

ROXBOROUGH PARK FOUNDATION

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Year Ended December 31, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Roxborough Park Foundation

We have audited the accompanying balance sheet of Roxborough Park Foundation (the "Association") as of December 31, 2009, 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 Roxborough Park Foundation as of December 31, 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.

Watkins & Schommer, Inc.

Watkins & Schommer, Inc.
Greeley, Colorado
February 12, 2010



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**Roxborough Park Foundation
Balance Sheet
December 31, 2009**

	Operating Fund	Reserve Fund	Total
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	766,377	121,219	887,596
Funds held for others	8,874	-	8,874
Accounts receivable - net of allowance for doubtful accounts (\$15,000)	83,166	-	83,166
Interfund receivable	-	21,591	21,591
Deposits and other current assets	7,232	-	7,232
<u>Total Current Assets</u>	865,649	142,810	1,008,459
<u>Non-Current Assets</u>			
Land	134,000	-	134,000
Equipment and vehicles	494,390	-	494,390
Facilities	56,519	-	56,519
Accumulated depreciation	(434,913)	-	(434,913)
<u>Total Non-Current Assets</u>	249,996	-	249,996
<u>Total Assets</u>	1,115,645	142,810	1,258,455
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Current Liabilities</u>			
Accounts payable	55,377	-	55,377
Accrued liabilities	15,534	-	15,534
Interfund payable	21,591	-	21,591
Deferred revenue - prepaid assessments	443,204	-	443,204
Deferred revenue - special assessments	215,508	-	215,508
Current portion of long-term liabilities	23,887	-	23,887
Funds held for others	8,874	-	8,874
Deposits held	113,384	-	113,384
<u>Total Current Liabilities</u>	897,359	-	897,359
<u>Long-Term Liabilities</u>			
Loan payable, net of current portion above	450,972	-	450,972
<u>Total Liabilities</u>	1,348,331	-	1,348,331
Fund balances	(232,686)	142,810	(89,876)
<u>Total Liabilities and Fund Balances</u>	1,115,645	142,810	1,258,455

The accompanying notes are an integral part of these financial statements.

Roxborough Park Foundation
Statement of Revenues, Expenses, and Changes in Fund Balances
Year Ended December 31, 2009

	Operating Fund	Reserve Fund	Total
<u>Revenues</u>			
Assessments - members	1,259,578	104,695	1,364,273
Special assessment	32,884	-	32,884
Design revenues	49,610	-	49,610
Late fees, legal fees, and other member charges	23,912	13,000	36,912
Earnings on investment	8,674	4,090	12,764
Other income	2,009	-	2,009
<u>Total Revenues</u>	<u>1,376,667</u>	<u>121,785</u>	<u>1,498,452</u>
<u>Expenditures</u>			
Salaries and benefits	557,174	-	557,174
Trash removal	163,465	-	163,465
Entry building	139,520	-	139,520
Ground and road maintenance	136,633	-	136,633
Professional services	86,488	-	86,488
Office and administration	83,869	-	83,869
Depreciation	56,839	-	56,839
Insurance	48,538	-	48,538
Utilities	45,498	-	45,498
Interest expense	24,399	-	24,399
Building and equipment maintenance	21,417	-	21,417
Improvements	14,504	-	14,504
Fire mitigation	8,325	-	8,325
Bad debt expense	8,000	-	8,000
Social events	1,797	-	1,797
<u>Total Expenditures</u>	<u>1,396,466</u>	<u>-</u>	<u>1,396,466</u>
<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>(19,799)</u>	<u>121,785</u>	<u>101,986</u>
<u>Fund Balances - Beginning of Year</u>	<u>(212,887)</u>	<u>21,025</u>	<u>(191,862)</u>
<u>Fund Balances - End of Year</u>	<u>(232,686)</u>	<u>142,810</u>	<u>(89,876)</u>

The accompanying notes are an integral part of these financial statements.

**Roxborough Park Foundation
Statement of Cash Flows
Year Ended December 31, 2009**

	Operating Fund	Reserve Fund	Total
<u>Cash Flows from Operating Activities:</u>			
Excess of revenues over expenditures	(19,799)	121,785	101,986
Adjustments to reconcile excess of revenues over expenditures to net cash flows from operating activities:			
Depreciation	56,839	-	56,839
Bad debt expense	8,000	-	8,000
(Increase) decrease in:			
Accounts receivable	(68,931)	-	(68,931)
Due from other funds	-	(21,591)	(21,591)
Prepaid expenses and other current assets	47,256	-	47,256
Increase (decrease) in:			
Accounts payable	(3,160)	-	(3,160)
Accrued liabilities	14,734	-	14,734
Due to other funds	21,591	-	21,591
Deposits held	20,674	-	20,674
Deferred revenue - prepaid assessments	200,288	-	200,288
<u>Net Cash Flows from Operating Activities</u>	<u>277,492</u>	<u>100,194</u>	<u>377,686</u>
<u>Cash Flows from Investing Activities</u>			
Purchases of furniture and equipment	(4,233)	-	(4,233)
<u>Cash Flows from Financing Activities</u>			
Principal payments on note payable	(25,141)	-	(25,141)
<u>Net Change in Cash and Cash Equivalents</u>	248,118	100,194	348,312
<u>Cash and Cash Equivalents - at Beginning of Year</u>	518,259	21,025	539,284
<u>Cash and Cash Equivalents - at End of Year</u>	766,377	121,219	887,596
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Interest paid during the year	24,399	-	24,399

The accompanying notes are an integral part of these financial statements.

Roxborough Park Foundation
Notes to Financial Statements
December 31, 2009

Note 1 - Organization

Roxborough Park Foundation (the "Association") is a residential management association incorporated on October 21, 1971 as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Douglas County, Colorado and consists of the owners of 1,056 residences and the Arrowhead Golf Course. The Members elect the Association's Board of Directors. The Board volunteers it's time to manage the affairs of the Association.

Note 2 - Summary of Significant Accounting Policies

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.

Reserve 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 investments with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000.

Funds Held for Others

The Association has cash held in a separate bank account, which is for the benefit of a group of homeowners, which is not available to the Association. Accordingly, these funds are disclosed separately in the accompanying balance sheet as an asset and liability, both called, "funds held for others."

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. At December 31, 2009, the Association had delinquent assessments of approximately \$49,000. It is the opinion of management and the Board of Directors that the Association will ultimately prevail against the majority of homeowners with delinquent assessments. However, management has established an allowance for uncollectible assessments of approximately \$15,000, as of December 31, 2009.

Roxborough Park Foundation
Notes to Financial Statements
December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Member Assessments (Continued)

In September of 2009, the Association assessed certain members approximately \$248,000 for road and trail improvement costs associated with the members' properties. Approximately \$33,000 of the improvements were made during 2009. The remaining balance of approximately \$215,000 has been reported as deferred revenue and will be recognized as revenue when the related expenses are incurred. The Association expects to complete the project during 2010.

Common Property

The Association's real property and common areas that cannot be sold and do not directly generate significant cash flows are not capitalized in these financial statements, as they are commonly owned by the resident-owners and cannot be detached from the development and sold.

The Association capitalizes (at cost) personal property that can be sold, which has an estimated useful life of more than one year, and costs in excess of \$1,000. Personal property is depreciated over the expected useful lives of these items which range from 5 to 28 years, using the straight-line method. The Association has also capitalized parcels of real property which it owns that can be sold. Those properties are not depreciated.

Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2009. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and at 4.63% by the State of Colorado.

Accounting for Uncertain Tax Positions

On January 1, 2009, the Association adopted the new accounting for uncertainty in income taxes guidance, which had no effect on the Association's fund balances. As of December 31, 2009, the Association has not identified any uncertain tax positions that could have a material effect on the Association's income tax liabilities.

In the event that the Association identifies uncertain tax positions, any associated interest and penalties will be accrued as part of the income tax provision. To date, the Association has not recognized, or accrued, any interest or penalties associated with uncertain tax positions.

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, liabilities, revenues and expenses. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note 3 - Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 12, 2010, the date that the financial statements were available to be issued.

Roxborough Park Foundation
Notes to Financial Statements
December 31, 2009

Note 4 - Future Major Repairs and Replacements

The Association's governing documents do not require that funds be accumulated for future repairs and replacements. However, the Association has established a reserve fund and completed a reserve study. The Association's reserve study is a plan for the accumulation and disposition of reserve fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the reserve fund and of the periodic costs to repair and replace the common property. Information based on the Association's reserve study is presented on an unaudited page of this report captioned "Supplementary Information on Future Major Repairs and Replacements." The Association allocated \$104,695 of assessment revenues, \$13,000 of road impact fees, and \$4,090 of interest income to the reserve fund during 2009.

Future allocations of assessment revenues to the reserve fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual reserve fund expenditures may vary from the reserve study's estimates. These variations may be material. Therefore, the reserve fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future repair and replacement needs.

The Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Associations' repair and replacement needs.

Note 5 - Federal and State Corporate Income Taxes

The Association must file annual federal and Colorado income tax returns. The Association files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Association is not taxed on assessment revenues or on other income derived from members and used to serve the Association's exempt purposes. Those exempt purposes generally include the maintenance, management and care of Association property. However, under Section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association did not have taxable income for federal or state income tax purposes in 2009, and therefore, has accrued no tax.

Note 6 - Note Payable

In December 2008, the Association borrowed \$500,000 from a financial institution at a rate equal to 2.3% over the 10 year U.S. Treasury Constant Maturities Rate, adjustable at times prescribed by the agreement (4.56% at December 31, 2009), to finance the completion of the community center. The note matures on December 27, 2018, requiring monthly payments of \$3,770 based on a 15 year amortization schedule, with a final balloon payment. The principal maturities of the loan for each of the next five years, and thereafter, are as follows:

Year Ending December 31,	
2010	23,887
2011	25,015
2012	26,141
2013	27,431
2014	28,726
Thereafter	343,659
	474,859

Roxborough Park Foundation
Notes to Financial Statements
December 31, 2009

Note 7 - Legal and Other Actions

The Association is a party to various legal and other actions typical of homeowner associations, such as the collection of delinquent assessments, covenant compliance and insurance matters. In management's opinion, the aggregate effect of such matters does not have a predictable effect on the future financial condition of the Association.

Note 8 - Employee Benefits

Retirement Plan

The Association sponsors a Simple Retirement Account Plan (the "Plan") which covers employees of the Association who have earned at least \$5,000 in the prior calendar year. The Plan provides for discretionary employee contributions and matching contributions by the Association of up to 3% of employee compensation. The Association's matching contributions totaled \$8,312 for the year ended December 31, 2009.



INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors and Members
Roxborough Park Foundation

The supplementary information on future major repairs and replacements on page 10 is not a required part of the basic financial statements of Roxborough Park Foundation (the "Association") 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.

Watkins & Schommer, Inc.

Watkins & Schommer, Inc.
Greeley, Colorado
February 12, 2010



America Counts on CPAs®

Roxborough Park Foundation
Supplementary Information on Future Repairs and Replacements
December 31, 2009
Unaudited

An independent engineer conducted a study in March 2008 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 end of their useful lives assuming an annual inflation rate of 5%, and a projected interest rate of 5.25%. Estimated future replacement costs have not been revised since the date of the study.

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

<u>Component/Activity</u>	<u>Estimated Useful Remaining Lives (Years)</u>	<u>Estimated Future Replacement Costs</u>	<u>Reserve Fund Balance at December 31, 2009</u>
Asphalt roads and parking	4 - 14	1,079,687	52,810
Asphalt trails - seal coat & crack fill (yearly)	1	3,863	-
Asphalt trails - mill & overlay	9	28,840	-
Wood fencing - replace	4 - 7	10,000	-
Pavilions - replace	8 - 14	12,500	-
Bus stops - replace	10	5,010	-
Picnic tables - replace	12	7,200	-
Street signs - replace	4	5,000	-
Speed notifier - replace	11	6,000	-
Sand trails - resurface	3	5,076	-
Buildings and Facilities	1	90,000	90,000
Trash compactors - replace	8	42,000	-
Playground equipment - replace	11 - 18	60,000	-
Townhome - remodel	2	15,000	-
Maintenance truck & equipment - replace	1 - 14	489,000	-
Fuel vaults -replace	19	30,000	-
Total		<u>\$ 1,889,176</u>	<u>\$ 142,810</u>

See accompanying independent auditors' report on supplemental information.