

***STAPLETON ROWHOME  
ASSOCIATION***

FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION

**DECEMBER 31, 2013 and 2012**

***STAPLETON ROWHOME ASSOCIATION***

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and  
SUPPLEMENTARY INFORMATION

**DECEMBER 31, 2013 and 2012**

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

# ***STAPLETON ROWHOME ASSOCIATION***

**DECEMBER 31, 2013 and 2012**

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# ***L.R. COMPTON II, LLC***

Certified Public Accountants

## ***Independent Auditor's Report***

To the Board of Directors  
Stapleton Rowhome Association  
Denver, Colorado

We have audited the accompanying financial statements of Stapleton Rowhome Association, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of revenue, expenditures and changes in fund balance and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2013 and 2012, 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.

Lakewood, Colorado  
March 21, 2014

A handwritten signature in black ink, appearing to be a stylized 'Z' or 'J' with a vertical line extending downwards.

# STAPLETON ROWHOME ASSOCIATION

## BALANCE SHEETS

|                                                | DECEMBER 31,            |                          |                          |                          |
|------------------------------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
|                                                | 2013                    |                          |                          | 2012                     |
|                                                | Operating<br>Fund       | Replacement<br>Fund      | Total                    | Total                    |
| <b>ASSETS</b>                                  |                         |                          |                          |                          |
| Cash                                           | \$ 69,947               | \$ 524,671               | \$ 594,618               | \$ 424,680               |
| Certificates of Deposit                        | -                       | -                        | -                        | 100,000                  |
| Assessments Receivable, Net                    | 3,279                   | -                        | 3,279                    | 2,240                    |
| Accrued Interest Receivable                    | -                       | -                        | -                        | 225                      |
| Prepaid Items                                  | 16,855                  | -                        | 16,855                   | 17,451                   |
| Interfund Balances                             | -                       | -                        | -                        | -                        |
| <b>TOTAL ASSETS</b>                            | <b>\$ <u>90,081</u></b> | <b>\$ <u>524,671</u></b> | <b>\$ <u>614,752</u></b> | <b>\$ <u>544,596</u></b> |
| <b>LIABILITIES and FUND BALANCES</b>           |                         |                          |                          |                          |
| <b>LIABILITIES</b>                             |                         |                          |                          |                          |
| Accounts Payable and<br>Accrued Liabilities    | \$ 1,809                | \$ -                     | \$ 1,809                 | \$ 8,333                 |
| Deferred Assessments                           | <u>16,585</u>           | <u>-</u>                 | <u>16,585</u>            | <u>16,917</u>            |
| <i>Total Liabilities</i>                       | 18,394                  | -                        | 18,394                   | 25,250                   |
| <b>FUND BALANCES</b>                           |                         |                          |                          |                          |
| Unrestricted Funds                             |                         |                          |                          |                          |
| Working Capital Fund                           | 43,352                  | -                        | 43,352                   | 43,352                   |
| Operating Fund                                 | 28,335                  | -                        | 28,335                   | 16,336                   |
| Replacement Fund                               | <u>-</u>                | <u>524,671</u>           | <u>524,671</u>           | <u>459,658</u>           |
| <i>Total Fund Balances</i>                     | <u>71,687</u>           | <u>524,671</u>           | <u>596,358</u>           | <u>519,346</u>           |
| <b>TOTAL LIABILITIES and<br/>FUND BALANCES</b> | <b>\$ <u>90,081</u></b> | <b>\$ <u>524,671</u></b> | <b>\$ <u>614,752</u></b> | <b>\$ <u>544,596</u></b> |

See Notes to Financial Statements

# **STAPLETON ROWHOME ASSOCIATION**

## STATEMENTS of REVENUE, EXPENDITURES and CHANGES in the FUND BALANCES

|                                                | <b>YEARS ENDED DECEMBER 31,</b> |                             |                          |                          |
|------------------------------------------------|---------------------------------|-----------------------------|--------------------------|--------------------------|
|                                                | <b>2013</b>                     |                             |                          | <b>2012</b>              |
|                                                | <u>Operating<br/>Fund</u>       | <u>Replacement<br/>Fund</u> | <u>Total</u>             | <u>Total</u>             |
| <b>REVENUE</b>                                 |                                 |                             |                          |                          |
| Assessments                                    | \$ 214,000                      | \$ 114,536                  | \$ 328,536               | \$ 287,976               |
| Water Assessments                              | 9,535                           | -                           | 9,535                    | 7,566                    |
| Other Member Income                            | 1,962                           | -                           | 1,962                    | 1,641                    |
| Interest                                       | -                               | 1,040                       | 1,040                    | 2,737                    |
| <b>Total Revenue</b>                           | <u>225,497</u>                  | <u>115,576</u>              | <u>341,073</u>           | <u>299,920</u>           |
| <b>EXPENDITURES</b>                            |                                 |                             |                          |                          |
| <b>Maintenance</b>                             |                                 |                             |                          |                          |
| Building                                       | 20,150                          | -                           | 20,150                   | 21,169                   |
| Grounds                                        | 56,555                          | -                           | 56,555                   | 22,343                   |
| Snow Removal                                   | 14,198                          | -                           | 14,198                   | 11,889                   |
| <b>Total Maintenance</b>                       | <u>90,903</u>                   | <u>-</u>                    | <u>90,903</u>            | <u>55,401</u>            |
| <b>Operating</b>                               |                                 |                             |                          |                          |
| Utilities                                      | 25,423                          | -                           | 25,423                   | 33,477                   |
| <b>Total Operating</b>                         | <u>25,423</u>                   | <u>-</u>                    | <u>25,423</u>            | <u>33,477</u>            |
| <b>Replacement Projects</b>                    | -                               | 50,413                      | 50,413                   | 10,986                   |
| <b>Administrative</b>                          |                                 |                             |                          |                          |
| Bad Debts                                      | 1,864                           | -                           | 1,864                    | 7,734                    |
| Income Taxes                                   | -                               | -                           | -                        | -                        |
| Insurance                                      | 63,373                          | -                           | 63,373                   | 59,591                   |
| Management Fees                                | 24,000                          | -                           | 24,000                   | 24,000                   |
| Office and Communications                      | 4,384                           | 150                         | 4,534                    | 2,960                    |
| Professional Fees                              | 3,551                           | -                           | 3,551                    | 4,131                    |
| <b>Total Administrative</b>                    | <u>97,172</u>                   | <u>150</u>                  | <u>97,322</u>            | <u>98,416</u>            |
| <b>Total Expenditures</b>                      | <u>213,498</u>                  | <u>50,563</u>               | <u>264,061</u>           | <u>198,280</u>           |
| <b>EXCESS of REVENUE<br/>OVER EXPENDITURES</b> | <b>11,999</b>                   | <b>65,013</b>               | <b>77,012</b>            | <b>101,640</b>           |
| Fund Balances, Beginning<br>of Year            | <u>16,336</u>                   | <u>459,658</u>              | <u>475,994</u>           | <u>374,354</u>           |
| <b>FUND BALANCES, End<br/>of Year</b>          | <b>\$ <u>28,335</u></b>         | <b>\$ <u>524,671</u></b>    | <b>\$ <u>553,006</u></b> | <b>\$ <u>475,994</u></b> |

*See Notes to Financial Statements*

# STAPLETON ROWHOME ASSOCIATION

## STATEMENTS of CASH FLOWS

|                                                                                                                                     | YEARS ENDED DECEMBER 31, |                     |                   |                   |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------|-------------------|-------------------|
|                                                                                                                                     | 2013                     |                     |                   | 2012              |
|                                                                                                                                     | Operating<br>Fund        | Replacement<br>Fund | Total             | Total             |
| <b><i>CASH PROVIDED (USED) by<br/>OPERATING ACTIVITIES:</i></b>                                                                     |                          |                     |                   |                   |
| Excess of Revenue                                                                                                                   |                          |                     |                   |                   |
| Over Expenditures                                                                                                                   | \$ 11,999                | \$ 65,013           | \$ 77,012         | \$ 101,640        |
| <i>Adjustments to Reconcile Excess<br/>of Revenue over Expenditures<br/>to Net Cash Provided (Used)<br/>by Operating Activities</i> |                          |                     |                   |                   |
| Assessments Receivable, Net                                                                                                         | (1,039)                  | -                   | (1,039)           | 2,153             |
| Accrued Interest Receivable                                                                                                         | -                        | 224                 | 224               | 166               |
| Prepaid Items                                                                                                                       | 597                      | -                   | 597               | (6,811)           |
| Accounts Payable and                                                                                                                |                          |                     |                   |                   |
| Accrued Liabilities                                                                                                                 | (6,524)                  | -                   | (6,524)           | 3,603             |
| Deferred Assessments                                                                                                                | (332)                    | -                   | (332)             | 1,897             |
| <b><i>Total Cash Provided (Used)<br/>by Operating Activities</i></b>                                                                | <b>4,701</b>             | <b>65,237</b>       | <b>69,938</b>     | <b>102,648</b>    |
| <b><i>CASH PROVIDED (USED) by<br/>INVESTING ACTIVITIES:</i></b>                                                                     |                          |                     |                   |                   |
| Certificates of Deposit                                                                                                             | -                        | 100,000             | 100,000           | 100,000           |
| Interfund Transfers                                                                                                                 | -                        | -                   | -                 | -                 |
| <b><i>Total Cash Provided (Used)<br/>by Investing Activities</i></b>                                                                | <b>-</b>                 | <b>100,000</b>      | <b>100,000</b>    | <b>100,000</b>    |
| <b><i>NET INCREASE in CASH</i></b>                                                                                                  | <b>4,701</b>             | <b>165,237</b>      | <b>169,938</b>    | <b>202,648</b>    |
| Cash, Beginning of Year                                                                                                             | 65,246                   | 359,434             | 424,680           | 222,032           |
| <b><i>CASH, End of Year</i></b>                                                                                                     | <b>\$ 69,947</b>         | <b>\$ 524,671</b>   | <b>\$ 594,618</b> | <b>\$ 424,680</b> |
| <b>Supplemental Disclosures</b>                                                                                                     |                          |                     |                   |                   |
| Income Taxes Paid                                                                                                                   | \$ -                     | \$ -                | \$ -              | \$ -              |
| Interest Paid                                                                                                                       | \$ -                     | \$ -                | \$ -              | \$ -              |

See Notes to Financial Statements

# ***STAPLETON ROWHOME ASSOCIATION***

## **NOTES to FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 and 2012**

### **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 Working 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 the time and cost of collections, some owner receivables may not be collected in full. At December 31, 2013 and 2012, \$12,300 and \$13,700 respectively, have been established as an allowance for uncollectible accounts.

##### **Certificates of Deposit**

The Association owned no certificates of deposit as of December 31, 2013.

As of December 31, 2012, the portfolio of the replacement fund consisted of two certificates of deposit. Maturity dates were April 22, 2013 and April 25, 2013 with interest rates of 2.050% and 0.350%, respectively. The certificates of deposit were redeemed in 2013.

# ***STAPLETON ROWHOME ASSOCIATION***

## **NOTES to FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 and 2012**

(Continued)

### **Significant Accounting Policies** (Continued)

#### **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.

#### **Deferred 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.

#### **Interfund Balances**

At various times, the Operating Fund and the Replacement Fund may not have completed cash transfers between funds. Cash held for transfer from one fund to the other, if any, is shown as interfund balances due from one fund to the other.

#### **Working Capital Fund**

Original owners of units were required to contribute working capital of \$200 per unit. New owners may be charged \$200 at closing to repay the original owner's working capital, but the Association is not obligated to refund any working capital deposits.

#### **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 2012 and revised in 2013. 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.

#### **Fair Value of Financial Instruments**

The carrying value of cash, short-term receivables, short-term payables and long-term debt approximate their fair value at December 31, 2013 and 2012. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

#### **Concentration of Credit Risk**

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash balances. Stapleton Rowhome Association maintains its cash balances in both national banks and with investment firms.

# STAPLETON ROWHOME ASSOCIATION

## NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

(Continued)

### Significant Accounting Policies (Continued)

#### **Concentration of Credit Risk** (Continued)

The Federal Deposit Insurance Corporation provides up to \$250,000 of insurance at December 31, 2013 and 2012 for interest earning balances in national banks. Demand deposits are insured by the FDIC in the amount of \$250,000 at December 31, 2013 and unlimited amounts at December 31, 2012. Investment firms provide insurance for the balances in their accounts. Based on the FDIC limits at year-end December 31, 2013 and 2012, the Association has \$-0- in uninsured deposits.

#### **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.

#### **NOTE 2: Assessments**

Monthly base assessments to homeowners were \$162 and \$142 in 2013 and 2012. 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. 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 2013 and 2012, refunds of \$0 and \$0 were made respectively to the Paseo unit owners.

#### **NOTE 3: Replacement Projects**

The Board of the Association plans the Replacement Fund expenditures each year depending on the "Reserve Study", and on owners' reports of physical conditions. During the years covered herein, the following projects were undertaken and completed by the Replacement Fund:

| <u>Project Description</u>   | <u>Years Ended December 31,</u> |                  |
|------------------------------|---------------------------------|------------------|
|                              | <u>2013</u>                     | <u>2012</u>      |
| Building Exterior Renovation | \$ -                            | \$ 7,986         |
| Fence Refurbishment          | 16,200                          | -                |
| Sprinkler Clock              | -                               | 3,000            |
| Vent Replacement             | 34,213                          | -                |
| Total Replacement Projects   | <u>\$ 50,413</u>                | <u>\$ 10,986</u> |

# ***STAPLETON ROWHOME ASSOCIATION***

## **NOTES to FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 and 2012**

(Continued)

### **NOTE 4: 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 2013 and 2012, the Association filed corporate federal income tax form 1120 and State income tax form 112 that showed a membership income of \$21,825 and \$15,709 resulting in a loss carryforward of \$74,018 at December 31, 2013.

Taxable activity at December 31, 2013 and 2012 resulted in losses of \$8,786 and \$6,558 respectively. At December 31, 2013, Stapleton Rowhome Association had a tax loss carryforward of \$21,943.

### **NOTE 5: Restatements**

Certain accounts from the December 31, 2012 financial statements have been reclassified to conform to the presentation at December 31, 2013.

### **NOTE 6: Contingencies**

The Association is a party to various legal actions normally associated with homeowner's associations, such as the collection of delinquent accounts and owner compliance with the covenants, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

### **NOTE 7: Subsequent Events**

In preparing these financial statements, Stapleton Rowhome Association's Board has evaluated events and transactions for potential recognition or disclosure through March 21, 2014, the date the financial statements were issued.

***STAPLETON ROWHOME ASSOCIATION***

SUPPLEMENTARY INFORMATION

**DECEMBER 31, 2013**

**L.R. COMPTON II, LLC**  
**Certified Public Accountants**

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

Board of Directors  
Stapleton Rowhome Association  
Denver, Colorado

We have audited the financial statements of Stapleton Rowhome Association as of and for the year ended December 31, 2013, and our report thereon dated March 21, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1 and 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The *Schedule of Revenue and Expenditures versus Budget, Operating Fund* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Future Major Repairs and Replacements*, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

March 21, 2014



# **STAPLETON ROWHOME ASSOCIATION**

## **SCHEDULE of REVENUE and EXPENDITURES VERSUS BUDGET, OPERATING FUND YEAR ENDED DECEMBER 31, 2013**

Certain accounts from the 2013 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 2013 budget or expenditures in excess of the 2013 budgeted amounts forecast by the Board when adopted.

|                                                | <u>Actual</u>           | <u>Budget<br/>(Not Audited)</u> | <u>(Over)/Under<br/>Budget</u> |
|------------------------------------------------|-------------------------|---------------------------------|--------------------------------|
| <b>REVENUE</b>                                 |                         |                                 |                                |
| Base Assessments                               | \$ 328,536              | \$ 328,536                      | \$ -                           |
| Water Assessment                               | 9,535                   | 6,000                           | (3,535)                        |
| Other Member Income                            | <u>1,962</u>            | <u>1,800</u>                    | <u>(162)</u>                   |
| <b>Total Revenue</b>                           | <b>340,033</b>          | <b>336,336</b>                  | <b>(3,697)</b>                 |
| <b>EXPENDITURES</b>                            |                         |                                 |                                |
| Maintenance                                    |                         |                                 |                                |
| Building                                       | 20,150                  | 20,000                          | (150)                          |
| Grounds                                        | 56,555                  | 46,300                          | (10,255)                       |
| Snow Removal                                   | 14,198                  | 12,000                          | (2,198)                        |
| Operating                                      |                         |                                 |                                |
| Transfer to                                    |                         |                                 |                                |
| Replacement Fund                               | 114,536                 | 114,536                         | -                              |
| Utilities                                      | 25,423                  | 26,400                          | 977                            |
| Administrative                                 |                         |                                 |                                |
| Bad Debts                                      | 1,864                   | 3,000                           | 1,136                          |
| Income Taxes                                   | -                       | -                               | -                              |
| Insurance                                      | 63,373                  | 78,000                          | 14,627                         |
| Management Fees                                | 24,000                  | 24,000                          | -                              |
| Office and                                     |                         |                                 |                                |
| Communications                                 | 4,384                   | 6,300                           | 1,916                          |
| Professional Fees                              | <u>3,551</u>            | <u>5,800</u>                    | <u>2,249</u>                   |
| <b>Total Expenditures</b>                      | <b><u>328,034</u></b>   | <b><u>336,336</u></b>           | <b><u>8,302</u></b>            |
| <b>EXCESS of REVENUE<br/>OVER EXPENDITURES</b> | <b>\$ <u>11,999</u></b> | <b>\$ <u>-</u></b>              | <b>\$ <u>11,999</u></b>        |

# **STAPLETON ROWHOME ASSOCIATION**

## **SCHEDULE OF FUTURE MAJOR REPAIRS and REPLACEMENTS**

**DECEMBER 31, 2013**

(Not Audited)

A professionally prepared replacement study was prepared in 2012 and revised in 2013. This study updated an initial report dated July 12, 2006. This study estimates the remaining useful lives and the replacement and/or major repair costs of the components of common property. These estimates are based on current (2013) replacement costs, with adjustments for estimated future inflation (2.75%) and interest rates (0.01%). This analysis shows that the current (2012) funding level of \$459,659 ranks as "fair" when compared to the ideal funding level (2012) of \$680,984.

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

| Component                       | Est.<br>Useful<br>Lives<br>(Years) | 2012<br>Remaining<br>Useful<br>Life | 2012<br>Best<br>Current<br>Cost |
|---------------------------------|------------------------------------|-------------------------------------|---------------------------------|
| Property Grading                | 8                                  | 7                                   | \$ 9,000                        |
| Concrete Drive; Sidewalks-Decks | 5                                  | 5                                   | 113,400                         |
| Fencing - Wood                  | 20                                 | 11                                  | 10,600                          |
| Fencing - Metal - Paint         | 5                                  | 2                                   | 56,400                          |
| Fencing - Metal - Replace       | 25                                 | 17                                  | 42,300                          |
| Brick Retaining Walls           | 10                                 | 2                                   | 9,100                           |
| Concrete Coping Stones          | 6                                  | 1                                   | 50,600                          |
| Irrigation Clock                | 15                                 | 7                                   | 16,000                          |
| Backflow Prevention             | 20                                 | 12                                  | 24,000                          |
| Brick Facade                    | 10                                 | 3                                   | 68,200                          |
| Wood Siding and Trim            | 6                                  | 2 - 5                               | 1,768,300                       |
| Handrails                       | 30                                 | 23                                  | 16,800                          |
| Roofing - Shingles              | 10                                 | 18                                  | 908,900                         |
| Roofing - Parapet Caps          | 30                                 | 18                                  | 83,800                          |
| Roofing - Gutters & Downspouts  | 30                                 | 18                                  | 32,600                          |
| Total                           |                                    |                                     | <u>\$ 3,210,000</u>             |