,649</u>	<u>414,881</u>
TOTAL LIABILITIES and FUND BALANCES	\$ <u>415,864</u>	\$ <u>440,574</u>

See Notes to Financial Statements

STAPLETON ROWHOME ASSOCIATION

STATEMENTS of REVENUE, EXPENDITURES and CHANGES in OPERATING FUND (DEFICIT)

	YEARS ENDED DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
REVENUE		
Base Assessments	\$ 287,976	\$ 287,976
Water Assessments	6,031	5,458
Other Member Income	<u>1,950</u>	<u>3,574</u>
Total Revenue	295,957	297,008
EXPENDITURES		
Maintenance and Supplies		
Building	13,392	13,139
Snow Removal	12,214	23,000
Grounds	<u>54,627</u>	<u>69,047</u>
Total Maintenance and Supplies	80,233	105,186
Operating Expenses		
Transfers to Replacement Fund	105,000	104,949
Utilities	<u>24,207</u>	<u>16,891</u>
Total Operating Expenses	129,207	121,840
Administrative Expenses		
Bad Debts	1,490	4,398
Income Tax	-	65
Insurance	34,878	33,311
Management Fees	23,400	23,400
Office and Communications	3,100	3,647
Professional Fees	<u>3,063</u>	<u>4,206</u>
Total Administrative Expenses	<u>65,931</u>	<u>69,027</u>
Total Expenditures	<u>275,371</u>	<u>296,053</u>
EXCESS of REVENUE OVER EXPENDITURES	20,586	955
Operating Fund (Deficit), Beginning of Year	(21,427)	162,297
Forgiveness of due from Replacement Fund	<u>-</u>	<u>(184,679)</u>
OPERATING FUND (DEFICIT), End of Year	\$ <u>(841)</u>	\$ <u>(21,427)</u>

See Notes to Financial Statements

STAPLETON ROWHOME ASSOCIATION

STATEMENTS of REVENUE, EXPENDITURES and CHANGES in the REPLACEMENT FUND

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
REVENUE		
Assessments Transferred from		
Operating Fund	\$ 105,000	\$ 104,949
Interest	<u>4,296</u>	<u>6,969</u>
<i>Total Revenue</i>	109,296	111,918
EXPENDITURES		
Major Maintenance		
Building Exterior Renovation	105,880	82,875
Building Roof Repairs	7,304	-
Concrete Replacement	33,780	-
Exterior Fence Renovation	<u>-</u>	<u>16,850</u>
Total Major Maintenance	146,964	99,725
Administrative		
Investment Management	<u>150</u>	<u>-</u>
Total Administrative	<u>150</u>	<u>-</u>
<i>Total Expenditures</i>	<u>147,114</u>	<u>99,725</u>
EXCESS (DEFICIT) of REVENUE OVER EXPENDITURES	(37,818)	12,193
Replacement Fund, Beginning of Year	392,956	196,084
Forgiveness of due to Operating Fund	<u>-</u>	<u>184,679</u>
REPLACEMENT FUND, End of Year	<u>\$ 355,138</u>	<u>\$ 392,956</u>

See Notes to Financial Statements

STAPLETON ROWHOME ASSOCIATION

STATEMENTS of CASH FLOWS, OPERATING FUND

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
<i>CASH PROVIDED (USED) by OPERATING ACTIVITIES</i>		
Excess (Deficit) of Revenue Over Expenditures	\$ 20,586	\$ 955
<i>Adjustments to Reconcile Excess (Deficit) of Revenue Over Expenditures to Net Cash Provided (Used) by Operating Activities</i>		
Assessments Receivable, Net Operating Fund due from Replacement Fund	1,965	119
Prepaid Items	1,284	7,705
Accounts Payable	(4,460)	7,388
Prepaid Assessments	<u>(3,019)</u>	<u>2,680</u>
<i>Total Cash Provided (Used) by Operating Activities</i>	<u>16,356</u>	<u>18,847</u>
<i>NET INCREASE (DECREASE) in CASH</i>	16,356	18,847
Cash, Beginning of Year	<u>42,459</u>	<u>23,612</u>
<i>CASH, End of Year</i>	\$ <u>58,815</u>	\$ <u>42,459</u>
<i>SUPPLEMENTAL DISCLOSURE</i>		
Income Taxes Paid	\$ <u>-</u>	\$ <u>65</u>

See Notes to Financial Statements

STAPLETON ROWHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

HISTORY and SIGNIFICANT ACCOUNTING POLICIES

History

Stapleton Rowhome Association (the Association) was incorporated as a Colorado Nonprofit Corporation under the laws of the State of Colorado on April 16, 2004 to manage, maintain and preserve the building exteriors and common area for the benefit of the owners of the one hundred sixty-nine (169) rowhomes in the development. Each rowhome is a member of the Stapleton Rowhome Association and the five person volunteer Board of Directors of the Association is made up of owners of member rowhomes.

The Association is the owner, by grant from the developer, of the common area. The Association is charged with the administration (including management, security and professional services), maintenance, operation, repair and replacements within the common area as well as for the costs of insurance, real estate taxes and assessments, water, electricity and other necessary utility expenses for the common area. Stapleton Rowhome Association may acquire, use and maintain personal property in connection with its operation and/or administration of the common area.

To accomplish the foregoing, Stapleton Rowhome Association may charge and collect a common assessment to/from each rowhome (which may have one or more owners). Additionally, the Association may designate part of the annual charge as an assessment for a Replacement Fund to provide for future major maintenance and replacement projects within the common area. The Association also charged each original owner an assessment amount equal to two months assessment at the time of sale to provide a Working Capital Fund.

Significant Accounting Policies

Method of Accounting

The financial statements of Stapleton Rowhome Association are prepared on the accrual basis of accounting including the use of fund accounting for the Unrestricted Funds (Operating and Paid-In Capital) and the Replacement Fund.

Assessments Receivable, Net

The net accounts receivable from owner assessments, late payment fees and other member charges are, in management's opinion, collectible in full. The Association has various legal remedies to help ensure total collection of assessments and late fees as well as other charges; However, due to the economy, as well as to the time and cost of collections some owner receivables may not be collected in full. At December 31, 2010 and 2009, \$3,150 and \$10,100 respectively, have been established as an allowance for uncollectible accounts.

Prepaid Items

The Association may pay its annual insurance premium when billed and may also fund other expenses in advance of actual use. Expenses associated with future periods are classified and recorded as prepaid items and expensed in the appropriate accounting periods.

STAPLETON ROWHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

(Continued)

Significant Accounting Policies (Continued)

Prepaid Assessments

Stapleton Rowhome Association may collect assessments levied for future periods in advance. Such advance payments are recorded as prepaid assessments and recognized in the accounting period when earned.

Replacement Fund

The Association, through its Board, has restricted the use of a portion of the annual assessment to a Replacement Fund. This fund is designated to provide the estimated cash in the future to maintain and/or replace common area property/equipment. The amounts designated by the Board are based on a reserve expenditure plan completed in July 2006. Should the funds required for major maintenance or replacement projects in the future be inadequate, the Board of Directors has the right, subject to certain membership approval requirements, to levy a special assessment, increase the annual assessment or delay the project until the funds are available.

During 2009, the Board elected to forgive the \$184,679 due to the Operating Fund at December 31, 2008.

Income Taxes

Although Stapleton Rowhome Association is a nonprofit corporation under Colorado statutes, it is responsible for federal and state income taxes on any earnings from interest, dividends or other income not derived from membership in the Association. In 2010 and 2009, the Association filed Corporate federal income tax form 1120 and State income tax form 112.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of cash, short-term payables and long-term debt approximate their fair value at December 31, 2010 and 2009.

2. Assessments

Monthly base assessments to homeowners were \$142 in 2010 and 2009. Assessments include budgeted amounts designated as replacement fund contributions. Owners of the 39 Paseo units are assessed an additional "Water Assessment" billed from a master meter to the Association.

STAPLETON ROWHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

(Continued)

2. Assessments (Continued)

An accounting at the end of each fiscal year is required to determine the amount of Paseo unit water assessments billed versus the actual usage charges. Any excess or shortage is to be refunded/billed in the following year to these units. During 2010 and 2009, refunds of \$0 and \$0 were made respectively to the Paseo unit owners.

3. Subsequent Events

In preparing these financial statements, the Stapleton Rowhome Association's Board has evaluated events and transactions for potential recognition or disclosure through May 10, 2011, the date the financial statements were issued.

STAPLETON ROWHOME ASSOCIATION

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010

L.R. COMPTON II, LLC
Certified Public Accountants
3595 S. Teller Street, Suite 402
Lakewood, Colorado 80235
(303) 980-6232

***Independent Auditor's Report on
Supplementary Information***

Board of Directors
Stapleton Rowhome Association
Denver, Colorado

Our audit was conducted for the purpose of forming our opinion, presented on page 1, on the basic financial statements taken as a whole. The *Schedule of Revenue and Expenditures versus Budget, Operating Fund*, is presented for the year ended December 31, 2010 for the purpose of additional analysis and is not a required part of the basic financial statements of Stapleton Rowhome Association. Such information, except for that column marked "Not Audited" 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 financial statements taken as a whole.

The *Schedule of Future Major Repairs and Replacements* is not a required part of the basic financial statements of Stapleton Rowhome Association at December 31, 2010 but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

May 10, 2011

STAPLETON ROWHOME ASSOCIATION

SCHEDULE of REVENUE and EXPENDITURES VERSUS BUDGET, OPERATING FUND YEAR ENDED DECEMBER 31, 2010

Certain accounts from the 2010 internally prepared budget have been combined and appear in the following schedule in summary form to conform to the financial statement presentation herein. Amounts in () represent collections in excess of the 2010 budget or expenditures in excess of the 2010 budgeted amounts forecast by the Board when adopted.

	<u>Actual</u>	<u>Budget (Not Audited)</u>	<u>(Over)/Under Budget</u>
REVENUE			
Base Assessments	\$ 287,976	\$ 287,976	\$ -
Water Assessment	6,031	6,000	(31)
Other Member Income	<u>1,950</u>	<u>5,400</u>	<u>3,450</u>
Total Revenue	295,957	299,376	3,419
EXPENDITURES			
Maintenance and Supplies			
Building	13,392	14,700	1,308
Snow Removal	12,214	18,000	5,786
Grounds	54,627	70,125	15,498
Operating Expenses			
Transfer to			
Replacement Fund	105,000	105,000	-
Utilities	24,207	18,300	(5,907)
Administrative Expenses			
Bad Debts	1,490	1,800	310
Income Tax	-	-	-
Insurance	34,878	34,800	(78)
Management Fees	23,400	23,400	-
Office and			
Communications	3,100	4,400	1,300
Professional Fees	<u>3,063</u>	<u>8,600</u>	<u>5,537</u>
Total Expenditures	<u>275,371</u>	<u>299,125</u>	<u>23,754</u>
EXCESS (DEFICIT) of REVENUE OVER EXPENDITURES	\$ <u>20,586</u>	\$ <u>251</u>	\$ <u>20,335</u>

NOTE: REVENUE () means more earned than budgeted.

EXPENDITURES () means more spent than budgeted.

STAPLETON ROWHOME ASSOCIATION

SCHEDULE OF FUTURE MAJOR REPAIRS and REPLACEMENTS

DECEMBER 31, 2010

(Not Audited)

Aspen Reserve Specialties issued a study, dated July 12, 2006, to estimate the remaining useful lives and the replacement and/or major repair costs of the components of the common property. The estimates were based on then current replacement costs, with adjustment for future inflation and interest.

The following table is based on the study and presents significant information about the components of the common property

Component	Est. Useful Lives (Years)	2006 Remaining Useful Life	2006 Average Current Cost
Replace shingle roof	20	19	\$ 248,663
Replace flat roof	12	11	107,600
Replace gutters/downspouts	20	19	100,938
Repaint siding surfaces (A)	8	6	66,938
Repaint siding surfaces (B)	8	7	66,150
Repaint building trim (A)	4	2	85,000
Repaint building trim (B)	4	3	84,000
Concrete driveways	4	2	25,875
Concrete sidewalks and decks	4	2	6,125
Replace wood fencing	18	17	55,225
Replace ironwork fencing	28	27	162,250
Replace exterior wall mount	18	17	70,125
Replace irrigation timeclocks	12	11	<u>19,200</u>
Total			<u>\$ 1,098,089</u>