

July 20, 2008

To the Board of Directors
of Master Community Association, Inc.:

In planning and performing our audit of the financial statements of Master Community Association, Inc. for the year ended December 31, 2007, we considered Master Community Association, Inc.'s internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 26, 2008 on the financial statements of Master Community Association, Inc..

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various property management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

James A. Moore

Master Community Association, Inc.
Comments to Management
December 31, 2007

1. Bank Statement Cutoff Date
Some bank statements presently terminate as of a date other than the last day of the month. We recommend that the bank be instructed to cut off the bank statement as of the last day of each month to facilitate reconciliation to the general ledger balance.
2. Bank Signature Card
The bank signature cards were not available at CMA office. We recommend having a copy in file to verify authenticity of signatures.
3. MSI monthly financials
It was noted that the February 2007 MSI expense invoice total did not match the expenses reflected in the financials. We recommend a review in the accounting procedures to make sure balances agree.
4. Uninsured Deposits
The balances of some bank accounts exceed \$100,000, which is the maximum deposit amount that the FDIC will insure. The Board should consider moving some of those funds to other accounts.
5. Wild Iris pool and event income
It was noted that the pool manager presents two monthly checks to the CMA office for the revenue received during that giving month and no back up is attached. We suggest getting a revenue report from the pool manager to help keep track of the revenue deposits.
6. Community Fee Income
One quarterly Community Fee deposit was inadvertently deposited in the Association's operating account rather than the account designated for the Community Fund. \$5,395.25 should be transferred from the operating fund to the Community fund to correct this error.

Signature: _____

Board member, Master Community Association, Inc.

Signature: _____

Stapleton Master Association, Executive Director



MAILED 8.13.08

July 21, 2008

Board Members

Master Community Association, Inc.
c/o Kevin Burnett
Stapleton Master Association
2823 Roslyn Street
Denver, CO 80238

Dear Board Members:

We are pleased to confirm our understanding of the services we are to provide Master Community Association, Inc., for the year ended December 31, 2008. We have summarized our engagement terms and objectives for an audit.

AUDIT

We will audit the balance sheet of Master Community Association, Inc., as of the year ended December 31, 2008, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the periods then ended. The document we submit to you will include the following additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- the detailed schedules of operating revenues and expenses compared to budget.
- supplementary information about future major repairs and replacements required by the American Institute of Certified Public Accountants, if you provide such information. (Although we will apply certain limited procedures with respect to this required supplementary information, we will not audit the information and will not express an opinion on it.)

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and will include tests of the accounting records of Master Community Association, Inc., and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit, we will not issue a report as a result of this engagement.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with selected owners, creditors, legal counsel and financial institutions. Our procedures will not determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because such a determination is outside the scope of the engagement. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters. Additionally, we may conduct brief interviews with members of the Association's board of directors.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the

Association or to acts by management or employees acting on behalf of the Association. Because an audit is designed to provide reasonable, but not absolute assurance, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention and any fraud that comes to our attention. We will also inform you of any fraudulent financial reporting or misappropriation of assets. We will also inform you of any other violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify reportable conditions, that is, significant deficiencies in the design or operation of internal control. However, during the audit, if we become aware of such reportable conditions we will communicate them to the board of directors in a separate memo.

You are responsible for making all financial records and related information available to us. We expect our fees for the financial statement audit and income tax returns to be \$4500, including out-of-pocket expenses. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as work progresses and are payable upon presentation. Unpaid balances will be charged interest at the rate of 18% per annum if more than 30 days past due. This fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the performance of our services.

INCOME TAX RETURNS

We will prepare the Association's 2008 federal and Colorado income tax returns as a part of our work. If you choose to have us prepare the tax returns only (with no accompanying audit services), our fee will be \$375.

GENERAL

You are responsible for establishing and maintaining effective internal control over financial reporting, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with U. S. generally accepted accounting principles. You are also responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee the tax services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them. We will advise you with regard to tax positions taken in the preparation of the tax returns, but the responsibility for the tax returns remains with you.

You are responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

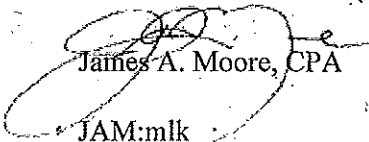
You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Association involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Association complies with applicable laws and regulations.

If requested by management or the Board of Directors, we would be pleased to present our findings to the Board of Directors upon completion of our work. If our report is to be reproduced by the Association or its agents for distribution to all homeowners, the entire report must be reproduced without change or deletion.

Our fee quotes assume that we will work with the current management company. Should there be a management company change, we may elect to modify the proposed fee or withdraw from the engagement.

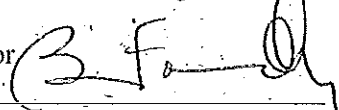
We appreciate the opportunity to be of service to Master Community Association, Inc., and believe this letter accurately summarizes the significant engagement terms. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,


James A. Moore, CPA
JAM:mlk

RESPONSE:

This letter correctly sets forth the understanding of Master Community Association, Inc.

Signature (By Board President or Treasurer): 

Title: Treasurer

Date: 8-1-08

Type of engagement (Check level of service desired):

Audit:

Tax only:



**Master Community Association,
Inc.
Financial Statements
For the years ended
December 31, 2007 and 2006**

DRAFT



DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Master Community Association, Inc.:

We have audited the accompanying balance sheets of Master Community Association, Inc. as of December 31, 2007 and 2006, and the related statements of revenues, expenses, and changes in fund balances and cash flows 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 audit in accordance with auditing standards generally accepted in the United States. 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Master Community Association, Inc. as of December 31, 2007 and 2006, 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.

James Moore & Associates, P.C.
Certified Public Accountants
Aurora, Colorado
June 26, 2008

Master Community Association, Inc.
Balance Sheets
December 31, 2007 and 2006

DRAFT

	December 31, 2007			Total	December
	Operating Fund	Replacement Fund	Community Fund		2006 Total
ASSETS					
Cash and cash equivalents	\$247,468	\$349,463	\$74,390	\$671,321	\$486,667
Accounts receivable, net of Allowance for uncollectible accounts of \$17,800 and \$7,800 on 2007 and 2006 respectively					
Homeowners & Builders	134,374	0	0	134,374	101,831
Other A/R	39,023	0	0	39,023	20,920
Working capital receivable	14,168	0	0	14,168	12,800
Community fee receivable	0	0	5,797	5,797	6,870
Prepaid expenses	29,200	0	0	29,200	0
Receivable from PCMD	84,439	0	0	84,439	73,174
Fixed Assets	1,241	0	0	1,241	0
Interfund receivables / (payables)	(84,091)	78,697	5,394	0	0
Property and equipment, net of Accumulated depreciation of \$6,149 and \$0 in 2007 and 2006, respectively	85,077	0	0	85,077	0
Total Assets	\$550,899	\$428,160	\$85,581	\$1,064,640	\$702,262
LIABILITIES AND FUND BALANCES					
Accounts payable	\$155,089	\$0	\$0	\$155,089	\$66,482
Prepaid assessments	75,190	0	0	75,190	46,347
Credit card	758	0	0	758	0
Payroll liabilities	1,147	0	0	1,147	0
Total Liabilities	\$232,184	\$0	\$0	\$232,184	\$112,829
Working capital	630,800	0	0	630,800	545,832
Fund balances	(312,085)	428,160	85,581	201,656	43,601
Total Liabilities and Fund Balances	\$550,899	\$428,160	\$85,581	\$1,064,640	\$702,262

See accompanying notes and accountant's report.

DRAFT

Master Community Association, Inc.
Statements of Revenues, Expenses, and Changes in Fund Balances
Years Ended December 31, 2007 and 2006

	December 31, 2007			December 2006	
	Operating Fund	Replacement Fund	Community Total	Total	Total
REVENUES					
Homeowner assessments	\$1,295,130	\$0	\$0	\$1,295,130	\$1,116,634
Builder assessments	92,407	0	0	92,407	70,921
Declarant assessments	10,733	0	0	10,733	12,327
Interest income	2,971	14,470	2,837	20,278	2,506
Miscellaneous	37,473	0	0	37,473	6,841
Community fee income	0	0	24,600	24,600	46,270
Late fee	16,359	0	0	16,359	19,600
Collection fees	24,932	0	0	24,932	19,347
Non-resident pool fee	17,939	0	0	17,939	14,760
PCMD	474,584	0	0	474,584	357,906
	<u>\$1,972,528</u>	<u>\$14,470</u>	<u>\$27,437</u>	<u>\$2,014,435</u>	<u>\$1,667,112</u>
EXPENSES					
Repairs and maintenance	\$667,146	\$0	\$0	\$667,146	\$577,076
Utilities	41,156	0	0	41,156	59,179
Administration	621,187	0	0	621,187	488,609
Taxes and insurance	48,730	0	0	48,730	57,433
PCMD	460,459	0	0	460,459	357,906
Reserve expenses	0	17,702	0	17,702	57,251
	<u>\$1,838,678</u>	<u>\$17,702</u>	<u>\$0</u>	<u>\$1,856,380</u>	<u>\$1,597,454</u>
Excess of revenues over expenses	\$133,850	(\$3,232)	\$27,437	\$158,055	\$69,658
Beginning fund balances	(335,413)	320,870	58,144	43,601	(26,057)
Transfer between funds	(110,522)	110,522	0	0	0
Ending fund balances	<u>(\$312,085)</u>	<u>\$428,160</u>	<u>\$85,581</u>	<u>\$201,656</u>	<u>\$43,601</u>

See accompanying notes and accountant's report.

Master Community Association, Inc.
Statements of Cash Flows
Years Ended December 31, 2007 and 2006

DRAFT

	December 31, 2007			December 2006	
	Operating Fund	Replacement Fund	Community Total	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess / (Deficit) of revenues over expenses	\$133,850	(\$3,232)	\$27,437	\$158,055	\$69,658
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided / (used) by operating activities:					
Depreciation expense	6,149	0	0	6,149	0
(Increase) decrease in:					
Accounts receivable					
Homeowners & Builders	(32,543)	0	0	(32,543)	59,860
Other A/R	(18,103)	0	0	(18,103)	33,639
Community fee receivable	0	0	1,073	1,073	(4,950)
Prepaid expenses	(29,200)	0	0	(29,200)	8,687
Receivable from PCMD	(11,265)	0	0	(11,265)	(56,030)
Fixed Assets	(1,241)	0	0	(1,241)	0
Due to / from	84,091	(78,697)	(5,394)	0	0
Increase (decrease) in:					
Accounts payable	88,607	0	0	88,607	46,304
Prepaid assessments	28,843	0	0	28,843	5,961
Credit card	758	0	0	758	0
Payroll liabilities	1,147	0	0	1,147	0
Net Cash Provided / (Used) by Operating Activities	<u>251,093</u>	<u>(81,929)</u>	<u>23,116</u>	<u>192,280</u>	<u>163,129</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Property and equipment	(91,226)	0	0	(91,226)	0
Working capital receivable	(1,368)	0	0	(1,368)	4,600
Net Cash Provided / (Used) by Investing Activities	<u>(92,594)</u>	<u>0</u>	<u>0</u>	<u>(92,594)</u>	<u>4,600</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in Working capital	84,968	0	0	84,968	129,632
Interfund transfers	(110,522)	110,522	0	0	0
Net Cash Provided / (Used) by Financing Activities	<u>(25,554)</u>	<u>110,522</u>	<u>0</u>	<u>84,968</u>	<u>129,632</u>
NET INCREASE (DECREASE) IN CASH	132,945	28,593	23,116	184,654	297,361
CASH AT BEGINNING OF YEAR	114,523	320,870	51,274	486,667	189,306
CASH AT END OF YEAR	<u>\$247,468</u>	<u>\$349,463</u>	<u>\$74,390</u>	<u>\$671,321</u>	<u>\$486,667</u>

See accompanying notes and accountant's report.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

DRAFT

Note 1 - Nature of Organization

Master Community Association, Inc. (the Association) was incorporated on September 25, 2001, in the State of Colorado. The Association is responsible for the operation, management, and maintenance of the common property within the development. The development is located within the former Stapleton International Airport site in Denver, Colorado. The development is planned for approximately 23,000 units, of which 15,000 will be individually owned residential units, 1,000 unit equivalents will be multi-family residential rentals, 6,000 unit equivalents will be commercial, industrial, office, or recreation use, and 1,000 unit equivalents will be for other uses. As of December 31, 2007, 3,154 residential units had been sold to homeowners.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

Both the accompanying financial statements and related income tax returns have been prepared in accordance with the accrual method of accounting.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts 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 accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Assessments Receivable

Assessments are stated on the balance sheet at face value. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

DRAFT

Recognition of Assets and Depreciation Policy

Real and personal common property acquired by the original unit owners from the developer, as well as replacements and improvements thereto, is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association's Board is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted.

Depreciation

The Association-owned office of operations is depreciated over 39 years using the straight line method.

Working Capital Reserves

Working capital deposits collected from homeowners at the initial closing of each lot, as required by the Declarations, have been recorded as contributed capital of the operating fund.

Member Assessments

Association members are subject to regular assessment to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Owners' assessments are determined by an annual budget approved by the board to meet operating costs and contribute to the replacement fund. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Association for use in the succeeding year.

For the year ended December 31, 2007 and 2006 owners were assessed \$17.89 to \$31.65 per month.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. The Association expects to file its December 31, 2007 income tax returns, as a homeowners association.

Estimates

The preparation of financial statements in conformity with generally accepted accounting 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.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

DRAFT

Note 3 - Property

Property consists of the following:

Leasehold Improvements - CMA Office	\$ 91,226
Accumulated depreciation	\$ <u>6,149</u>
	<u>\$ 84,777</u>

Note 4 - Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregated \$270,766 and \$428,160 at December 31, 2007 and 2006, respectively, are held in separate accounts and are generally not available for operating purposes.

The management of the Association conducted a study to estimate the remaining useful lives and the replacement costs of the common area components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 - Community Fee Assessments

Upon the transfer of a unit within the Association, Section 6.12 of the First Amended and Restated Community Declaration requires a Community Fee to be paid by the seller. The purpose of the Community Fee is to provide funding to help achieve the objectives of the Development Plan. The objectives of the Development Plan are: providing affordable housing, increasing availability of jobs training programs, increasing the availability of educational programs, promoting sustainable development, and creating open space.

The Community Fee is calculated by multiplying the selling price in excess of \$100,000 by 0.25%. Such Community Fee is to be deposited into an escrow account. On a quarterly basis, the escrow holder is to transfer 95% of the Community Fee collected to the Community Investment Fund, a separate legal entity, and 5% of the Community Fee collected to the Association. Accordingly, only the Association's 5% of the Community Fee is reflected as Community Fee income in the Association's financial statement and is maintained as a separate fund.

Master Community Association, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

DRAFT

Note 6 – PCMD – Park Creek Metropolitan District

The Association has entered into a contract with the Park Creek Metropolitan District (“PCMD”) for the grounds maintenance of PCMD parks property. PCMD has agreed to reimburse the Association for all expenditures incurred on PCMD property.

Note 7 – Office, Community Room and Storage Lease

On October 1, 2007 the Association leased office, community room, and storage space from the Declarant (Forest City) under a five year lease. The lease calls for annual base rent of \$52,956, \$54,540, \$56,196, \$57,864, and \$59,604 in first through fifth of the lease years, respectively. In addition to this base rent, the Association is responsible for approximately 25.271% of common area maintenance on the premises.

The Association incurred leasehold improvement costs of \$220,366 to finish out the office, community room, and storage space. The Declarant reimbursed the Association for \$129,140 of these costs, leaving the Association with a net leasehold improvement cost of \$91,226.

Note 8 - Contingencies

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

Note 9 - Supplemental Disclosures

During the years ended December 31, 2007 and 2006, the Association paid \$0 in interest expense and \$0 in income taxes.



DRAFT

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Master Community Association, Inc.:

Our report on our audit of the basic financial statements of Master Community Association, Inc. for December 31, 2007 appears on page one. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Operating Fund Expenses, Budget and Actual on page nine is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion 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.

The supplementary information on future major repairs and replacements on page ten is not a required part of the basic financial statements of Master Community Association, Inc. 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 methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

James Moore & Associates, P.C.
Certified Public Accountants
Aurora, Colorado
June 26, 2008

Master Community Association, Inc.
Schedule of Operating Fund Expenses, Budget and Actual
Years Ended December 31, 2007 and 2006

DRAFT

	Year Ended		Year Ended	
	December 2007		December 2006	
	Budget	Actual	Budget	Actual
	(Unaudited)		(Unaudited)	
Repairs and maintenance				
Grounds maintenance	\$103,202	\$144,135	\$173,345	\$173,851
Building repairs and maintenance	65,880	79,970	34,700	65,737
Aviator Pool Maintenance	129,350	148,682	123,800	128,880
Other Aviator pools expense	36,441	38,617	16,543	26,188
Puddle Jumper Pool	129,950	162,322	123,800	131,485
Other Puddle Jumper pool expense	36,348	25,486	15,993	16,760
Snow removal	10,000	30,180	12,000	15,321
Streets, sidewalks, and paving improvements	0	0	3,500	0
Other expenses	66,000	31,605	86,200	18,854
Depreciation expense	0	6,149	0	0
	577,171	667,146	589,881	577,076
Utilities				
Gas & electric	2,400	6,083	30,412	19,551
Water	32,175	24,065	32,235	24,590
Storm drain fees	18,000	11,008	12,000	15,038
	52,575	41,156	74,647	59,179
Administration				
Management fee	284,964	267,655	363,706	240,422
Legal & accounting	19,000	36,719	29,500	34,212
Collection fees	0	945	0	0
Administrative	12,300	25,343	134,395	14,660
Office leasehold	36,900	31,522	0	4,670
Bad debt expense	0	10,234	612	3,338
Intranet	7,800	15,220	7,800	9,329
Social activities	230,660	209,966	185,000	178,793
Community room leasehold	23,052	8,872	0	1,275
Community projects	100,000	14,711	0	1,910
	714,676	621,187	721,013	488,609
Taxes and insurance				
Federal income tax	0	0	0	0
State income tax	0	0	0	0
Insurance	46,128	48,730	44,781	57,433
	46,128	48,730	44,781	57,433
PCMD				
PCMD - Grounds maintenance	237,790	252,457	221,463	218,459
PCMD - Other maintenance	7,380	10,066	4,500	1,123
PCMD - Central Park	0	45,293	1,000	0
PCMD - Snow removal	2,500	25,886	1,800	11,978
PCMD - Trash & debris removal	3,000	7,236	0	378
PCMD - Tree maintenance	8,000	6,568	0	13,770
PCMD - Utilities	71,110	112,953	52,185	112,198
	329,780	460,459	280,948	357,906
GRAND TOTAL	\$1,720,330	\$1,838,678	\$1,711,270	\$1,540,203

See accompanying notes and accountant's report.

Executive Summary

Association: Stapleton Master Community Assoc. #: 13770-0
Assoc
Location: Denver, CO
of Units: 3540
Report Period: January 1, 2007 through December 31, 2007

Results

Projected Starting Reserve Balance:	\$250,000
Fully Funded Reserve Balance:	\$253,955
Percent Funded:	98.4%
Recommended 2007 monthly Reserve Contribution:	\$8,174
Recommended Special Assessment this year:	\$0
Most Recent Reserve Contribution Rate:.....	\$7,860

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 4.85%
Annual Inflation Rate 3.00%

- ∞ The information in this Reserve Study is based on our site inspection, which began on June 1, 2006.
- ∞ Because your Reserve Fund is 98.4% Funded, this represents a strong Reserve Fund position, wherein 0-30% is a "weak" range, and 70% funded or higher typifies Reserve Fund Strength.
- ∞ Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions to meet future demand.
- ∞ Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- ∞ There are no Reserve projects anticipated this year.

Table 1: Executive Summary
13770-0

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
NEIGHBORHOOD SERVICES				
103 Concrete Deck - Replace	5	2	\$9,358	\$9,927
103 Concrete Sidewalk - Replace	5	3	\$5,548	\$6,062
205 Concrete Alleys - Repair	3	2	\$161,150	\$170,964
410 Trash Receptacles - Replace	20	17	\$1,800	\$2,975
413 Benches - Replace	18	15	\$14,000	\$21,812
504 Trellis - Replace	25	23	\$24,133	\$47,628
1003 Irrigation Controllers - Replace	12	9	\$4,750	\$6,198
1005 Irrigation System - Repair/Replace	20	16	\$9,000	\$14,442
2746 Deciduous Trees - Replace	5	3	\$5,400	\$5,901
2746 Trees - Replace	10	7	\$11,250	\$13,836
RESIDENTIAL RECREATION - AP				
103 Concrete Sidewalks - Replace	10	7	\$31,196	\$38,367
112 Wood Trellis - Replace	20	17	\$7,650	\$12,644
201 Asphalt - Resurface	22	19	\$11,242	\$19,713
202 Asphalt - Seal/Repair	5	2	\$1,314	\$1,394
204 Concrete Curbs/Gutters - Replace	10	7	\$1,159	\$1,425
321 Landscape Lights - Replace	15	12	\$1,400	\$1,996
322 Bollard Lights - Replace	20	17	\$3,900	\$6,446
404 Pool Furniture - Replace	10	7	\$28,000	\$34,436
404 Umbrellas - Replace	10	7	\$4,200	\$5,165
405 Bike Racks - Replace	25	22	\$1,800	\$3,449
405 Playground Equipment - Replace	15	12	\$1,750	\$2,495
405 Riding Toys - Replace	10	7	\$1,800	\$2,214
406 Playground Fall Surface - Replace	8	5	\$1,663	\$1,927
410 Trash Receptacles - Replace	20	17	\$950	\$1,570
412 Picnic Tables - Replace	18	15	\$1,600	\$2,493
413 Benches - Replace	18	15	\$2,325	\$3,622
503 Metal Pool Fence - Replace	25	22	\$43,550	\$83,446
909 Bathroom - Refurbish	12	9	\$15,120	\$19,728
1003 Irrigation Controller - Replace	12	9	\$950	\$1,240
1005 Irrigation System - Repair/Replace	20	16	\$9,000	\$14,442
1202 Pool - Resurface	12	9	\$9,000	\$11,743
1207 Pool Filter - Replace	30	27	\$3,300	\$7,330
1208 Pool Boiler - Replace	20	17	\$11,000	\$18,181
1209 Pool Chemical Controller - Replace	10	7	\$900	\$1,107
1210 Pool Pump/Motors - Replace	7	4	\$1,900	\$2,138
1211 Lifeguard Stands - Replace	20	17	\$7,600	\$12,562
1213 Pool Deck Area - Repair/Replace	30	27	\$160,200	\$355,850
1214 Lane Dividers - Replace	10	7	\$6,150	\$7,564
2746 Deciduous Trees - Replace	5	3	\$3,600	\$3,934
2746 Evergreen Trees - Replace	5	3	\$1,250	\$1,366
RESIDENTIAL RECREATION - PJ				
103 Concrete Sidewalks - Replace	10	9	\$9,284	\$12,114
201 Asphalt - Resurface	22	21	\$13,822	\$25,712
202 Asphalt - Seal/Repair	5	4	\$1,616	\$1,818
204 Concrete Curbs/Gutters - Replace	10	9	\$1,330	\$1,735

Table 1: Executive Summary

13770-0

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
322 Bollard Lights - Replace	20	19	\$4,350	\$7,628
404 Pool/Patio Furniture - replace	10	9	\$17,500	\$22,834
404 Umbrellas - Replace	10	9	\$1,500	\$1,957
405 Bike Racks - Replace	25	24	\$1,800	\$3,659
405 Playground Equipment - Replace	15	14	\$5,250	\$7,941
405 Playground Equipment - Replace	15	14	\$2,250	\$3,403
405 Riding Toys - Replace	15	14	\$1,350	\$2,042
406 Playground Fall Surface - Replace	8	7	\$788	\$969
406 Pool Deck Fall Surface - Replace	15	12	\$8,438	\$12,030
410 Trash Receptacles - Replace	20	19	\$1,900	\$3,332
412 Picnic Tables - Replace	18	17	\$3,200	\$5,289
413 Benches - Replace	18	17	\$2,325	\$3,843
503 Metal Pool Fence - Replace	25	24	\$38,025	\$77,297
909 Bathroom - Refurbish	12	11	\$11,250	\$15,573
1003 Irrigation Controller - Replace	12	11	\$950	\$1,315
1005 Irrigation System - Repair/Replace	20	16	\$9,000	\$14,442
1202 Pool - Resurface	12	11	\$8,000	\$11,074
1207 Pool Filter - Replace	30	29	\$3,300	\$7,777
1208 Pool Boiler - Replace	20	19	\$11,000	\$19,289
1209 Pool Chemical Controller - Replace	10	7	\$625	\$769
1210 Pool Pumps - Replace	7	6	\$1,100	\$1,313
1211 Lifeguard Stands - Replace	20	19	\$3,800	\$6,663
1213 Pool Deck Area - Repair/Replace	30	29	\$105,000	\$247,439
2746 Deciduous Trees - Replace	5	4	\$4,500	\$5,065
2746 Evergreen Trees - Replace	5	4	\$1,250	\$1,407
COMMUNITY-WIDE SERVICES				
103 Concrete Walks - Replace	10	7	\$23,703	\$29,151
203 Flagstone Pavers - Replace	20	16	\$58,080	\$93,201
313 Fountain Pumps - Replace	10	5	\$1,200	\$1,391
320 Pole Lights - Replace	25	21	\$29,700	\$55,251
321 Landscape Lights - Replace	15	11	\$7,350	\$10,174
322 Bollard Lights - Replace	20	16	\$10,150	\$16,288
406 Gravel - Replace	10	6	\$4,050	\$4,836
410 Trash Receptacles - Replace	20	16	\$2,250	\$3,611
413 Benches - Replace	15	11	\$20,625	\$28,550
414 Concrete Planter - Replace	5	4	\$7,200	\$8,104
501 Retaining Wall - Replace	20	10	\$101,725	\$136,710
502 Light Grates - Replace	25	21	\$6,825	\$12,697
1003 Irrigation Controller - Replace	12	8	\$950	\$1,203
1005 Irrigation System - Repair/Replace	20	16	\$9,000	\$14,442
1402 Information Signs - Replace	15	11	\$2,700	\$3,737
2746 Trees - Replace	10	6	\$15,300	\$18,269
85 Total Funded Components				