

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

CONTENTS

SEPTEMBER 30, 2009

	PAGE
Independent Auditor's Report	1
Balance Sheet	2
Statement of Revenue, Expense and Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9
Additional and Supplementary Information:	
Schedule of Revenue, Expense, and Budget - Operations	10-11
Schedule of Revenue and Expense – Replacement	12
Supplementary Information on Future Major Repairs and Replacements	13



CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Westbury Condominiums Association, Inc.
West Hartford, Connecticut

We have audited the accompanying balance sheet of Westbury Condominiums Association, Inc., as of September 30, 2009, and the related statement of revenue, expense 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.

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 Westbury Condominiums Association, Inc. as of September 30, 2009, 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of revenue, expense, and budget - operations on pages 10-11 and the schedule of revenue and expense - replacement on page 12 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information, except for the budget 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, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 11, the association has negative fund equity for the year ended September 30, 2009.

The supplementary information on future major repairs and replacements on page 13 is not a required part of the basic financial statements of Westbury Condominiums Association, Inc. but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Carney, Roy and Gerrol, P.C.

Rocky Hill, Connecticut
December 17, 2009

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WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

SEPTEMBER 30, 2009

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
ASSETS				
Cash	\$ 106,098	\$ 121,860	\$ -	\$ 227,958
Accounts receivable - unit owners, net of uncollectible accounts of \$2,000	3,681	-	-	3,681
Special assessment receivable	-	35,214	-	35,214
Prepaid expenses	2,936	-	-	2,936
Office equipment	-	-	3,695	3,695
Capitalized unit - #106	-	-	70,000	70,000
Accumulated depreciation	-	-	(54,563)	(54,563)
Due from replacement fund	2,592	-	-	2,592
	<u>\$ 115,307</u>	<u>\$ 157,074</u>	<u>\$ 19,132</u>	<u>\$ 291,513</u>
 LIABILITIES				
Accounts payable	\$ 6,675	\$ -	\$ -	6,675
Unit owner fees paid in advance	1,407	61,561	-	62,968
Accrued expenses	4,781	9,451	-	14,232
Security deposits	966	-	-	966
Taxes payable	1,802	-	-	1,802
Notes payable - current	-	44,429	-	44,429
Due to operating fund	-	2,592	-	2,592
Total current liabilities	15,631	118,033	-	133,664
Notes payable - long term	-	225,195	-	225,195
Total liabilities	15,631	343,228	-	358,859
FUND BALANCES (DEFICIT)	<u>99,676</u>	<u>(186,154)</u>	<u>19,132</u>	<u>(67,346)</u>
	<u>\$ 115,307</u>	<u>\$ 157,074</u>	<u>\$ 19,132</u>	<u>\$ 291,513</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
REVENUE				
Association fees	\$ 290,100	\$ 85,475	\$ -	\$ 375,575
Special assessment	-	74,413	-	74,413
Interest	-	4,388	-	4,388
Laundry	3,928	-	-	3,928
Rental income	13,620	-	-	13,620
Other	5,511	187	-	5,698
	<u>313,159</u>	<u>164,463</u>	<u>-</u>	<u>477,622</u>
EXPENSE				
Administration	53,510	-	-	53,510
Utilities	101,740	-	-	101,740
Maintenance	59,627	-	-	59,627
Contract services	23,192	-	-	23,192
Capital improvements	6,784	84,672	-	91,456
Depreciation	-	-	3,058	3,058
	<u>244,853</u>	<u>84,672</u>	<u>3,058</u>	<u>332,583</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	68,306	79,791	(3,058)	145,039
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	33,010	(265,945)	20,550	(212,385)
NET INTERFUND TRANSFERS	<u>(1,640)</u>	<u>-</u>	<u>1,640</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 99,676</u>	<u>\$ (186,154)</u>	<u>\$ 19,132</u>	<u>\$ (67,346)</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of revenue over expense \$ 145,039

Adjustments to reconcile excess of revenue over expense to net cash used for operating activities:

 Allowance for uncollectible accounts 2,000
 Depreciation 3,058

Net increase / (decrease) in cash resulting from changes in assets and liabilities:

 Accounts receivable (43)
 Special assessment receivable 32,234
 Prepaid expenses 3,769
 Accounts payable 357
 Unit owner fees paid in advance (7,426)
 Accrued expenses 9,451
 Security deposits 3
 Taxes payable 25

Net cash provided by operating activities 188,467

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of assets (1,640)

Net cash used for investing activities (1,640)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on note payable (55,463)

Net cash used for financing activities (55,463)

NET INCREASE IN CASH 131,364

CASH - BEGINNING OF YEAR 96,594

CASH - END OF YEAR \$ 227,958

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for income taxes \$ 1,776

Cash paid for interest \$ 22,116

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1 - ORGANIZATION

Westbury Condominiums Association, Inc. is a non-stock Connecticut corporation, not organized for profit. The association was originally incorporated in June 1988, and consists of 73 residential units in three buildings and one single-family house, situated on 3.5 acres of land in the Town of West Hartford, Connecticut. The board of directors and the association are responsible for the operation and maintenance of the common property of Westbury Condominiums. The association's operations are funded by common fees and assessments from owners. Approximately 73% of the units are owner-occupied.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

These financial statements are prepared on the accrual basis using accounting principles generally accepted in the United States of America and appropriate for condominium associations. Revenue is recorded when due and expenses are recorded when incurred. To ensure that the association observes any limitations or restrictions on the use of financial resources, the financial records are kept using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - this fund is used to account for financial resources available for the general operations of the association.

Replacement Fund - this fund is used to account for financial resources designated for major repairs and replacements.

Fixed Asset Fund - this fund is used to record those assets which are capitalized in accordance with the capitalization policy. Depreciation is recorded in this fund using the straight line method.

Capitalization Policy

Consistent with industry practice, the association capitalizes only property to which it has title and control over disposition. Property which the association has capitalized is recorded in the fixed asset fund. Other common property and any related additions and improvements are owned by the individual unit owners in common and not by the association.

NOTE 3 - USE OF 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 the reported amounts of assets and liabilities. Estimates may affect 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.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

For purposes of the cash flow statement, the association considers cash to be checking and savings accounts. Cash equivalents are certificates of deposit, or highly liquid investments with maturities of less than 91 days, if any. Investments are certificates of deposit or other instruments with maturities greater than 91 days, if any.

NOTE 5 - MEMBER ASSESSMENTS - CONCENTRATION OF RISK

Association members are assessed monthly common charges to provide funds for the current operations and future needs of the association. Accounts receivable include any related late charges or collection fees. Prepaid common charges appear as a liability. The association has a policy of recording an allowance for fees that are more than six months overdue. D.R. Outlook Associates owns 7 units at September 30, 2009. Common charges for these units are approximately 10% of fees collected.

NOTE 6 - PROPERTY AND EQUIPMENT

Common property which is capitalized is recorded at cost, less accumulated depreciation determined by the straight-line method over the expected useful life of the asset. This property consists of office computer equipment, office equipment and a unit at 869 Farmington Avenue, originally a superintendent's apartment. Due to a lack of historical data, the unit was originally capitalized at a value of \$100,000, which value was estimated by the bank in granting a mortgage in 1991. When the unit was refinanced in 1997, the bank estimated the fair market value at \$50,000, resulting in an impairment of the asset, and its value was adjusted to \$70,000 less depreciation to correspond with the mortgage. This unit is rented by the association. Depreciation on the assets is determined by the straight line method over their expected useful lives. Depreciation expense for the year ended September 30, 2009 is \$3,058.

The association has the responsibility to maintain and preserve the common property, whether or not capitalized. Common property not capitalized consists of roofs, streets and walkways, common lobbies and hallways, elevators, and heating system.

NOTE 7 - INCOME TAXES

For the year ended September 30, 2009, the association has elected to be treated as a qualified homeowners association, according to Section 528 of the Internal Revenue Code. Under this section, the association is taxed on certain net income which derives from sources outside the association, such as interest, rent, laundry and certain parking proceeds. Common charges received from owners and used for association expenses are generally exempt from taxation. When the association elects this filing status, no taxes are due to the State of Connecticut, although an information return must be filed. The tax liability for the year ended September 30, 2009 is \$1,802.

The association has elected to defer the application of generally accepted accounting principles requirements for the accounting of uncertain tax positions. The association uses a loss contingencies approach under generally accepted accounting principles for evaluating uncertain tax positions. The association continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 8 - ASSOCIATION MANAGEMENT

The association has a continuous contract with Enhanced Management Services, LLC to provide supervision and maintenance for the association, in accordance with the budget or as requested by the board of directors. The contract automatically renews for one year periods beginning each June, unless terminated by either party upon not less than 60 days prior written notice. The management fee is \$761 per month, including applicable sales tax. Accounting services are provided by ARC Strategic Solutions through December 31, 2009 for an annual fee of \$10,000.

NOTE 9 - NOTE PAYABLE

During September 2005, the association obtained a line of credit from NewAlliance Bank for \$1,000,000 in order to replace the windows in the association buildings. During 2007, the bank agreed that the use of the line could also include the replacement of the air conditioning systems. The line of credit had a variable monthly interest rate based on the bank base rate plus 1%. On September 28, 2007 the balance on the line of credit was \$480,000 and was converted into a 15 year term loan. The interest rate is 7.32 percent. The association has been paying and intends to continue to pay the loan off on an amortization schedule that will payoff the entire loan balance in 10 years. Currently, the association is treating the loan as if it were two loans, one with an initial principal of \$140,000 to be repaid over 2 ½ years and a second, with an initial principal balance of \$340,000 to be repaid over 10 years. Both loans had prepayments in full by unit owners. The balance sheet reflects \$61,561 of prepayments made on the second \$340,000 portion by unit owners. Future maturities are as follows:

Year ending	September 30, 2010	\$ 36,998
	September 30, 2011	\$ 24,232
	September 30, 2012	\$ 26,055
	September 30, 2013	\$ 28,094
	September 30, 2014	\$ 30,251
	Thereafter	<u>\$105,227</u>
		<u>\$250,857</u>

In 2004, the association obtained a line of credit from Community Association Bank (First National Bank of Arizona) and withdrew \$66,450 from the line to pay for the costs associated with a roof replacement at 30 Outlook Avenue. At December 31, 2004, the balance due on the line of credit was \$69,711. Interest only at 6.75 % was due during 2004. At January 27, 2005, a principal payment of \$22,413, collected from a special assessment, was made and the loan was converted to a term loan payable on a monthly basis until January 27, 2012 at 7.25%. This note has been taken over by NewAlliance Bank. The payment terms remain the same. At January 27, 2008, the rate changed to 8.5 percent. Future maturities of this note are as follows:

Year ending	September 30, 2010	\$7,431
	September 30, 2011	\$7,966
	September 30, 2012	<u>\$3,370</u>
		<u>\$18,767</u>

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 10 - SPECIAL ASSESSMENTS

In January, 2005, the association approved a special assessment of approximately \$78,000 to pay the interest and principal on the note with NewAlliance bank. The assessment was payable either in full or in monthly payments. The amount due from owners that are paying on a monthly basis is shown as special assessment receivable.

The association had an air conditioning and roof replacement project for 20 Outlook Avenue and 869 Farmington Avenue and funded the project with the proceeds from a bank note (see Note 9). The total cost of the project was estimated to be \$480,000. As of September 30, 2007, the association approved a special assessment of \$140,000 to help pay for the project. The average assessment is approximately \$1,900 and is payable either in full or in 30 monthly payments. The amount due from owners that are paying on a monthly basis is shown as special assessment receivable.

During November 2008, the association passed a special assessment to return borrowed reserve funds totaling \$74,414. This amount represents the cost overruns of building and garage roof repairs during 2007-2008. The assessment was due in two payments. The first payment totaling \$40,000 was due February 1, 2009. The average cost per unit was \$548. The second payment totaled \$34,414 and was due May 1, 2009. The average cost per unit was \$471.

NOTE 11 - FUND DEFICIT

The association has negative equity because of loan balances. The association plans to repay the loans by collecting the remaining initial special assessment charged to unit owners and including the required debt service in the annual budget that is funded by common fees collected from owners.

NOTE 12 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The association's governing documents suggest that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures in normal operations.

The association obtained a capital reserve study from Becht Engineering Company, Inc. to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The board also obtained a professional engineer's report on paving and drainage and has incorporated this information into their capital reserve analysis. This plan was expanded and updated during 2008-2009 and the board intends to revisit and update the study on an annual basis. Costs are based on estimates of current replacement costs. Reference should be made to the complete analysis.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of certain common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The association has several ongoing contracts extending past September 30, 2009, such as elevator maintenance, pest control, fire security, landscaping and snow removal. The contract for the landscaping and snow removal provides for monthly payments of \$1,375 through September 30, 2012. The contract for cleaning provides for monthly payments of \$1,465 through February 28, 2010.

NOTE 14 - SUBSEQUENT EVENTS

The association has evaluated subsequent events through December 17, 2009, which is the date the financial statements were available to be issued. There are no material subsequent events which require recognition or disclosure.

ADDITIONAL AND SUPPLEMENTARY INFORMATION

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Actual	Budget (Unaudited)
REVENUE		
Association fees	\$ 369,795	\$ 369,800
Laundry	3,928	3,700
Rental income	13,620	13,440
Other	<u>5,511</u>	<u>2,700</u>
	<u>392,854</u>	<u>389,640</u>
EXPENSE		
ADMINISTRATION		
Insurance	21,781	21,400
Bookkeeping	10,000	10,000
Property manager fees	9,139	9,000
Accounting	4,000	2,500
General administration	2,950	3,000
Bad debts	2,000	-
Income tax	1,801	200
Legal fees	1,330	3,200
Postage	371	424
Printing & copying	<u>138</u>	<u>690</u>
	<u>53,510</u>	<u>50,414</u>
UTILITIES		
Gas	68,007	117,044
Electricity	22,765	22,623
Water & sewer	6,655	7,100
Oil	2,471	5,030
Telephone	<u>1,842</u>	<u>1,900</u>
	<u>101,740</u>	<u>153,697</u>
MAINTENANCE		
General maintenance & repair	20,661	33,000
Janitorial/maintenance	17,579	16,584
Elevator	10,648	9,500
Fire protection	5,564	5,000
HVAC	4,773	11,000
Maintenace supplies	<u>402</u>	<u>200</u>
	<u>59,627</u>	<u>75,284</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Actual	Budget (Unaudited)
CONTRACT SERVICES		
Lawn maintenance & landscaping	\$ 12,882	\$ 13,168
Snow removal	6,950	7,104
Fertilization	1,690	1,728
Contract services - other	1,272	1,300
Pest control	<u>398</u>	<u>2,250</u>
	<u>23,192</u>	<u>25,550</u>
 CAPITAL IMPROVEMENTS		
Operating projects	<u>6,784</u>	<u>5,000</u>
	<u>6,784</u>	<u>5,000</u>
 Total operating expense	 244,853	 309,945
Contribution to replacement	<u>79,695</u>	<u>79,695</u>
Total expense	<u>324,548</u>	<u>389,640</u>
 EXCESS OF REVENUE OVER EXPENSE	 <u>\$ 68,306</u>	 <u>\$ -</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE AND EXPENSE - REPLACEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

REVENUE

Association fees	\$ 85,475
Special assessment	74,413
Interest	4,388
Other	187
	<u>164,463</u>

EXPENSE

Air conditioners	29,057
Interest expense	22,116
Front stairs - 30 Outlook Ave	10,125
Front stairs - 869 Farm Ave	10,125
Gas conversion burners	9,816
Surveying - drainage	1,800
Expansion tanks	1,633
	<u>84,672</u>

EXCESS OF REVENUE OVER EXPENSE

\$ 79,791

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION
ON MAJOR REPAIRS AND REPLACEMENTS

SEPTEMBER 30, 2009

(UNAUDITED)

A professional engineering firm prepared an analysis in December 2004 to estimate the remaining useful lives of replacement components. The Association has since updated the projects/costs and useful lives as more information became available as described in Note 12. The following table is a summary of the components listed in the plan but does not include the funding options or the priority of each component. Reference should be made to the complete analysis for such information.

20 YEAR CYCLE DATA

<u>BUILDING</u>	<u>COMPONENT</u>	<u>ESTIMATED CURRENT REPLACEMENT COST</u>	<u>ESTIMATED REMAINING USEFUL LIFE</u>	<u>PLAN YEARS SCHEDULE FOR FIRST REPLACEMENT</u>
	Paving - Driveways	\$ 40,000	1	2010
	Paving - Center	31,603	16	2025
20 Outlook Avenue	Air Conditioners	120,000	18	2027
30 Outlook Avenue	Air Conditioners	120,000	18 (1)	2010 (2)
869 Farmington Avenue	Air Conditioners	120,000	18	2027
20 Outlook Avenue	Boiler Replacements	15,000	7	2016
30 Outlook Avenue	Boiler Replacements	15,000	8	2017
869 Farmington Avenue	Boiler Replacements	15,000	9	2018
20 Outlook Avenue	Brick Repointing	30,000	15	2024
30 Outlook Avenue	Brick Repointing	30,000	16	2025
869 Farmington Avenue	Brick Repointing	30,000	17	2026
20 Outlook Avenue	Common Areas	40,000	4	2013
30 Outlook Avenue	Common Areas	40,000	3	2012
869 Farmington Avenue	Common Areas	40,000	2	2011
20 Outlook Avenue	Roof	140,000	18	2027
30 Outlook Avenue	Roof	140,000	9	2018
869 Farmington Avenue	Roof	140,000	18	2027
20 Outlook Avenue	Windows	next 20 year cycle		
30 Outlook Avenue	Windows	next 20 year cycle		
869 Farmington Avenue	Windows	next 20 year cycle		
	Roof(s) Garage	140,000	1 (4)	2010
	Drainage	60,000	1	2010
	All Other	10,000	20 (3)	2010
		<u>\$1,316,603</u>		

- (1) Air conditioning units in building 30 are replaced at a rate of 2 to 3 per year on an ongoing basis.
- (2) Units are replaced yearly as cited above.
- (3) \$10,000 per year is planned for unplanned items. The amount is adjusted annually, the net present value over a twenty year cycle would be \$200,000.
- (4) Garage roofs are scheduled to be completed over a three to four year plan with approximately \$35,000 each year.

Notes:

The data shown above is for a 20 year cycle from 2009 thru 2029. The cycle would then repeat with one additional item being added on the 3rd cycle (years 41 thru 60); that items would be the replacement of windows. All windows were replaced in 2007 and have an estimated life of 45 years.

The association has developed a 40 year model to provide visibility to two twenty year cycles and have planned for replacement costs to be funded from the reserve account with a minimum of assessments or bank loans being required.

For a more complete analysis of yearly planned activity and funding assumptions, as well as viewing the 2nd 20 year cycle, refer to the association's capital reserve analysis.

See accountant's report and accompanying notes.