

HIGHLINE MEADOWS CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements
June 30, 2007

Note 7: Future Major Repairs and Replacements

As indicated in Note 2, the AICPA issued an audit and accounting guide, Audits of Common Interest Realty Association, effective for periods beginning on or after September 15, 1991. The Association's Board of Directors had adopted this guide, which requires supplementary information disclosure of the following information regarding each common area component:

1. Estimated remaining useful life
2. Estimated current or future replacement cost
3. The following year funding requirement
4. Fund balance by each common area component

The Association contracted with an outside engineering firm in October 2005 to prepare a reserve study to estimate the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

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 membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 8: Insurance Claim Proceeds

On September 17, 2006, a fire occurred in Building 50. The Association received \$350,706 in insurance proceeds and spent \$321,633 in related repairs.

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Supplementary Information on Future Major Repairs and Replacements June 30, 2007 (Unaudited)

In October, 2005, the Board contracted with G. Michael Kelsen, an outside engineer, to conduct a study to estimate the replacement costs of the components of the common property. The following table is based on that study and presents significant information about the components of the common property. The study assumes an inflation rate of 3% and an after-tax interest rate of 3%.

<u>Components</u>	<u>Remaining Estimated Useful Life</u>	<u>Estimated Current Replacement Costs</u>
Roofing	1 - 25	\$ 662,900
Painted surfaces	0 - 5	146,800
Drive materials	0 - 18	250,400
Property access	0 - 7	188,800
Decking	0	116,625
Mechanical equipment	0 - 22	148,000
Property identification	6	5,000
Security	14	2,000
Fencing	0 - 10	43,320
Pool/spa	2 - 12	24,885
Recreation equipment	0 - 6	10,400
Interiors	1	24,500
Flooring	0	7,400
Light fixtures	7	24,000
Irrigation system	9	2,250
Landscaping	0 - 1	31,500
Maintenance equipment	0	15,000
Garage building replacement	0	360,000
Lift station replacement	32	<u>150,000</u>
		<u>\$ 2,213,780</u>
Reserve Fund Balance at June 30, 2007		\$ <u>45,473</u>