



Lake Monticello Owners' Association

Financial Statements

Year Ended December 31, 2010



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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS AND MEMBERS LAKE MONTICELLO OWNERS' ASSOCIATION

We have audited the accompanying balance sheet of Lake Monticello Owners' Association as of December 31, 2010, and the related statements of revenues and expenses, changes in Association equity, 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. The prior year comparative information has been derived from the Association's 2009 financial statements and, in our report dated May 4, 2010, we expressed an unqualified opinion on those financial statements.

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 Lake Monticello Owners' Association as of December 31, 2010, 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 supplemental schedules and supporting data as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information, except as stated below, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

We have not audited the supporting data on future major repairs and replacements as reported on page 25 and, accordingly, express no opinion on it.

Charlottesville, Virginia  
April 13, 2011

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## **Financial Statements**

**LAKE MONTICELLO OWNERS' ASSOCIATION**

Balance Sheet

At December 31, 2010  
(With Comparative Totals for 2009)

Assets	2010	2009
Cash, including interest bearing deposits	\$ 887,171	\$ 842,791
Investments available for resale, at fair market value	8,839,090	8,057,344
Assessments receivable, less allowance for uncollectibles of \$172,175 (2010) and \$115,516 (2009)	382,348	290,073
Other receivables	37,443	39,987
Accrued interest receivable	29,828	41,936
Prepaid expenses	114,010	98,797
Inventories	30,122	38,148
Fixed assets, net of accumulated depreciation	5,383,701	5,534,032
Total assets	\$ 15,703,713	\$ 14,943,108
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 361,505	\$ 313,672
Refundable owners' building deposits	9,033	6,992
Bar code deposits	2,190	2,130
Notes payable	202,445	269,338
Capital lease obligation	8,667	16,861
Deferred revenues: Assessments and fees received in advance	661,424	693,238
Total liabilities	\$ 1,245,264	\$ 1,302,231
<b>Association Equity</b>		
Reserved:		
Swimming pool construction	\$ 151,600	\$ 198,440
Major repairs and replacements	604,156	335,708
Lake preservation	168,211	149,484
Roads/new home construction	462,274	157,844
Capital projects - property transfer fees	282,395	205,866
Restricted:		
Proceeds from sale of Lake Monticello Service Company	6,792,863	6,652,886
Investment in net property and equipment	5,172,589	5,247,833
Unreserved/undesignated	116,386	194,479
Accumulated other comprehensive income	707,975	498,337
Total association equity	\$ 14,458,449	\$ 13,640,877
Total liabilities and association equity	\$ 15,703,713	\$ 14,943,108

The accompanying notes to financial statements are an integral part of this statement.

**LAKE MONTICELLO OWNERS' ASSOCIATION**

Statement of Revenues and Expenses

Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	2010	2009
<b>Revenues</b>		
Owner dues, assessments and related charges	\$ 3,031,722	\$ 2,374,461
Improved property income	626,778	624,685
Property transfer fees	122,200	105,150
Environmental control committee fees	20,080	18,660
Recreation fees	258,905	238,175
Golf and related fees	537,090	594,357
Sales of merchandise and related items, less cost of sales of \$132,557 (2010) and \$179,426 (2009)	19,889	92,205
Barcode income	81,955	86,609
Cable income	129,247	129,820
Interest/investment income, net	452,005	280,870
New home construction fee	13,690	10,952
Other	62,141	65,218
 Total revenues	 \$ 5,355,702	 \$ 4,621,162
<b>Expenses</b>		
Administrative services	\$ 1,076,466	\$ 993,929
General maintenance	589,631	531,476
Recreation	257,884	247,541
Pool snack bar	2,245	27,069
Eagles Nest	27,177	125,456
Golf	780,486	748,715
Security	881,807	825,577
Improved property expense	640,174	694,568
Other	491,898	361,620
 Total expenses	 \$ 4,747,768	 \$ 4,555,951
 Excess of revenues over expenses	 \$ 607,934	 \$ 65,211
 Net unrealized gains (losses) on investments	 209,638	 743,375
 Net changes in equity	 \$ 817,572	 \$ 808,586

The accompanying notes to financial statements are an integral part of this statement.

LAKE MONTICELLO OWNERS' ASSOCIATION

Statement of Changes in Association Equity

Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	Reserved					
	Swimming Pool Construc- tion	Major Repairs and Replace- ments	Roads- Dues	Roads- New Home Fees	Capital Projects Property Transfer Fee	Lake Preserv- ation
Association equity, January 1, 2009	\$ 299,326	\$ 229,277	\$ 6,701	\$ 31,779	\$ 197,839	\$ 188,238
Excess (deficiency) of revenues over expenses	-	-	1,586	-	2,337	-
Net unrealized gains (losses) on investments	-	-	-	-	-	-
Transfers						
Depreciation recovery	-	326,905	28,062	-	-	26,625
Operating contribution	-	31,008	7,000	-	-	-
Road dues	-	(56,148)	119,352	-	-	-
Lake dues	-	(26,625)	-	-	-	229,152
New home fees	-	-	-	10,952	-	-
Property transfer fees	-	-	-	-	105,150	-
Property and equipment:						
Acquisitions	(100,886)	(63,215)	-	-	(99,460)	(148,806)
Outstanding balance of debt acquired to finance fixed assets	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Special projects	-	(105,494)	(47,588)	-	-	(145,725)
Association equity, December 31, 2009	\$ 198,440	\$ 335,708	\$ 115,113	\$ 42,731	\$ 205,866	\$ 149,484
Excess (deficiency) of revenues over expenses	-	-	(2,117)	-	2,103	6,395
Net unrealized gains (losses) on investments	-	-	-	-	-	-
Transfers						
Depreciation recovery	-	296,758	28,086	-	-	20,418
Operating contribution	-	150,000	94,400	-	-	4,015
Road dues	-	-	224,295	-	-	-
Lake dues	-	-	-	-	-	218,154
New home fees	-	-	-	13,690	-	-
Property transfer fees	-	-	-	-	122,200	-
Property and equipment:						
Acquisitions	(46,840)	(139,233)	-	-	(25,714)	-
Principal payments on debt acquired to finance fixed assets	-	-	-	-	(19,933)	(55,154)
Dispositions	-	-	-	-	-	-
Special projects	-	(39,077)	(53,924)	-	(2,127)	(175,101)
Association equity, December 31, 2010	\$ 151,600	\$ 604,156	\$ 405,853	\$ 56,421	\$ 282,395	\$ 168,211

<u>Restricted</u>						
<u>Sale of</u>					<u>Accumulated</u>	
<u>Lake</u>				<u>Un-</u>	<u>Other</u>	
<u>Monticello</u>	<u>Undesignated</u>	<u>Investment</u>		<u>reserved/</u>	<u>Compre-</u>	
<u>Service</u>	<u>Reserves</u>	<u>in Property</u>		<u>Un-</u>	<u>hensive</u>	
<u>Company</u>		<u>and</u>		<u>designated</u>	<u>Income</u>	<u>Total</u>
		<u>Equipment</u>				
\$ 6,630,063	\$ 92,389	\$ 5,203,897	\$	197,820	\$ (245,038)	\$ 12,832,291
22,823	-	(350,311)		388,776	-	65,211
-	-	-		-	743,375	743,375
-	-	-		(381,592)	-	-
-	(92,389)	-		85,389	-	31,008
-	-	-		(63,204)	-	-
-	-	-		(202,527)	-	-
-	-	-		(10,952)	-	-
-	-	-		(105,150)	-	-
-	-	528,981		(116,614)	-	-
-	-	70,544		(70,544)	-	-
-	-	(205,278)		205,278	-	-
-	-	-		267,799	-	(31,008)
\$ 6,652,886	\$ -	\$ 5,247,833	\$	194,479	\$ 498,337	\$ 13,640,877
139,977	-	-		461,576	-	607,934
-	-	-		-	209,638	209,638
-	-	(345,262)		-	-	-
-	-	-		(248,415)	-	-
-	-	-		(224,295)	-	-
-	-	-		(218,154)	-	-
-	-	-		(13,690)	-	-
-	-	-		(122,200)	-	-
-	-	211,787		-	-	-
-	-	75,087		-	-	-
-	-	(16,856)		16,856	-	-
-	-	-		270,229	-	-
\$ 6,792,863	\$ -	\$ 5,172,589	\$	116,386	\$ 707,975	\$ 14,458,449

LAKE MONTICELLO OWNERS' ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	2010	2009
<b>Cash flows from operating activities:</b>		
Net change in equity	\$ 817,572	\$ 808,586
Adjustments to reconcile net cash provided (used) by operating activities:		
Depreciation	345,262	350,311
Unrealized (gains) losses on investments	(209,638)	(743,375)
(Gain) loss on disposal of assets	(28,800)	1,037
Changes in:		
Receivables, net of write-offs	(89,731)	(62,649)
Accrued interest receivable	12,108	17,888
Prepaid expenses	(15,213)	(6,132)
Inventories	8,026	(4,441)
Accounts payable and accrued expenses	47,833	(1,128)
Refundable owners' building deposits	2,041	(2,018)
Barcode deposits	60	120
Assessments and fees received in advance	(31,814)	(206,858)
Net cash provided (used) by operating activities	\$ 857,706	\$ 151,341
<b>Cash flows from investing activities:</b>		
Sale (purchase) of investments, net	\$ (572,108)	\$ 302,882
Proceeds from sale of fixed assets	45,656	-
Purchase of fixed assets	(211,787)	(324,740)
Net cash provided (used) by investing activities	\$ (738,239)	\$ (21,858)
<b>Cash flows from financing activities:</b>		
Principal repayments on debt	\$ (75,087)	\$ (70,544)
Net cash provided (used) by financing activities	\$ (75,087)	\$ (70,544)
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 44,380	\$ 58,939
Cash and cash equivalents, beginning of year	842,791	783,852
Cash and cash equivalents, end of year	\$ 887,171	\$ 842,791
<b>Supplementary cash flow information:</b>		
Cash paid for interest during year	\$ 12,562	\$ 18,060

The accompanying notes to financial statements are an integral part of this statement.

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010

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**NOTE 1—ORGANIZATION AND PURPOSE:**

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Lake Monticello Owners' Association (the "Association") is a non-stock corporation chartered on July 8, 1971 in the Commonwealth of Virginia. The purpose of the Association is to provide security to the Lake Monticello development, and operate and maintain the recreational facilities and common areas of the development. The development consists of approximately 4,600 residential lots covering approximately 3,500 acres in Fluvanna County, Virginia. Management of the Association is the responsibility of an elected Board of Directors and its contracted general manager.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting.

Property and Equipment - All fixed assets of the Association in excess of \$500 are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at fair market value as of the date received. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

Equipment	2-8 years
Furniture & Fixtures	2-10 years
Vehicles	3-10 years
Buildings & Equipment	10-50 years

Inventories - Association inventories are stated at lower of cost or market using the first-in, first-out (FIFO) basis.

Assessments and Accounts Receivable - Association members are subject to annual dues to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent balances due from property owners. The Association's policy is to place liens and retain legal counsel as necessary, within the time allowed by law, on properties of owners whose accounts are delinquent. Receivables are considered delinquent when amounts have not been received within 30 days of their due dates.

Investments - Investments are recorded at fair market value.

Accumulated Compensated Absences - The Association records compensated absences for vacation when earned. This amounted to \$91,362 at December 31, 2010 and \$75,722 at December 31, 2009. These amounts are reported in accounts payable and accrued expenses on the balance sheet.

Income Taxes - Pursuant to letters from the Internal Revenue dated December 21, 1972 and March 31, 1982 the Association is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501 (c) (4).

Dues and Assessments - Membership dues and assessments are assessed on an annual basis as more fully described in Note 6.

## LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

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### NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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Franchise Fees - The Association recognizes television cable franchise revenue as it is earned. The revenue is based upon a percentage of revenue generated from subscribers residing within the Association boundaries. These fees are reported as cable income in the financial statements.

New Home/Initial Home Construction Fees - Initial home construction fees represent amounts received by the Association for the review of applications associated with construction of new homes, and to partially offset the accelerated wear and tear on Association roads due to heavy construction vehicle traffic. The Association is required by Court Order to match these fees from any other source at a rate at least equal to \$30 for each \$70 received in New Home/Initial Home Construction Fees. Cash is collected for new home construction fees upon the commencement of lot clearing.

Major Home Renovation Fees - Major home renovation fees represent amounts received by the Association for the review of applications associated with construction of major additions to existing homes, and partially offset the accelerated wear and tear on Association roads due to heavy construction. These fees go directly to road funding.

Property Transfer Fees - Property transfer fees are assessed against each new owner of property in the Association except in instances where the transfer of property is by gift among certain family members, transfers to a trust where the owner is the beneficiary, and transfers to Lake Monticello Owners' Association. The fee is due and payable when the property is sold or transferred to a new owner, pursuant to exceptions described above, and also except for property purchased for resale as an improved lot. When property is purchased for resale as an improved lot, the fee is due when the property is sold as an improved lot or within twelve months after the property is purchased. If the property transfer fee is not paid within such twelve month period as a result of the subsequent resale of the improved lot, the property transfer fee shall become due and payable immediately. The property transfer fee is reserved for capital projects expenditures.

Property transfer fees were charged at a rate of \$500 per lot through August 31, 2008. Effective September 1, 2008 the rate was increased to \$650 per lot. The rate increase was approved by the Owners by proxy on June 28, 2008.

Cash and Cash Equivalents - For financial reporting purposes the Association considers all highly liquid temporary cash investments with maturities generally of three months or less to be cash equivalents.

Common Property - The Association holds title to common property consisting of the following:

1. A golf course, clubhouse and pool facilities, pro-shop, marina and related recreational facilities, restrooms, tennis courts, equipment storage and security and maintenance facilities. These properties and facilities are used to generate or, are related to the generation of, significant cash flows from members and non-members on the basis of usage.
2. Other common real property such as roads, greenbelts, a lake of approximately 350 acres, and other similar areas. This common property:
  - a. Is not used to generate significant cash flows from members and non-members on the basis of usage.
  - b. Cannot readily be sold.

## LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

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### NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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#### Common Property: (Continued)

3. Other property consisting of equipment, furniture and fixtures.

The Association is responsible for preserving and maintaining all common property.

Concentration of Credit Risk: Financial instruments which potentially subject the Association to concentration of credit risk consist primarily of investments. At December 31, 2010, the Association's investments consist of low credit-risk investments such as U.S. Treasury and Agency issues and AAA rated or insured corporate debt securities which are subject to market-risk due to changes in the general level of interest rates and in market conditions. Money market funds are generally invested in short term government securities with minimal credit or market risk. The Association investment accounts are not covered by federal or other insurance, but are insulated against the potential financial failure of the Association's broker/dealer by protection offered by Securities Investor Protection Corporation and similarly-structured supplemental protection provided by independent insurers. Bank balances at December 31, 2010 and 2009 exceeded federally insured limits imposed on financial institutions in the amount of \$191,664 and \$321,683 respectively. The excess was attributable to a repurchase agreement, which was closed in February 2011. Bank accounts are maintained only with high credit quality financial institutions.

The Association utilizes three financial institutions and has two accounts in each institution.

There are no significant concentrations of credit risk arising from receivables. See Note 6 for additional details.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Accumulated Other Comprehensive Income: Accumulated other comprehensive income consists of unrealized gains or losses on securities held for sale.

Comparative Totals: Comparative prior year totals are presented for information purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2009, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform with current year reporting.

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

**NOTE 3—CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consist of the following:

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 1,195	\$ 1,345
Cash in banks	<u>885,976</u>	<u>841,446</u>
Total	<u>\$ 887,171</u>	<u>\$ 842,791</u>

The Association utilized three financial institutions for its deposit and check writing activities during the year. Included in cash in banks are repurchase agreements totaling \$441,664 and \$228,379 at December 31, 2010 and 2009, respectively. The repurchase agreement was closed in February 2011. The Association does not have a policy for requiring the collateralization of repurchase agreements.

**NOTE 4—RESTRICTED AND RESERVED CASH AND INVESTMENTS:**

Cash and investments are in the Emergency Reserve Account (ERA) and require vote of the members for use consistent with the Lake Monticello Policy Manual Section 4.02Q restricted for the following purposes:

Proceeds from sale of Lake Monticello Service Company-only dividend and interest earnings may be used for Association operations	\$ 6,630,063
Net realized capital gains and losses as of December 31, 2010	<u>162,800</u>
Restricted current principal as of December 31, 2010	<u>\$ 6,792,863</u>

Dividends and interest earned in the ERA are available to the Board of Directors for use in the maintenance, upkeep, general care of the amenities and assets of the Association and capital needs.

Cash and investments are reserved for the following purposes:

	<u>2010</u>	<u>2009</u>
Major repairs and replacements (future years)	\$ 454,155	\$ 335,708
Swimming pool construction *	-	46,840
Roads - new home fees and dues	413,701	168,062
Lake preservation	170,179	149,484
Capital projects - property transfer fees	<u>275,725</u>	<u>205,866</u>
Total reserved cash and investments	<u>\$ 1,313,760</u>	<u>\$ 905,960</u>

\* \$250,000 of swimming pool funds were used for roads in 2004. Reimbursements of \$98,400 have been made to the pool funds as of December 31, 2010. Equity of \$151,600 is reserved for this account; the cash transfer of \$151,600 was made in January 2011.

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

NOTE 5—INVESTMENTS:

Investments are available for resale but are anticipated to be held to maturity, and are recorded at fair market value as of December 31, 2010. The Association contracts with investment management companies to invest its cash on a temporary basis. The Association Board of Directors also appoints an investment committee to oversee the investment of Association funds and assure compliance with Association investment policies. A summary of these investments at December 31, 2010 is as follows:

	Debt obligations -			
	Maturities at December 31, 2010	Amortized Cost	Fair Market Value	
			2010	2009
Investments with Smith Barney, Inc.				
Cash and money market funds	-	\$ 1,705,167	\$ 1,705,167	\$ 806,494
Corporate debt	2012 - 2023	1,215,412	1,290,929	1,936,086
U.S. Government Securities	2011 - 2045	707,079	753,771	743,978
Exchange traded and closed funds	-	2,924,502	3,334,340	1,905,336
Mutual funds	-	1,076,290	1,245,659	1,599,798
Mortgage and asset backed securities	-	27,787	27,488	-
Certificates of deposit	2011-2013	458,000	481,736	1,065,652
Total		\$ 8,114,237	\$ 8,839,090	\$ 8,057,344

Premiums purchased and discounts received on the purchase of securities, when material in amount, are amortized over the period between the purchase date and maturity date of the security.

The following is a summary of investment activity for the respective years.

	2010	2009
Sales and redemptions of securities	\$ 1,929,740	\$ 756,578
Gross realized gains	\$ 151,639	\$ 11,316
Gross realized losses	(13,117)	(25,228)
Net realized gains (losses)	\$ 138,522	\$ (13,912)
Net cumulative unrealized gains (losses) at December 31:		
Gains	\$ 729,427	\$ 575,515
Losses	(21,452)	(77,178)
Net cumulative unrealized gains (losses)	\$ 707,975	\$ 498,337

The specific identification method was used in determining the cost of securities for the calculation of realized gains and losses. These net realized gains and losses are included in investment income in the Statement of Revenues and Expenses.

See Note 16 for additional details of investment income.

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

**NOTE 6—ACCOUNTS RECEIVABLE/DUES AND ASSESSMENTS:**

Association dues are assessed on numbered residential lots and Marina Point Units as of January 1, and may be attached as enforceable liens on property as of January 31. Dues, assessments and fees are due in January of each year.

It is the practice of the Association to bill property owners for the entire annual billings in December of the year preceding the year for which they are assessed. The owners have the option of paying annual assessments in lump sum by January 31st of each year or in semi-annual or monthly installments. Dues, assessments and fees collected for the subsequent years are recorded as deferred revenue. Dues, assessments and accounts receivable are deemed delinquent when payment has not been received by contractual dates. Finance charges are assessed on delinquent amounts after they are past due at the rate of 1.5% per month on the unpaid dues balance.

The Association computes its allowance for uncollectible accounts receivable based on trend analysis and other considerations. The allowance for uncollectibles has been estimated at \$172,175 and \$115,516 at December 31, 2010 and 2009, respectively. Uncollectible accounts are charged off when management has exhausted all available legal collection procedures.

Summary of accounts and dues receivable at December 31:

	<u>2010</u>	<u>2009</u>
Dues and finance charges	\$ 554,523	\$ 405,589
Allowance for uncollectible dues	<u>(172,175)</u>	<u>(115,516)</u>
Net dues receivable	<u>\$ 382,348</u>	<u>\$ 290,073</u>
Other receivables:		
Property transfer fees	\$ 650	\$ 650
Cable franchise fee	32,382	32,464
Virginia Department of Environmental Quality	-	6,654
Others	<u>4,411</u>	<u>219</u>
Total other receivables	<u>\$ 37,443</u>	<u>\$ 39,987</u>

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

**NOTE 7—INVENTORIES:**

Association inventories at December 31, consisted of the following:

	<u>2010</u>	<u>2009</u>
Food and beverages	\$ -	\$ 6,935
Paper supplies	-	1,468
Gasoline for resale	10,584	10,249
Maintenance gasoline	6,041	7,174
Merchandise and supplies for resale	<u>13,497</u>	<u>12,322</u>
Total	<u>\$ 30,122</u>	<u>\$ 38,148</u>

**NOTE 8—FIXED ASSETS:**

Changes in fixed assets during the year are as follows:

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2010</u>
Land	\$ 645,627	\$ -	\$ -	\$ 645,627
Golf course	865,000	-	-	865,000
Buildings and facilities	1,843,094	-	-	1,843,094
Automobiles and trucks	457,413	53,189	51,281	459,321
Equipment	2,049,000	138,612	80,501	2,107,111
Furniture and fixtures	161,219	-	-	161,219
Improvements to buildings and recreational areas	<u>3,521,784</u>	<u>19,986</u>	<u>14,737</u>	<u>3,527,033</u>
Total	\$ 9,543,137	\$ 211,787	\$ 146,519	\$ 9,608,405
Accumulated depreciation	<u>\$ (4,009,105)</u>	<u>\$ (345,262)</u>	<u>\$ (129,663)</u>	<u>\$ (4,224,704)</u>
Net fixed assets	<u>\$ 5,534,032</u>	<u>\$ (133,475)</u>	<u>\$ 16,856</u>	<u>\$ 5,383,701</u>

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

**NOTE 8—FIXED ASSETS: (CONTINUED)**

Fixed assets were derived from the following sources:

	<u>2010</u>	<u>2009</u>
Association revenues	\$ 7,685,150	\$ 7,619,882
Notes payable and capital lease proceeds	378,229	378,229
Original developer contributions *	<u>1,545,026</u>	<u>1,545,026</u>
Total	<u>\$ 9,608,405</u>	<u>\$ 9,543,137</u>

\* This represents the value of fixed assets (primarily golf course, club and other recreational facilities and common areas) turned over to the Association by the developer. The values were determined by obtaining the approximate cost of the facilities from the developer.

**NOTE 9—DEFERRED REVENUES:**

Deferred revenues and deposits represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Association deferred revenues at December 31, 2010 and 2009 totaled \$661,424 and \$693,238, respectively, and are comprised of dues, assessments, fees and other receipts collected in the current year. These deferred revenues are applicable to the subsequent year.

**NOTE 10—NOTES PAYABLE:**

The following is a summary of transactions related to notes payable for the year ended December 31, 2010.

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2010</u>
Note payable for grapple truck	\$ 99,128	\$ -	\$ 24,473	\$ 74,655
Note payable for amphibious excavator and barge	127,806	-	30,681	97,125
Note payable for track loader	<u>42,404</u>	<u>-</u>	<u>11,739</u>	<u>30,665</u>
	<u>\$ 269,338</u>	<u>\$ -</u>	<u>\$ 66,893</u>	<u>\$ 202,445</u>

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

NOTE 10—NOTES PAYABLE: (CONTINUED)

Annual requirements to amortize the notes payable and related interest are as follows:

Year Ending December 31,	Principal	Interest
2011	\$ 70,629	\$ 9,337
2012	74,574	5,418
2013	57,242	1,360
Total	<u>\$ 202,445</u>	<u>\$ 16,115</u>

Details of notes payable are as follows:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
\$127,521 note payable issued August 28, 2008, secured by grapple truck and by minimum account balance required to be maintained (see Note 15). Due in monthly installments of principal and interest of \$2,443 through September 1, 2013, with an interest rate of 5.5% per annum.	\$ 74,655	\$ 25,854
\$161,000 note payable issued September 30, 2008, secured by amphibious excavator and barge and by minimum account balance required to be maintained (see Note 15). Due in monthly installments of principal and interest of \$3,102 through October 4, 2013, with an interest rate of 5.75% per annum.	97,125	32,492
\$59,936 note payable issued May 7, 2008, secured by track loader. Due in monthly installments of principal and interest of \$1,118 through May 7, 2013, with an interest rate of 4.54% per annum.	<u>30,665</u>	<u>12,283</u>
	<u>\$ 202,445</u>	<u>\$ 70,629</u>

## LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

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### NOTE 11—CAPITAL LEASE OBLIGATION:

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The Association entered into a noncancellable lease agreement for a sidewinder mower in March 2008. The present value of the minimum lease payments exceeded 90% of the fair value of the property at the inception of the lease. The asset recorded in connection with the capital lease and the associated depreciation is as follows at December 31, 2010:

Equipment	\$ 29,772
Less: accumulated depreciation	<u>(10,887)</u>
Net asset under capital lease	<u><u>\$ 18,885</u></u>

The capital lease obligation has an imputed interest rate of 5% and is payable in monthly installments of \$686 through February 2012. Future minimum payments on the capital lease obligation are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 7,546
2012	<u>1,372</u>
	\$ 8,918
Less amounts representing interest	<u>(251)</u>
Present value of future minimum capital lease payments	<u><u>\$ 8,667</u></u>

### NOTE 12—RETIREMENT PLANS:

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The Association has a 401(k) retirement plan which is available to all full-time employees. The Association contributes 2% of the employee's salary to the plan. Each employee may also elect to contribute up to the maximum allowed by law, which is \$16,500 for employees under age 50, and \$22,000 for those age 50 or older for 2010. The Association pays all trustee fees for the plan. The employer contributions to the plan totaled \$31,513 and \$30,312 for 2010 and 2009, respectively. Administrative fees were \$5,141 and \$4,901 for 2010 and 2009, respectively.

## LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

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### NOTE 13—OPERATING LEASES:

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The Association has entered into lease agreements for the leasing of 60 electric golf carts and 2 greens mowers. The golf cart lease term began October 2010 and expires September 2015, with monthly lease payments of \$3,780 for the first 18 months and \$3,990 for the final 42 months. The lease term for the mowers began October 2010 and expires September 2013, with monthly lease payments of \$1,090. Total rental expense was \$64,934 for 2010 and \$65,318 for 2009. Future minimum lease payments under these noncancellable operating leases are as follows:

2011	\$	58,440
2012		60,330
2013		57,690
2014		47,880
2015		<u>35,910</u>
Total	\$	<u><u>260,250</u></u>

### NOTE 14—FUTURE MAJOR REPAIRS AND REPLACEMENT RESERVES:

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The Association is required by law to have a reserve study performed at least once every five years, and to review reserve requirements annually.

In October 1992, the Association Board of Directors authorized a study of Association assets to estimate the remaining useful lives and the replacement costs of the components of common property and current estimates of major repairs and replacements that may be required in the future. This study was updated in 1997, in 2002, in 2005, and again in 2010.

The Association Board of Directors reviews reserve requirements in conjunction with the annual budget process, during which it authorizes expenditures for reserve-related replacements for the subsequent year and considers funding requirements.

With respect to the reserve for major repairs and replacements, the beginning balance of the reserve was \$335,708, and the reserve was funded with \$150,000 of operating contributions and with a \$296,758 depreciation allocation. Expenditures of \$178,310 were made in 2010, resulting in an ending balance of \$604,156 as of December 31, 2010.

With respect to the road reserve, the beginning balance of the reserve was \$157,844, and the reserve was funded with (\$2,117) from investment income, \$224,295 from dues, \$13,690 from new home fees, \$28,085 from depreciation, \$88,400 in operating contributions, and \$6,000 from major home renovation fees. Expenditures charged to the reserve for 2010 were \$53,924 for repairs and maintenance and resulted in an ending balance of \$462,274 as of December 31, 2010. A minimum of \$25.00 of the annual dues per lot is set aside for the road program.

With respect to the lake reserve, the beginning balance of the reserve was \$149,484, and the reserve was funded with \$218,154 from dues, \$20,418 from depreciation, \$4,015 from dredging fees, and \$6,395 from investment income. Actual expenditures of \$230,255 were made in 2010, resulting in an ending balance of \$168,211 as of December 31, 2010. A minimum of \$48.00 of the annual dues per lot is set aside for the lake program.

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

**NOTE 15—COMMITMENTS AND CONTINGENCIES:**

In 2008, the Association obtained two loans from a local credit union. Under the terms of the loans the Association is required to maintain a minimum balance of \$33,000 in a deposit account with the credit union. The Association has granted the lender a security interest in the deposit account to the extent of the minimum balance required.

**NOTE 16—INVESTMENT INCOME:**

Investment income consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 313,483	\$ 294,782
Net realized gains (losses) on sales of securities	<u>138,522</u>	<u>(13,912)</u>
Total net investment income	<u>\$ 452,005</u>	<u>\$ 280,870</u>
Unrealized gains (losses) on securities consist of:		
Unrealized holding gains (losses) arising during period	\$ 307,673	\$ 679,294
Reclassification adjustment for (gains)/losses included in prior year net income	<u>(98,035)</u>	<u>64,081</u>
Total net unrealized gains (losses) on securities	<u>\$ 209,638</u>	<u>\$ 743,375</u>
Investment activity has been allocated as follows:		
Reserved activity:		
Road dues	\$ 4,871	\$ 1,586
Property transfer fees	2,103	2,337
Restricted activity:		
Proceeds from sale of Lake Moticello Service Company	139,977	-
Unreserved activities:		
Undesignated reserves	-	738,814
Operations	<u>510,218</u>	<u>281,508</u>
Total investment income	<u>\$ 657,169</u>	<u>\$ 1,024,245</u>
At December 31, cumulative net gains/(losses) on investments are allocated as follows:		
Operations	<u>\$ 707,975</u>	<u>\$ 498,337</u>
Total	<u>\$ 707,975</u>	<u>\$ 498,337</u>

The cost of securities sold when computing realized gains and losses was determined on the specific identification basis.

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

NOTE 17—FAIR VALUE MEASUREMENTS:

A three-level fair value hierarchy is used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Association did not have any financial liabilities subject to fair value measurement at December 31, 2010 or 2009.

The Association is providing the following information related to its investments:

	Fair Value Measurements at Reporting Date Using			
	12/31/2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale equity securities				
Equity securities - global	\$ 564,352	\$ 564,352	\$ -	\$ -
Equity securities - mid-cap	745,976	745,976	-	-
Equity securities - small-cap	648,347	648,347	-	-
Equity securities - energy industry	98,145	98,145	-	-
Equity securities - other	1,702,237	1,702,237	-	-
Total available-for-sale equity securities	<u>\$ 3,759,057</u>	<u>\$ 3,759,057</u>	<u>\$ -</u>	<u>\$ -</u>
Available-for-sale debt securities				
Corporate bonds	\$ 1,790,472	\$ 1,790,472	\$ -	\$ -
Global bonds	321,399	321,399	-	-
Government & GSE bonds	753,771	753,771	-	-
Mortgage-backed securities	27,488	27,488	-	-
Total available-for-sale debt securities	<u>\$ 2,893,130</u>	<u>\$ 2,893,130</u>	<u>\$ -</u>	<u>\$ -</u>
Money Funds	\$ 1,705,167	\$ 1,705,167	\$ -	\$ -
Certificates of deposit	\$ 481,736	\$ 481,736	\$ -	\$ -
Total	<u>\$ 8,839,090</u>	<u>\$ 8,839,090</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

NOTE 17—FAIR VALUE MEASUREMENTS: (CONTINUED)

	Fair Value Measurements at Reporting Date Using			
	12/31/2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale equity securities				
Equity securities - global	\$ 1,385,106	\$ 1,385,106	\$ -	\$ -
Equity securities - mid-cap	603,363	603,363	-	-
Equity securities - small-cap	265,100	265,100	-	-
Equity securities - other	828,730	828,730	-	-
Total available-for-sale equity securities	<u>\$ 3,082,299</u>	<u>\$ 3,082,299</u>	<u>\$ -</u>	<u>\$ -</u>
Available-for-sale debt securities				
Corporate bonds	\$ 1,936,086	\$ 1,936,086	\$ -	\$ -
Global bonds	432,832	432,832	-	-
Government & GSE bonds	743,978	743,978	-	-
Total available-for-sale debt securities	<u>\$ 3,112,896</u>	<u>\$ 3,112,896</u>	<u>\$ -</u>	<u>\$ -</u>
Money Funds	\$ 806,497	\$ 806,497	\$ -	\$ -
Certificates of deposit	\$ 1,055,652	\$ 1,055,652	\$ -	\$ -
Total	<u>\$ 8,057,344</u>	<u>\$ 8,057,344</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 18—SALE OF LAKE MONTICELLO SERVICE COMPANY:

During 1999, the Association sold its ownership interest in the Lake Monticello Service Company. The sale was approved by a vote of the Association members in September 1998 and by the State Corporation Commission in 1999. The total proceeds from the sale of the company, or \$6,630,063, plus net realized capital gains and losses, has been restricted by the Association membership.

## LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

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### NOTE 19—RESTRICTED FUNDS:

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At the Special Meeting of Members held September 12, 1998, the membership approved of the sale of the Lake Monticello Service Company to Aqua Source, Inc. with the provisions: "To approve the principal from this sale be invested and under the care of the Members requiring a vote of the Members for the principal to be used. The interest from this principal shall be available to the Board of Directors for use in maintenance, upkeep, general care of the amenities and assets of the corporation and capital needs." The beginning balance of the principal was \$6,620,274 as per the deposits to the investment account. Subsequent to the sale of the company, additional proceeds of \$9,789 were received as a result of the receipt of income tax refunds less accounting fees for filing the refund claims. The total of the net proceeds from the sale and subsequent income tax refunds resulted in total restricted funds of \$6,630,063 from the sale of the company. The invasion of this principal requires agreement of a majority of the members of the Association in person or by proxy present at a meeting at which a quorum exists [Buck & Tereskerz (legal counsel) Opinion September 28, 2000]. Any income earned by LMOA (including all interest income and dividends), which is derived from, but which is not a part of, (a) the principal, or (b) the payment received by LMOA with respect to net working capital of LMSC as of the closing date of the Sale, is available to the Board of Directors of LMOA for use in maintenance, upkeep, general care of amenities and assets of the corporation and capital needs [Mays & Valentine (legal counsel) Opinion July 16, 1999]. The investment of these funds is governed by LMOA Policy 4.02Q approved February 25, 1999, and as subsequently amended and revised.

### NOTE 20—RESERVED EQUITY:

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Equity has been reserved for the following:

	<u>2010</u>	<u>2009</u>
Swimming Pool Construction	\$ 151,600	\$ 198,440
Major repairs and replacement (future years)	604,156	335,708
Lake preservation	168,211	149,484
Roads/new home construction	462,274	157,844
Capital projects - property transfer fees	282,395	205,866

At the Annual Meeting of Members held November 17, 1979, the property owners approved the acceptance of the Developer's offer to pay the Association \$128,000 of cash in lieu of the construction of a second swimming pool, and to allow the Association to invest the funds as it sees fit with all income earned on the investment of these funds also reserved for pool construction. This vote taken by the members was an advisory referendum. A resolution by the members to prohibit the use of the funds for any other purpose has not been made [Buck and Tereskerz (legal counsel) Opinion April 9, 1998].

These funds were accepted by the Association from the Developer as part of an indemnification agreement between the Association and the Developer to remove from the Developer liability for any claims made against it for not building a second swimming pool. The principal of these funds and earnings thereon have been held in escrow by the Association, although it is not legally required to do so. The Developer wanted the funds to be placed in escrow because of its concerns about the Association's financial ability to build a second pool when the need arose. Regardless of whether the funds are maintained in an escrow account, the Association does have a continuing obligation to indemnify and hold the Developer harmless even if it uses the funds for other purposes. [Buck and Tereskerz (legal counsel) Opinion April 9, 1998].

LAKE MONTICELLO OWNERS' ASSOCIATION

Notes to Financial Statements  
As of December 31, 2010 (Continued)

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**NOTE 20—RESERVED EQUITY: (CONTINUED)**

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In June, 2007 the Association membership authorized the Association to utilize funds in the "Swimming Pool Fund" for approved projects which add to LMOA amenities and/or enhance existing facilities.

The balance of this reserved equity is \$151,600 and \$198,440 at December 31, 2010 and 2009, respectively.

**NOTE 21—SUBSEQUENT EVENTS:**

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Management has evaluated subsequent events through April 13, 2011, the date the financial statements were available to be issued. The Association entered into several contracts, totaling \$747,256, for dam repairs in February 2011.

## Supplemental Information

**LAKE MONTICELLO OWNERS' ASSOCIATION**

Schedule of Departmental Revenues and Expenses

Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	<u>Administration</u>	<u>General Maintenance</u>	<u>Recreation</u>
<b>Revenues</b>			
Dues, assessments and related charges	\$ -	\$ -	\$ -
Improved property income	-	-	-
Property transfer fees	-	-	-
Environmental Control Committee fees	-	-	-
Recreation fees	-	-	258,905
Golf and related fees	-	-	-
Sales of merchandise and related items	-	-	105,972
Cost of sales	-	-	(96,337)
Barcode income	-	-	-
Cable income	129,247	-	-
Interest/investment income, net	4,206	-	-
New home construction fee	-	-	-
Other	29,841	5,822	-
<b>Total revenues</b>	<b>\$ 163,294</b>	<b>\$ 5,822</b>	<b>\$ 268,540</b>
<b>Operating expenses</b>			
Compensation/benefits	\$ 626,917	\$ 360,971	\$ 106,385
Administrative	94,223	12,210	4,538
Transportation	864	27,113	-
Utilities	36,470	6,003	31,681
Buildings/grounds repairs and maintenance	7,150	81,463	18,461
Equipment repairs and maintenance	60,474	38,275	18,710
Irrigation	-	-	-
Non-capital purchases	2,007	4,263	2,312
Professional services/insurance	196,937	-	-
Equipment leases	-	-	-
Road maintenance	-	-	-
Other	18,401	3,806	6,273
<b>Total operating expenses</b>	<b>\$ 1,043,443</b>	<b>\$ 534,104</b>	<b>\$ 188,360</b>
<b>Operating profit (loss)</b>	<b>\$ (880,149)</b>	<b>\$ (528,282)</b>	<b>\$ 80,180</b>
<b>Other expenses (income)</b>			
Depreciation	\$ 33,023	\$ 55,527	\$ 69,524
Provision for uncollectible dues	-	-	-
Lake expenses	-	-	-
(Gain) loss on disposition of assets	-	-	-
<b>Total other (income) expenses</b>	<b>\$ 33,023</b>	<b>\$ 55,527</b>	<b>\$ 69,524</b>
<b>Net departmental income (loss)</b>	<b>\$ (913,172)</b>	<b>\$ (583,809)</b>	<b>\$ 10,656</b>
<b>Unrealized gains (losses) on investments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in equity</b>	<b>\$ (913,172)</b>	<b>\$ (583,809)</b>	<b>\$ 10,656</b>

	Pool Snack Bar	Eagles Nest	Golf	Security	Not Allocated	Total	Prior Year Total
\$	-	\$ -	\$ -	\$ -	\$ 3,031,722	\$ 3,031,722	\$ 2,374,461
	-	-	-	-	626,778	626,778	624,685
	-	-	-	-	122,200	122,200	105,150
	-	-	-	20,080	-	20,080	18,660
	-	-	-	-	-	258,905	238,175
	-	-	537,090	-	-	537,090	594,357
	-	3,797	42,677	-	-	152,446	271,631
	-	(1,059)	(35,161)	-	-	(132,557)	(179,426)
	-	-	-	81,955	-	81,955	86,609
	-	-	-	-	-	129,247	129,820
	-	-	-	-	447,799	452,005	280,870
	-	-	-	-	13,690	13,690	10,952
	1,677	-	-	24,801	-	62,141	65,218
\$	<u>1,677</u>	<u>2,738</u>	<u>544,606</u>	<u>126,836</u>	<u>4,242,189</u>	<u>5,355,702</u>	<u>4,621,162</u>
\$	-	\$ 5,409	\$ 431,974	\$ 706,858	\$ -	\$ 2,238,514	\$ 2,253,170
	100	258	39,300	54,649	-	205,278	165,412
	-	-	7,949	31,346	-	67,272	62,947
	745	7,309	19,411	7,609	-	109,228	110,690
	-	1,935	70,602	919	829,122	1,009,652	876,144
	-	3,161	40,940	20,675	-	182,235	164,401
	-	-	21,748	-	-	21,748	39,524
	84	-	2,372	3,473	84,733	99,244	118,584
	-	-	-	-	-	196,937	151,719
	-	-	64,934	-	-	64,934	50,070
	-	-	-	-	25,838	25,838	47,587
	-	397	9,091	2,191	-	40,159	39,346
\$	<u>929</u>	<u>18,469</u>	<u>708,321</u>	<u>827,720</u>	<u>939,693</u>	<u>4,261,039</u>	<u>4,079,594</u>
\$	<u>748</u>	<u>(15,731)</u>	<u>(163,715)</u>	<u>(700,884)</u>	<u>3,302,496</u>	<u>1,094,663</u>	<u>541,568</u>
\$	1,316	\$ 8,708	\$ 72,165	\$ 54,087	\$ 50,912	\$ 345,262	\$ 350,311
	-	-	-	-	76,699	76,699	31,151
	-	-	-	-	93,568	93,568	93,858
	-	-	-	-	(28,800)	(28,800)	1,037
\$	<u>1,316</u>	<u>8,708</u>	<u>72,165</u>	<u>54,087</u>	<u>192,379</u>	<u>486,729</u>	<u>476,357</u>
\$	(568)	(24,439)	(235,880)	(754,971)	3,110,117	607,934	65,211
	-	-	-	-	209,638	209,638	743,375
\$	<u>(568)</u>	<u>(24,439)</u>	<u>(235,880)</u>	<u>(754,971)</u>	<u>3,319,755</u>	<u>817,572</u>	<u>808,586</u>

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## Supporting Data

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**LAKE MONTICELLO OWNERS' ASSOCIATION**

Supplemental Data on Future Major Repairs and Replacements  
December 31, 2010

A comprehensive reserve study update was completed in 2010.

The Board of Directors employed Reserve Advisors, Inc. to conduct a reserve study in 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs which are based on construction range estimates and insurance replacement costs. Funding recommendations consider an annual inflation rate of 3.0% and interest of 2.5% on amounts funded for future major repairs and replacements.

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

Components	Per 2010 Reserve Study		
	Remaining Estimated Useful Lives (Years)	Estimated Future Replacement Costs	Reserve Study Replacement Recommendations For 2011
<b>Major repairs and replacements:</b>			
<b>Main Clubhouse:</b>			
Exterior	2 to 7	\$ 365,761	\$ 7,426
Interior	1 to 17	572,527	20,847
Furnishings	1 to 17	239,266	62,594
Building systems/equipment	1 to 12	1,363,756	5,517
Miscellaneous	N/A	461,500	15,000
<b>Site elements</b>	4 to 20	921,549	5,305
<b>Recreation</b>			
Beaches	2 to 19	790,823	15,915
Marina	1 to 20	639,663	62,445
Playgrounds	1 to 15	1,018,715	5,305
Swimming Pool/SB	1 to 21	2,242,712	10,609
Tennis/Basketball Courts	2 to 8	653,793	-
<b>Maintenance</b>			
Equipment	1 to 20	2,269,955	144,706
Buildings	8 to 17	178,658	-
<b>Security</b>			
Equipment	1 to 15	295,315	27,053
Buildings	8 to 17	903,292	-
<b>Golf</b>			
Golf Course	1 to 19	5,926,674	159,931
Pro Shop, Barn, and Maintenance Buildings	1 to 15	1,059,302	101,423
Equipment	1 to 15	2,355,066	109,059
Total major repairs and replacements		\$ 22,258,327	\$ 753,135
<b>Roads</b>	1 to 14	\$ 34,192,549	-
<b>Dams</b>	1 to 20	\$ 809,422	\$ 15,914
<b>Lake</b>	1 to 29	\$ 7,645,892	\$ 215,026
<b>Total</b>		<b>\$ 64,906,190</b>	<b>\$ 984,075</b>

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