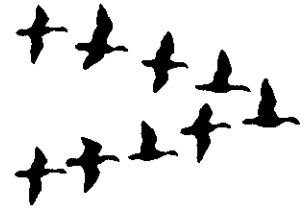


# DIX BARRETT & STILTNER P.C.

*Certified Public Accountants & Consultants*

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To the Board of Directors and Members  
Ridgewood Hills Master Association, Inc.

## Independent Auditors' Report

We have audited the accompanying balance sheet of Ridgewood Hills Master Association, Inc. as of December 31, 2008, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then. 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 Ridgewood Hills Master Association, Inc. as of December 31, 2008 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.

The schedule of future major repairs and replacements on page 9 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the schedule of future major repairs and replacements from information that is the representation of the management of the Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on it.

*Dix Barrett & Stiltner, P.C.*

September 30, 2009

RIDGEWOOD HILLS MASTER ASSOCIATION, INC.

Balance Sheets  
 December 31, 2008  
 (With Comparative Totals for 2007)

	Operating Fund	Replacement Fund	2008 Total	2007 Total
<b>Assets</b>				
Cash and cash equivalents	\$ 34,409	\$ 16,570	\$ 50,979	\$ 132,591
Investments	-	464,292	464,292	398,515
Assessments receivable, net of allowance for doubtful accounts of \$10,000 in 2008 and 2007	11,989	-	11,989	19,172
Accrued interest receivable	-	1,082	1,082	1,099
Prepaid expenses	1,589	-	1,589	3,038
<b>Total assets</b>	<u>\$ 47,987</u>	<u>\$ 481,944</u>	<u>\$ 529,931</u>	<u>\$ 554,415</u>
<b>Liabilities and Homeowners' Equity</b>				
<b>Liabilities</b>				
Accounts payable	\$ 5,983	\$ -	\$ 5,983	\$ 4,214
Prepaid assessments	47,285	-	47,285	46,517
Income taxes payable	1,599	-	1,599	749
<b>Total liabilities</b>	<u>54,867</u>	<u>-</u>	<u>54,867</u>	<u>51,480</u>
<b>Homeowners' equity</b>				
Contributed capital	23,850	-	23,850	23,850
Fund balances (deficit)	(30,730)	481,944	451,214	479,085
<b>Total homeowners' equity (deficit)</b>	<u>(6,880)</u>	<u>481,944</u>	<u>475,064</u>	<u>502,935</u>
<b>Total liabilities and homeowners' equity</b>	<u>\$ 47,987</u>	<u>\$ 481,944</u>	<u>\$ 529,931</u>	<u>\$ 554,415</u>

See notes to financial statements.

RIDGEWOOD HILLS MASTER ASSOCIATION, INC.

Statements of Revenues, Expenses and Changes in Fund Balance  
 For the Year Ended December 31, 2008  
 (With Comparative Totals for 2007)

	Operating Fund	Replacement Fund	2008 Total	2007 Total
<b>Revenues</b>				
Assessments	\$ 251,100	\$ -	\$ 251,100	\$ 251,100
Interest	234	24,200	24,434	19,934
Other income	26,208	-	26,208	29,648
Total revenues	<u>277,542</u>	<u>24,200</u>	<u>301,742</u>	<u>300,682</u>
<b>Expenses</b>				
Administrative expenses	13,593	-	13,593	18,894
Gas and electric	2,747	-	2,747	2,750
Grounds maintenance	127,065	60,095	187,160	115,589
Bad debts	12,727	-	12,727	1,273
Income taxes	6,850	-	6,850	5,349
Insurance	7,806	-	7,806	5,656
Legal and accounting	19,179	-	19,179	17,146
Management fees	31,032	-	31,032	31,170
Miscellaneous	2,105	-	2,105	2,703
Social Activities	2,537	-	2,537	1,220
Snow removal	5,040	-	5,040	32,639
Water and sewer	38,837	-	38,837	41,834
Total expenses	<u>269,518</u>	<u>60,095</u>	<u>329,613</u>	<u>276,223</u>
Excess (deficiency) of revenues over expenses	8,024	(35,895)	(27,871)	24,459
Fund balances - beginning	41,346	437,739	479,085	454,626
Interfund transfers	<u>(80,100)</u>	<u>80,100</u>	<u>-</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (30,730)</u>	<u>\$ 481,944</u>	<u>\$ 451,214</u>	<u>\$ 479,085</u>

See notes to financial statements.

RIDGEWOOD HILLS MASTER ASSOCIATION, INC.

Statements of Cash Flows  
 For the Year Ended December 31, 2008  
 (With Comparative Totals for 2007)

	Operating Fund	Replacement Fund	2008 Total	2007 Total
Cash flows from operating activities:				
Excess (deficiency) of revenues over expenses	\$ 8,024	\$ (35,895)	\$ (27,871)	\$ 24,459
Adjustments to reconcile to cash provided (used) by operating activities:				
Interfund transfers	(80,100)	80,100	-	-
Decrease (increase) in:				
Assessments receivable	7,183	-	7,183	(7,466)
Accrued interest receivable	-	17	17	(98)
Prepaid expenses	1,449	-	1,449	(701)
Increase (decrease) in:				
Accounts payable	1,769	-	1,769	(2,252)
Prepaid assessments	768	-	768	13,579
Income taxes payable	850	-	850	(1,500)
Cash provided (used) by operating activities	<u>(60,057)</u>	<u>44,222</u>	<u>(15,835)</u>	<u>26,021</u>
Cash flows from investing activities:				
Maturities of certificates of deposit	-	400,913	400,913	300,948
Purchase of certificates of deposit and reinvestment of interest	<u>-</u>	<u>(466,690)</u>	<u>(466,690)</u>	<u>(314,325)</u>
Cash used by investing activities	<u>-</u>	<u>(65,777)</u>	<u>(65,777)</u>	<u>(13,377)</u>
Increase (decrease) in cash and cash equivalents	(60,057)	(21,555)	(81,612)	12,644
Cash and cash equivalents - beginning	<u>94,466</u>	<u>38,125</u>	<u>132,591</u>	<u>119,947</u>
Cash and cash equivalents - ending	<u>\$ 34,409</u>	<u>\$ 16,570</u>	<u>\$ 50,979</u>	<u>\$ 132,591</u>

See notes to financial statements.

RIDGEWOOD HILLS MASTER ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2008

Note 1: Organization

Ridgewood Hills Master Association, Inc., a nonprofit corporation, was formed on January 8, 1996, in the State of Colorado. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Fort Collins, Colorado and consists of the owners of 837 residences. The members elect the Association's Board of Directors. The Association's primary source of revenue is annual dues assessed each unit owner. Each owner of a unit is a member of the Association.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Association uses the fund method of reporting, which requires that funds, such as operating funds and funds for future major repairs and replacements (replacement fund), be classified separately for reporting purposes. Fund accounting is helpful in segregating funds having restriction on their use. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for designated purposes.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting. Revenues and expenses are recognized in the period earned or incurred, respectively.

Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less at the date of acquisition, to be cash equivalents. Otherwise, they are classified as investments.

RIDGEWOOD HILLS MASTER ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2008

Note 2: Summary of Significant Accounting Policies (Continued)

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates which may be material to the financial statements.

Recognition of Assets Policy

The Association has adopted the method of accounting for common property recommended by the American Institute of Certified Public Accountants (AICPA) audit and accounting guide, Audits of Common Interest Realty Associations, issued as of August 31, 1991. With respect to the capitalization of assets, the following summarizes this accounting and auditing guide recommended accounting principle:

Common real property is recognized as an Association asset if the asset is not directly associated with the units, the Association has title or other evidence of ownership and either of the following conditions are met:

- (1) The Association can dispose of the asset, at the discretion of the Board, for cash or claims to cash, with the Association retaining the proceeds;
- (2) The property is used by the Association to generate significant cash flows from members on the basis of usage or from nonmembers of the Association.

Property and Equipment

The Association generally owns no real property, as each owner has an undivided ownership interest in the development's common property, which is shared in common with all other owners.

RIDGEWOOD HILLS MASTER ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2008

Note 3: Members' Assessments

During 2008 annual assessments were \$300 per residential homeowner. The annual budget and owner's assessments are determined by the Board of Directors. The Association retains excess funds at the end of the operating year, if any, for deposit in the reserve fund and to a minor extent for use in future operating budgets.

Note 4: Investments

Investments are carried at cost. At December 31, 2008, the Association held certificates of deposit with the following maturity dates and interest rates:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
September 29, 2009	3.24%	\$ 15,968
February 24 2009	4.93%	98,489
December 1, 2009	4.17%	95,000
April 2, 2010	4.48%	90,676
July 9, 2012	4.88%	81,664
March 7, 2010	4.18%	82,495
		<u>\$ 464,292</u>

Note 5: Federal and State Income Taxes

Homeowner's associations may elect to be taxed as regular corporations or as homeowner's associations. For the year ended December 31, 2008, the Association elected to be taxed as a homeowner's association. Nonexempt function income exceeded nonexempt function expenses by \$20,606, resulting in income tax expense of \$6,850 for the year ended December 31, 2008.

Note 6: Future Major Repairs and Replacements

The American Institute of Certified Public Accountants issued an audit and accounting guide, Audit of Common Interest Realty Associations, effective for periods beginning after September 15, 1991. This guide requires, as supplementary information, disclosure of the following information regarding each significant common area component:

RIDGEWOOD HILLS MASTER ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2008

Note 6: Future Major Repairs and Replacements (Continued)

1. Estimated remaining useful life.
2. Estimated future replacement cost
3. The following year funding requirement

The Association contracted with Association Reserves, Inc. in May 2009 to conduct a reserve analysis to estimate the replacement costs and remaining useful lives of components of common property. The table included in the additional information on the schedule of future major repairs and replacements is based on the plan.

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and generally are not available for expenditures for normal operations. Amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacement. 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 7: Contingencies

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

RIDGEWOOD HILLS MASTER ASSOCIATION, INC.

Supplementary Information on Future Major  
Repairs and Replacements  
December 31, 2008  
(Unaudited)

The Association contracted with Association Reserves, Inc. in May 2009 to conduct a reserve analysis to estimate the remaining useful lives and the replacement costs of the components of common property. The study assumes an annual inflation rate of 3% and a rate of interest on investments of 3%.

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

Components	Estimated Remaining Useful Lives	Next Scheduled Replacement/ Major Repair	Estimated Future Replacement Cost
Concrete walkway - repair/replace	1	2009	\$ 4,000
Asphalt - resurface	16	2024	55,542
Asphalt - seal/repair	1	2009	4,800
Concrete swales/curb - replace	1	2009	8,500
Concrete drive - repair	1	2009	25,000
Cedar privacy fence - replace	11	2019	80,635
Decorative fence - replace	1 - 5	2009-2013	138,304
Rail fence - replace	16 - 20	2024-2028	1,079,427
Vinyl fence - replace	21	2029	92,744
MSE wall - repair	2	2010	13,905
Bus stop structure - refurbish	13	2021	6,416
Rock veneer - repair	4	2012	2,185
Irrigation motors/pumps - replace	4	2012	9,288
Irrigation controllers - replace	4	2012	3,825
Irrigation timers - replace	4	2012	4,371
Drainage - clean and maintain	1	2009	3,500
Monument sign - refurbish/replace	15	2023	34,790
Signs - replace	4	2012	1,202
			<u>\$ 1,568,434</u>
Reserve Fund Balance at December 31, 2008			<u>\$ 481,944</u>