

**Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Financial Statements**

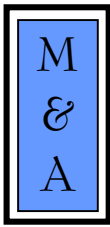
December 31, 2019



**Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
December 31, 2019**

Table of Contents

	Page
INDEPENDENT ACCOUNTANT'S AUDIT REPORT	1 - 2
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Fund Balances	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 – 10
Supplementary Schedules:	
Schedule of Operating and Replacement Funds – Budget to Actual Comparison	11
Schedule of Future Major Repairs and Replacements	12



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Blue Lake Owners' Association
Carbondale, CO**

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Lake Owners' Association (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibilities

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Lake Owners' Association as of December 31, 2019, 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.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Blue Lake Owners' Association
Carbondale, CO

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on page 11 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2018 is derived from the Association's 2018 financial statements, which were reviewed by us and our report thereon, dated October 1, 2019, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 1, 2020

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019 (Audited)			2018
	Operating Fund	Replacement Fund	Total	Total (Reviewed)
Assets:				
Cash and cash equivalents	99,582	47,331	146,913	211,312
Investments - Certificates of deposit	-	643,517	643,517	574,874
Accounts receivable - Owners (net)	7,795	-	7,795	5,797
Prepaid expenses	2,403	-	2,403	2,403
Property and equipment, net	248,135	-	248,135	249,093
Due from (to) other fund	(88,900)	88,900	-	-
Total Assets	269,015	779,748	1,048,763	1,043,479
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	874	-	874	3,500
Deferred assessment revenue	4,976	-	4,976	6,468
Accrued payroll and payroll taxes	10,726	-	10,726	9,052
Deposits	15,075	-	15,075	14,050
Income tax payable	-	-	-	2,805
Total Liabilities	31,651	-	31,651	35,875
Fund Equity:				
Working capital	64,968	-	64,968	63,531
Fund balances	172,396	779,748	952,144	944,073
Total Fund Equity	237,364	779,748	1,017,112	1,007,604
Total Liabilities and Fund Equity	269,015	779,748	1,048,763	1,043,479

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

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019 (Audited)			2018
	Operating Fund	Replacement Fund	Total	Total (Reviewed)
Revenues:				
Common assessments	326,634	68,754	395,388	376,572
Trash service assessments	68,739	-	68,739	66,557
Rental income - Office and Community Center	53,179	-	53,179	52,827
Rental income - Storage lots	19,416	-	19,416	19,534
Discounts, finance charges and fines	(1,690)	-	(1,690)	(1,111)
Interest income	-	11,662	11,662	6,169
Gain (loss) on disposal of fixed assets	-	-	-	(2,867)
Other income	5,368	-	5,368	3,027
Total Revenues	471,646	80,416	552,062	520,708
Expenses:				
Payroll and benefits	216,760	-	216,760	191,846
Utilities	84,782	-	84,782	82,570
Depreciation	18,791	-	18,791	17,533
Insurance	24,890	-	24,890	24,940
Professional fees	11,226	-	11,226	12,288
Irrigation	13,273	-	13,273	28,802
Interest	9	-	9	-
Income tax expense	2,575	-	2,575	3,556
Grounds maintenance	81,355	-	81,355	70,677
Office expense	4,994	-	4,994	4,772
Repairs and maintenance	16,866	-	16,866	14,407
Other	20,179	-	20,179	22,366
Replacement Fund expenses	-	48,291	48,291	32,544
Total Expenses	495,700	48,291	543,991	506,301
Excess (Deficiency) of Revenues Over Expenses	(24,054)	32,125	8,071	14,407
Beginning Fund Balances	196,450	747,623	944,073	929,666
Ending Fund Balances	172,396	779,748	952,144	944,073

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

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019 (Audited)			2018
	Operating Fund	Replacement Fund	Total	Total (Reviewed)
Cash Flows From Operating Activities:				
Cash received from owners	414,975	68,754	483,729	459,881
Cash received from investment income	-	314	314	928
Other cash receipts	54,204	-	54,204	53,822
Cash payments for goods and services	(257,671)	(50,819)	(308,490)	(297,845)
Cash paid for employees	(215,086)	-	(215,086)	(194,524)
Income taxes paid	(5,380)	-	(5,380)	(751)
Transfer from (to) other funds, net	1,953	(1,953)	-	-
Net Cash Provided by Operating Activities	(7,005)	16,296	9,291	21,511
Cash Flows From Investing Activities:				
Proceeds on sale/redemption of investments	-	51,933	51,933	157,549
Cash paid to purchase investments	-	(109,227)	(109,227)	(150,544)
Cash paid to purchase fixed assets	(17,833)	-	(17,833)	(13,549)
Net Cash (Used) by Investing Activities	(17,833)	(57,294)	(75,127)	(6,544)
Cash Flows From Financing Activities:				
Net cash received from working capital deposits	1,437	-	1,437	933
Net Cash (Used) by Financing Activities	1,437	-	1,437	933
Net Increase (Decrease) in Cash and Cash Equivalents	(23,401)	(40,998)	(64,399)	15,900
Beginning Cash and Cash Equivalents	122,983	88,329	211,312	195,412
Ending Cash and Cash Equivalents	99,582	47,331	146,913	211,312
Ending Cash and Cash Equivalents is Comprised of:				
Cash and cash equivalents	99,582	47,331	146,913	211,312
Cash and cash equivalents - Overdraft	-	-	-	-
Total Ending Cash and Cash Equivalents	99,582	47,331	146,913	211,312
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Excess (deficiency) of revenues over expenses	(24,054)	32,125	8,071	14,407
Adjustments to reconcile:				
Depreciation	18,791	-	18,791	17,531
Loss on disposal of asset	-	-	-	2,867
(Increase) decrease - Accrued interest on certificates of deposit	-	(11,348)	(11,348)	(5,241)
(Increase) decrease - Accounts receivable - Owners	(2,000)	-	(2,000)	(3,924)
(Increase) decrease - Prepaid expense	-	-	-	1,048
Increase (decrease) - Accounts payable	(97)	(2,528)	(2,625)	(5,525)
Increase (decrease) - Deferred revenue	(1,492)	-	(1,492)	(774)
Increase (decrease) - Accrued payroll and payroll taxes	1,674	-	1,674	(2,678)
Increase (decrease) - Income taxes payable	(2,805)	-	(2,805)	2,805
Increase (decrease) - Deposits	1,025	-	1,025	995
Transfer from (to) other fund	1,953	(1,953)	-	-
Total Adjustments	17,049	(15,829)	1,220	7,104
Net Cash Provided by Operating Activities	(7,005)	16,296	9,291	21,511

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

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019

1. Organization

Blue Lake Owners' Association (the "Association"), a planned unit development, was incorporated in the State of Colorado as a non-profit corporation pursuant to Articles of Incorporation dated July 11, 1984. The Association's primary purpose is to operate and maintain the common property of the Association.

The Association, which is located in Carbondale, Colorado, consists of 350 homes/lots and common areas.

2. Summary of Significant Accounting Policies

A. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors of the Association (the "Board"). Disbursements from the Replacement Fund may be made only for their designated purposes.

B. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned or assessed, and expenses when incurred.

C. Recognition of Assets

The Association recognizes as assets on its financial statements:

- (a) common personal property and;
- (b) common real property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto.

These are assets recorded at cost and are depreciated using the straight-line method over estimated useful lives of five to thirty-nine years.

Real common property, including infrastructure assets and other assets which cannot be readily disposed for cash, are not recognized as assets on the Association's financial statements.

D. Cash and Cash Equivalents

The Association considers all checking accounts, savings accounts and money market savings accounts to be cash equivalents for the purpose of the Statement of Cash Flows, since all such funds are highly liquid. At December 31, 2019, the Association had \$16,225 in excess of Federal Deposit Insurance Corporation ("FDIC") limits.

E. Investments

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposit are intended to fund operations and may provide a ready source of cash when so required, these investments are classified as trading.

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

F. Allowance for Uncollectible Amounts

The Association utilizes the allowance method of recognizing the future potential uncollectibility of unpaid owner assessments and other receivables. No allowance for bad debts was recorded as of December 31, 2019, since all receivables are considered collectible. The Association's policy is to charge late fees to owner accounts at the end of each month an account is delinquent. Liens may be filed on accounts with delinquent balances that are 100 or more days past due.

G. Deferred Revenue

Deferred revenue represents prepaid assessments.

H. Working Capital

Working capital represents contributions made to the Association by the homeowner at the time of their purchase of the unit. This amount is equal to three months' assessments at the time of the purchase.

I. Common Assessments

Common assessments are the primary source of revenue for the Association. The Board prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. On a monthly basis, members of the Association are assessed for their pro-rata share of these estimated expenses.

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to or recovered from the members in a subsequent year by reducing or increasing assessments, or, with the approval of the Board, transferred to the Replacement Fund.

J. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

The Federal income tax returns of the Company are subject to examination by the Internal Revenue Service and Colorado Department of Revenue. The Company is no longer subject to examination for tax years prior to 2016.

K. Investment Income Allocation

Interest income is recorded in the fund holding the underlying source of investment income.

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

L. Use of 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 or revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Comparative Information

The financial statements include certain prior year comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018, from which the comparative totals were derived.

N. Subsequent Events

Management has evaluated subsequent events through June 1, 2020, the date these financial statements were available to be issued.

3. Investments

Certificates of deposit, maturing within one to five years, bearing interest at 0.72% - 3.02% per annum	<u>\$ 643,517</u>
Total Investments	<u><u>\$ 643,517</u></u>

4. Property and Equipment

Capital assets, being depreciated:	
Buildings and improvements	560,106
Equipment and vehicles	<u>117,098</u>
Total capital assets, being depreciated	677,204
Less: Accumulated depreciation	<u>(429,069)</u>
Total capital assets, being depreciated, net	<u>248,135</u>
Total capital assets, net	<u><u>\$ 248,135</u></u>

**Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)**

5. Operating Lease Commitments

The Association leases office and community center space to four tenants under operating leases with initial terms of one to ten years. Three of the four leases are month-to-month leases as of December 31, 2019. The community center was purchased in 1994 for \$324,452. The office building was purchased in 1995 for \$128,000. As of December 31, 2019, accumulated depreciation for the community center and office building are \$210,743 and \$79,178, respectively. The Association received \$53,179 from these leases during the year ended December 31, 2019. The following is a schedule of future minimum rentals under the leases at December 31, 2019:

	Community Center Lease	Total
2020	37,200	37,200
2021	37,200	37,200
2022	37,200	37,200
2023	37,200	37,200
2024	37,200	37,200
2025	21,700	21,700
	<u>\$ 207,700</u>	<u>207,700</u>
	Total Minimum Lease Payments	

6. Replacement Funds and Reserve for Future Major Repairs and Replacements

The Association is accumulating funds for future major repairs and replacements of the Association's property as required in its Declaration of Covenants, Conditions, and Restrictions. Accumulated funds are held in a separate savings account and certificates of deposit and generally are not available for expenditures for normal operations.

The Board commissioned a study, which was completed in 2018, to estimate the remaining useful lives and the replacement costs of the components of common property. These estimates were based on visual observations of representative samplings during an on-site visit by an engineering firm and assume a 3% rate of inflation and interest. The unaudited supplemental Schedule of Future Major Repairs and Replacements on page 12 is based on that study.

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association's responsibility to determine a method for funding the costs of future major repairs and maintenance by assessing owners when funds are needed or by anticipating costs over extended time periods, assessing owners for the anticipated costs, and accumulating funds in reserves to meet the future funding requirements. The Board has chosen to fund 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.

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

6. Replacement Funds and Reserve for Future Major Repairs and Replacements (continued)

Funds are being accumulated in the Replacement Funds based on estimates for future needs for repairs and replacements of 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, subject to Board approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

During the year ended December 31, 2019, the Association levied \$68,754 of Replacement Fund assessments.

7. Contracts

A. Daly Property Services, Inc.

The Association has an agreement with Daly Property Services, Inc. to provide landscaping services for the Association. During the year ended December 31, 2019, the Association paid Daly Property Services, Inc. \$54,343.

On March 16, 2020, the Association entered into a new agreement with Daly Property Services, Inc. for landscaping services for April 1 – October 31, 2020. The total contract price is estimated to be between \$51,815 and \$58,290.

B. Hughes Excavating Company

The Association has an agreement with Hughes Excavating Company to repair an irrigation pipeline. During the year ended December 31, 2019, the Association paid Hughes Excavating Company \$7,200.

B. Canyon Excavation, LLC.

On July 19, 2019, the Association entered into an agreement with Canyon Excavation, LLC for the construction of two new bus shelters and site improvements at two existing shelter locations. The total contract amount of \$73,611 was paid on September 17, 2019. \$62,950 was reimbursed by Roaring Fork Transit Authority on October 10, 2019.

8. Letter of Credit

During 2018, the Association executed a promissory note with Bank of Colorado for an irrevocable letter of credit of up to \$50,000 for the purpose of guaranteeing construction of public improvements required by Eagle County. Amount is collateralized by a certificate of deposit owned by the Association. During the year ended December 31, 2019, the Association made no draws under the terms of this arrangement.

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Schedule of Operating and Replacement Funds
Budget (Budget Basis) to Actual (GAAP Basis) Comparison
For the Year Ended December 31, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 (Audited)			2018
	Budget (Unaudited)	Actual	Variance Favorable/ (Unfavorable)	Actual (Reviewed)
Revenues:				
Common assessments - Operating	326,634	326,634	-	307,776
Common assessments - Replacement	68,754	68,754	-	68,796
Trash service assessments	68,438	68,739	301	66,557
Rental income - Office and Community Center	52,268	53,179	911	52,827
Rental income - Storage lots	19,580	19,416	(164)	19,534
Discounts, finance charges and fines	(932)	(1,690)	(758)	(1,111)
Interest income - Replacement	4,757	11,662	6,905	6,169
Gain (loss) on disposal of fixed assets	-	-	-	(2,867)
Miscellaneous income	-	5,368	5,368	3,027
Total Revenues	539,499	552,062	12,563	520,708
Expenses:				
Operating Fund:				
Payroll and benefits	221,540	216,760	4,780	191,846
Utilities	85,518	84,782	736	82,570
Depreciation	16,908	18,791	(1,883)	17,533
Insurance	23,476	24,890	(1,414)	24,940
Professional fees	9,971	11,226	(1,255)	12,288
Irrigation	9,780	13,273	(3,493)	28,802
Interest	-	9	(9)	-
Income tax expense	3,000	2,575	425	3,556
Grounds maintenance	84,050	81,355	2,695	70,677
Office expense	3,730	4,994	(1,264)	4,772
Repairs and maintenance	12,300	16,866	(4,566)	14,407
Other	22,140	20,179	1,961	22,366
Subtotal - Operating Fund	492,413	495,700	(3,287)	473,757
Replacement Fund:				
Tot-Lot improvements	2,000	-	2,000	341
Vehicle replacement	25,000	15,664	9,336	-
Foot bridge abutments at pond	6,000	-	6,000	-
Lake safety improvements	700	-	700	-
Tree work	30,000	15,849	14,151	7,812
Office remodel	-	11,969	(11,969)	2,528
Drinking fountain	-	-	-	223
Seal coat & crack filling	3,600	4,750	(1,150)	12,160
Compressor at lake	-	-	-	970
Bike rack at lake	-	-	-	716
Entry gate - motors	-	-	-	598
Irrigation expansion	-	4,466	(4,466)	-
Office solar system	-	-	-	13,551
RFTA stop improvements	-	11,257	(11,257)	7,196
Subtotal - Replacement Fund	67,300	63,955	3,345	46,095
Total Expenses	559,713	559,655	58	519,852
Excess of Revenues Over Expenses (Budget Basis)	(20,214)	(7,593)	12,621	856
Reconciliation to GAAP Basis				
Capitalized Assets		15,664		13,551
Excess of Revenues Over Expenses (GAAP Basis)		8,071		14,407

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

Blue Lake Owners' Association
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements
December 31, 2019
(Unaudited)

During fiscal year 2018, the Association's Board of Directors commissioned a study by independent reserve study engineers to estimate the remaining useful lives and the replacement costs of the components of common property. The study projected future fund balances, but did not allocate fund balance between the individual items, nor has the Board elected to allocate fund balance between the components of common property.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Fund Balance 2019</u>
Concrete and asphalt	0-2	183,638	
Maintenance equipment	0-8	96,000	
Recreation equipment	0-17	114,285	
Fencing	0-5	83,360	
Doors and windows	15	30,400	
Siding	1	17,550	
Irrigation system	0	27,970	
Street lights and gate operators	5-10	49,900	
Monument and mailboxes	10	22,200	
Office interiors and equipment	0-8	16,800	
Landscaping and bridge	3-9	48,490	
Heating and AC	4	6,600	
Boilers	5	2,000	
Signage	5	2,000	
Gutter/downspouts	0	7,700	
Vehicles	1-8	31,200	
Roof	25	98,700	
Solar System	23	25,000	
Total		<u>863,793</u>	<u>779,748</u>

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