

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2008

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to the Financial Statements	5
Supplemental Information	
Statement of Revenues and Expenses- Budget Versus Actual (non-GAAP).....	8
Supplemental Information on Future Major Repairs and Replacements (Compiled).....	9

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Parkside at Governor's Ranch Homes Association
Littleton, Colorado

We have audited the accompanying balance sheet of the Parkside at Governor's Ranch Homes Association as of December 31, 2008, and the related statements of revenues, expenses and changes in fund balance, 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.

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 the Parkside at Governor's Ranch Homes Association at December 31, 2008, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of revenues and expenses-budget versus actual and supplemental information on future major repairs and replacements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

McNurlin & Associates, P.C.

McNurlin & Associates, P.C.
August 14, 2009

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION

Balance Sheet

December 31, 2008

	Operating <u>Fund</u>	Replacement <u>Fund</u>	(Memo Only) <u>Total</u>
ASSETS			
Current Assets			
Cash & cash equivalents	\$ 8,296	\$ 43,592	\$ 51,888
Investments	<u>-</u>	<u>26,668</u>	<u>26,668</u>
Total current assets	<u>8,296</u>	<u>70,260</u>	<u>78,556</u>
TOTAL ASSETS	<u><u>\$ 8,296</u></u>	<u><u>\$ 70,260</u></u>	<u><u>\$ 78,556</u></u>
LIABILITIES AND FUND BALANCES (DEFICIT)			
Current Liabilities			
Deposits	<u>\$ -</u>	<u>\$ 5,305</u>	<u>\$ 5,305</u>
Total current liabilities	-	5,305	5,305
Contributed capital	-	2,133	2,133
Fund Balance (Deficit)	<u>8,296</u>	<u>62,822</u>	<u>71,118</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u><u>\$ 8,296</u></u>	<u><u>\$ 70,260</u></u>	<u><u>\$ 78,556</u></u>

See accompanying notes to the financial statements and independent auditors' report

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION

Statement of Revenues, Expenses and Changes in Fund Balances

For the year ended December 31, 2008

	Operating <u>Fund</u>	Replacement <u>Fund</u>	(Memo Only) <u>Total</u>
REVENUES			
Member assessments	\$ 13,591	\$ -	\$ 13,591
Insurance assessments	1,420	-	1,420
Replacement assessments	-	5,229	5,229
Interest income	1,224	1,026	2,250
Transfer fees	420	-	420
TOTAL REVENUES	<u>16,655</u>	<u>6,255</u>	<u>22,910</u>
EXPENSES			
Administration			
Accounting & tax preparation	275	-	275
Bank service charges	-	-	-
Directors fees & expenses	59	-	59
Dues & subscriptions	114	-	114
Filing fees	10	-	10
Insurance	1,420	-	1,420
Licenses & permits	-	-	-
Management and transfer fees	4,576	-	4,576
Office expense	145	-	145
Postage & delivery	138	-	138
Printing & reproduction	319	-	319
Taxes-federal	82	-	82
Taxes-state	25	-	25
Committee Expenses			
Social	396	-	396
Hospitality committee	125	-	125
Design review committee	33	-	33
Garage sale	58	-	58
Grounds			
Common access repairs	-	-	-
Snow removal	370	-	370
Utilities			
Electric	2,308	-	2,308
Capital repairs & expenses			
Asphalt repairs & maintenance	-	2,200	2,200
Concrete repairs	-	-	-
Insurance deductible	-	-	-
Security gate	-	653	653
TOTAL EXPENSES	<u>10,453</u>	<u>2,853</u>	<u>13,306</u>
NET INCOME (LOSS)	6,202	3,402	9,604
BEGINNING FUND BALANCES			
Transfers	(10,000)	10,000	-
ENDING FUND BALANCES	<u>\$ 8,296</u>	<u>\$ 62,822</u>	<u>\$ 71,118</u>

See accompanying notes to the financial statements and independent auditors' report

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION

Statement of Cash Flows

For the year ended December 31, 2008

	Operating <u>Fund</u>	Replacement <u>Fund</u>	(Memo Only) <u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 6,202	\$ 3,402	\$ 9,604
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Change in deposits	-	(150)	(150)
Change in due to/due from other fund	2,507	(2,507)	-
Change in accounts payable	<u>(1,010)</u>	<u>-</u>	<u>(1,010)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,699	745	8,444
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in investments	<u>-</u>	<u>(1,026)</u>	<u>(1,026)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(1,026)	(1,026)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfers	(10,000)	10,000	-
Change in contributed capital	<u>-</u>	<u>106</u>	<u>106</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(10,000)</u>	<u>10,106</u>	<u>106</u>
 NET INCREASE (DECREASE) IN CASH	 (2,301)	 9,825	 7,524
 CASH AT BEGINNING OF YEAR	 <u>10,597</u>	 <u>33,767</u>	 <u>44,364</u>
 CASH AT END OF YEAR	 <u>\$ 8,296</u>	 <u>\$ 43,592</u>	 <u>\$ 51,888</u>
 SUPPLEMENTAL DISCLOSURE			
Income taxes paid			<u>\$ -</u>
Interest paid			<u>\$ -</u>

See accompanying notes to the financial statements and independent auditors' report

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION

Notes to the Financial Statements

December 31, 2008

Note 1 NATURE OF ORGANIZATION

Parkside at Governor's Ranch Homes Association (the Association) is a statutory homeowners association organized as a non-profit corporation incorporated in the State of Colorado in January, 1984. The Association is responsible for the maintenance, preservation and architectural control of the common property of the Association. The Association consists of 88 patio homes located in Littleton, Colorado.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

In accordance with generally accepted accounting principles (GAAP), the Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement funds generally may be made for designated purposes.

Pervasiveness of Estimates

The preparation of financial statements to conformity with generally accepted 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Member Assessment

Association members are subject to annual assessments to provide funds for the Association's operating expenses, insurance, future capital acquisitions, and major repairs and replacements. The Board of Directors determines the annual budget and the assessment of owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. At December 31, 2008, the Association did not have any assessments receivable.

The Declaration requires a uniform insurance assessment to be made at least annually in the amount to pay the casualty insurance premiums on the blanket policy. The insurance assessment charged to all owners was \$1,420 for the year ended December 31, 2008. This represents a payment of \$16.14 per person for the year.

Recognition of Assets and Depreciation Policy

Real property and common areas acquired from the developer and related improvements to such property are owned by the individual unit owners in common and not by the Association. Accordingly, these assets are not recorded on the Association's financial statements. Common area consists principally of the grounds and streets as well as a security gate. The Association recognizes personal property assets at cost, if any.

See accompanying independent auditors' report

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION

Notes to the Financial Statements

December 31, 2008

Note 3 INCOME TAXES

The Association qualifies under Section 277 of the Internal Revenue Code. According to Internal Revenue Service (IRS) regulations, any excess of "common" revenues over "common" expenses can be applied to future assessments. However, any income and expenses unrelated to member assessments are offset to determine taxable income or net operating loss. Income will be taxed according to these IRS regulations. The Association had a net operating loss of \$57 for the year ended December 31, 2008 and thus does not owe any Federal or state corporate income taxes.

Note 4 MANAGEMENT CONTRACTS

The Association pays Sharon Leiter \$364 per month to perform the accounting function and \$35 for each real property title transfer as contracted managerial services. The Association paid \$4,576 for such services and an additional \$301 of expense reimbursement to Sharon Leiter during the year ended December 31, 2008.

Note 5 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future repairs and replacements. The Board of Directors has designated a portion of each owner's assessment for replacement reserves. The total designated during the year ended December 31, 2008 was \$5,229. In addition to the amount designated for the Replacement Fund, the Association transferred \$10,000 from the Operating Fund to the Replacement Fund during the year. Accumulated funds are held in separate accounts and generally are not available for expenditures for normal operations.

The Board of Directors of the Association hired an engineering firm to conduct a study in 1997 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the supplemental information on the Schedule of Future Major Repairs and Replacements is based on this study.

The Board of Directors accumulates funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures may vary from these estimates, and the variations may be material. Amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional replacement funds are needed for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay replacements until funds are available. The effect on future assessments has not been determined at this time.

Note 6 INVESTMENTS

Investments at December 31, 2008, at fair market value, which is the same as cost, are as follows:

<u>Type</u>	<u>Amount</u>	<u>Length of Term</u>	<u>Annual Yield</u>	<u>Maturity Date</u>
C.D.	\$ 26,668	1 year	3.70%	03/24/2009

See accompanying independent auditors' report

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION

Notes to the Financial Statements

December 31, 2008

Note 7 CONTRIBUTED CAPITAL

The Declaration requires the Association to collect a refundable payment in the amount equal to 1/6 of the common expense assessment at the time each lot is sold, to be held, without interest, as working fund. These deposits have been recorded as contributed capital of the replacement fund in the amount of \$2,133.

Note 8 CONTINGENCIES

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

See accompanying independent auditors' report

SUPPLEMENTAL INFORMATION

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION

Statement of Revenues and Expenses- Budget Versus Actual

(non-GAAP)

For the year ended December 31, 2008

	Unaudited <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Member assessments	\$ 13,591	\$ 13,591	\$ -
Insurance assessments	1,420	1,420	-
Replacement assessments	5,229	5,229	-
Interest income	2,700	2,250	(450)
Transfer fees	105	420	315
TOTAL REVENUES	<u>23,045</u>	<u>22,910</u>	<u>(135)</u>
EXPENSES			
Administration			
Accounting & tax preparation	875	275	600
Bank service charges	75	-	75
Directors fees & expenses	200	59	141
Dues & subscriptions	110	114	(4)
Filing fees	25	10	15
Insurance	1,420	1,420	-
Licenses & permits	50	-	50
Management and transfer fees	4,366	4,576	(210)
Office expense	150	145	5
Postage & delivery	150	138	12
Printing & reproduction	190	319	(129)
Taxes-federal	-	82	(82)
Taxes-state	-	25	(25)
Committee Expenses			
Social	650	396	254
Hospitality committee	300	125	175
Design review committee	100	33	67
Garage sale	50	58	(8)
Grounds			
Common access repairs	1,000	-	1,000
Snow removal	2,800	370	2,430
Utilities			
Electric	2,500	2,308	192
Capital repairs & expenses			
Asphalt repairs & maintenance	1,000	2,200	(1,200)
Concrete repairs	1,000	-	1,000
Insurance deductible	1,000	-	1,000
Security gate	1,000	653	347
TOTAL EXPENSES	<u>19,011</u>	<u>13,306</u>	<u>5,705</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 4,034</u>	<u>\$ 9,604</u>	<u>\$ 5,570</u>

See accompanying notes to the financial statements and independent auditors' report

PARKSIDE AT GOVERNOR'S RANCH HOMES ASSOCIATION
 Supplemental Information on Future Major Repairs and Replacements (Compiled)
 December 31, 2008

The Association hired an outside professional to conduct a reserve study in July 1997 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

Project	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Concrete repairs	\$ -	\$ -	\$ -	\$ 8,464	\$ -	\$ -	\$ 7,090	\$ -
Street repairs	-	-	2,598	-	-	-	-	3,160
Security gate repairs	4,803	-	-	-	-	5,844	-	-
Street overlay	-	-	-	59,438	-	-	-	-
	\$ 4,803	\$ -	\$ 2,598	\$ 67,902	\$ -	\$ 5,844	\$ 7,090	\$ 3,160

See accompanying notes to the financial statements and independent auditors' report