

SHARON PARK HOMEOWNERS ASSOCIATION

SHARON PARK DRIVE • MENLO PARK • CALIFORNIA

TO: ALL MEMBERS OF
SHARON PARK HOMEOWNERS ASSOCIATION

FROM: STEPHEN FOX
ASSOCIATION MANAGER

SUBJECT: COPY OF 2005 AUDIT

DATE: JUNE 2, 2006

Enclosed please find your copy of the ***Independent Auditor's Report for the Year Ended December 31, 2005***, more commonly referred to as the 2005 AUDIT, for Sharon Park Homeowners Association as prepared by Amrik Chand, CPA, the Association's auditor. This audit is being mailed to you as specified in Section 1365 of the California Civil Code.

Please keep your copy of the 2005 AUDIT with your other Association documents for easy reference and for availability in the event that you should sell or refinance your unit.

If you have any questions regarding the 2005 AUDIT, please submit them, *in writing*, to the Board of Directors, in care of PML Management at the address below

Encl.

ENCLOSURE 19 of 21

Amrik Chand, CPA

RECEIVED

JUN 01 2006

959 Corporate Way, • Fremont, CA 94539 • Ph. (510) 490-8200 • Fax (510) 490-8202
e-mail: achand@pacbell.net

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members
Sharon Park Homeowners Association

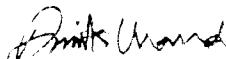
I have audited the accompanying balance sheet of Sharon Park Homeowners Association as of December 31, 2005 and the related statements of revenue and expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sharon Park Homeowners Association at December 31, 2005, 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.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information in schedule of revenue, expenses and changes in operating fund balances, schedule of revenue, expenses and changes in replacement fund balances and schedule of operating expenses is presented for supplementary analysis purposes and is not a required part of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Supplementary Information on Future Major Repairs and Replacements that accompanies the financial statements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.


May 3, 2006



SHARON PARK HOMEOWNERS ASSOCIATION
BALANCE SHEET
December 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Fascia Project Fund</u>	<u>Total Funds</u>
ASSETS:				
Cash & cash equivalents	\$ 104,564	371,449		476,013
Accounts receivable - members	697,191		687,500	1,384,691
Investments in certificates of deposit		300,000		300,000
Investments in U.S. Treasury Note, net of unamortized discount of \$794		149,306		149,306
Interest receivable		3,132		3,132
Other receivable	6,839			6,839
Due from replacement fund	126,278		152,530	278,808
Due from operating fund			912,500	912,500
Due from 1100 Sharon Park	2,039			2,039
Prepaid insurance	18,245			18,245
Other prepaid expenses	1,514			1,514
	<u>956,670</u>	<u>823,887</u>	<u>1,752,530</u>	<u>3,533,087</u>
Total assets	\$ <u>956,670</u>	<u>823,887</u>	<u>1,752,530</u>	<u>3,533,087</u>
LIABILITIES AND FUND BALANCES:				
Accounts payable	\$ 21,123	916		22,039
Storage deposits	1,500			1,500
Assessments received in advance	1,495			1,495
Income tax payable	1,060			1,060
Due to operating fund		126,278		126,278
Due to fascia project fund	912,500	152,530		1,065,030
	<u>937,678</u>	<u>279,724</u>	<u>0</u>	<u>1,217,402</u>
Total liabilities	937,678	279,724	0	1,217,402
Fund balances	<u>18,992</u>	<u>544,163</u>	<u>1,752,530</u>	<u>2,315,685</u>
Total liabilities and fund balances	\$ <u>956,670</u>	<u>823,887</u>	<u>1,752,530</u>	<u>3,533,087</u>

SEE NOTES TO FINANCIAL STATEMENTS

SHARON PARK HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES
AND CHANGES IN FUND BALANCES
Year Ended December 31, 2005

	Operating Fund	Replacement Fund	Fascia Project Fund	Total Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUE:				
Regular assessments	\$ 384,508	140,708		525,216
Special assessments			1,600,000	1,600,000
Interest income	284	14,574	4,900	19,758
Late charges	180			180
Moving fee	300			300
Storage locker rentals	5,200			5,200
Other income	404			404
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	\$ <u>390,876</u>	<u>155,282</u>	<u>1,604,900</u>	<u>2,151,058</u>
EXPENSES:				
Maintenance and repairs	\$ 199,854			199,854
Utilities	73,094			73,094
Replacement		68,853		68,853
Fascia project			81,363	81,363
Administrative	124,863			124,863
Income taxes	4,960			4,960
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>402,771</u>	<u>68,853</u>	<u>81,363</u>	<u>552,987</u>
Excess (deficiency) of revenue over expenses	(11,895)	86,429	1,523,537	1,598,071
Beginning fund balances	30,887	686,727		717,614
Other changes in fund balances:				
interfund transfer		(228,993)	228,993	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Ending fund balances	\$ <u>18,992</u>	<u>544,163</u>	<u>1,752,530</u>	<u>2,315,685</u>

SEE NOTES TO FINANCIAL STATEMENTS

SHARON PARK HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Fascia Project Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess (deficiency) of revenue over expenses	\$ (11,895)	86,429	1,523,537	1,598,071
Adjustments to reconcile net income to net cash provided by operating activities:				
Interfund transfer		(228,993)	228,993	
(increase) decrease in:				
Accounts receivable	(702,775)		(687,500)	(1,390,275)
Interest receivable		(669)		(669)
Interfund receivable	(126,278)	8,522	(1,065,030)	(1,182,786)
Due from 1100 Sharon Park	(574)			(574)
Prepaid insurance	1,244			1,244
Other prepaid expenses	(58)			(58)
Increase (decrease) in:				
Accounts payable	5,352	916		6,268
Assessments paid in advance	(3,556)			(3,556)
Storage deposits	(50)			(50)
Income tax payable	608			608
Interfund payable	903,978	278,808		1,182,786
Net cash flows provided by operating activities	<u>65,996</u>	<u>145,013</u>	<u>0</u>	<u>211,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of certificates of deposit		(375,000)		(375,000)
Proceeds from maturing certificates of deposit		520,000		520,000
Treasury Note discount amortization		(794)		(794)
Net cash flow provided by investing activities	<u>0</u>	<u>144,206</u>		<u>144,206</u>
Net increase in cash	65,996	289,219	0	355,215
Cash at beginning of year	<u>38,568</u>	<u>82,230</u>	<u>0</u>	<u>120,798</u>
Cash at end of year	<u>\$ 104,564</u>	<u>371,449</u>	<u>0</u>	<u>476,013</u>

SEE NOTES TO FINANCIAL STATEMENTS

SHARON PARK HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

(A) - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) Organization

The Association was incorporated April 9, 1976 to provide for the orderly maintenance, preservation, and architectural control of the common areas within the development, which consists of 23 townhouses and 64 condominium units located in the City of Menlo Park, California.

The Association derives its authority and responsibilities from its Declaration of Covenants, Conditions and Restrictions. An elected Board of Directors makes most policy decisions and oversees daily operations, but major decisions are referred to the general association membership if required by the governing documents.

Membership in the Association is mandatory for homeowners. Voting members consist of all owners. Each owner is obligated to pay annual assessments to the Association to support its operations and purposes.

(2) Funds

Since the Association is a not-for-profit organization, the accompanying financial statements have been prepared using a fund method of accounting. Under this method of accounting, funds are separated into two categories, operating funds and replacement funds. Operating funds are those whose disposition is at the discretion of the Board of Directors and are generally used for regular operating expenses. Replacement funds are those funds that have been limited to specific purposes by the membership or the Board of Directors.

(3) Interest Earned

It is the policy of the Board of Directors that interest earned on restricted savings is restricted and is transferred to the replacement fund when earned.

(4) Capitalization Policy and Depreciation

The Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. This policy of non-capitalization is widely followed in the homeowners association industry as all beneficial rights of ownership belong to the unit owners and not to the Association.

(CONTINUED)

SHARON PARK HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

(A) - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES-Continued

(4) Capitalization Policy and Depreciation

Replacements and improvements to the real property are not capitalized for the same reasons described above. They are instead charged directly to either operating or restricted funds in the period they are incurred.

(5) Statement of Cash Flow Information

For purposes of the Statement of Cash Flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents.

(6) Assessments Receivable

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner.

(7) 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 reporting period. Actual results could differ from those estimates.

(B) - REGULAR ASSESSMENTS

During the fiscal year ended December 31, 2005, regular annual assessments were payable to the Association in monthly installments of \$456 per townhouse and \$520 per condominium.

(CONTINUED)

SHARON PARK HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

(B) - REGULAR ASSESSMENTS-Continued

The annual budget and owners' assessments are determined by the Board of Directors and the homeowners. Annual budgets are approved and assessments are divided between the operating fund to meet normal operating costs and contributions to the replacement funding program.

Delinquent assessments may be secured by a lien on the property against which the assessments are made, and the Association has the power to foreclose the property of any owner who fails to pay assessments.

It is the Association policy that any excess operating funds at the end of a fiscal year be applied to the following year's assessment.

(C) - RESTRICTED FUNDS AND REPLACEMENT FUNDING PROGRAM

Restricted funds represent amounts designated for specific uses by the membership or Board of Directors; generally these funds are set-aside in interest bearing accounts to be retained for the designated purpose. Restricted replacement funds are amounts to be spent on future repair and replacement of selected Association common areas.

A long-term, formal funding program is one that is based on a study that identifies specific common area components such as roofs, streets, paint, decks, etc., the expected replacement costs and expected remaining service lives of each, and provides a plan for accumulating over time the funds that will be needed to replace each major item at the time that replacement becomes necessary.

A reserve study to determine the adequacy of the current funding program for the replacement of selected Association common areas was conducted by Reserve Analysis Financial Planning, LLC in November 2005. The 2006 annual budget, which was approved by the Board of Directors in November 2005, does not provide for sufficient contributions to catch up the under funded amount by December 31, 2006. Consequently, the replacement fund is estimated to be under funded by approximately \$477,834 (\$5,492 per unit) by December 31, 2006 calculated on a cash flow method. Accordingly, it is expected that higher regular assessments or special assessments may be necessary in the future.

However, actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs.

(CONTINUED)

SHARON PARK HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

(C) - RESTRICTED FUNDS AND REPLACEMENT FUNDING PROGRAM-Continued

If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

(D) - INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2005, the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

Income tax expense at December 31, 2005 was \$4,960. During the year ending December 31, 2005, the Association paid \$4,352 in cash for income taxes.

(E) - INVESTMENT IN U.S. TREASURY NOTE

At December 31, 2005, the Association has an investment in U.S Treasury Note carried at an amortized cost of \$149,306 with fair market value of \$148,828. Therefore, this investment has an unrealized loss of \$468 at December 31, 2005. U.S. Treasury Note is considered to be held to maturity investment that matures in November 2006.

(F) - UNINSURED CASH BALANCES

The Association has interest bearing accounts in various commercial banks and a brokerage account. At December 31, 2005 the Association's deposits exceeded federal depository insurance coverage by approximately \$350,662.

(G) - RELATED PARTY TRANSACTIONS

The Association has a contract with a management company to provide management and supervision of maintenance services for the common areas and other services either specified in the contract or as requested by the Association.

(CONTINUED)

SHARON PARK HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

(G) - RELATED PARTY TRANSACTIONS- Continued

During the year ending December 31, 2005, the management company provided the following services.

<u>Type of Service</u>	<u>Amount Paid</u>
Management	\$ 20,980
Janitorial	50,857
Repairs & maintenance	16,000
Office & administrative	4,960
Project management	<u>9,562</u>
Total	<u>\$ 102,359</u>

(H) - CONTINGENCY

As more fully described in Note C to the financial statements, the Association's funding program may not be adequate to meet all replacement needs as they come due, and this could result in higher regular assessments or special assessments in the future.

(I) - SPECIAL ASSESSMENTS

In September 2005, the membership approved a special assessment of \$25,000 per condominium unit to pay for condo roofing construction, painting and shingling work. The special assessment was payable either in one payment of \$25,000 due on December 1, 2005 or two payments of \$12,500 with one payment due on December 1, 2005 and the second payment due on April 1, 2006.

(J) - FASCIA PROJECT FUND

In December 2005, the Association established a Fascia Project Fund to account for the special assessments and related expenses for Condo roofing construction, painting and shingling work. At December 31, 2005, the balance in the Fascia Project Fund is \$1,752,530.

(K) - COMMITMENT

In September 2006, the Board of Directors approved a contract in the amount of \$1,712,138 for condominium roofing construction, painting and shingling work. The work is scheduled to be completed in the subsequent year.

**SHARON PARK HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenses and Changes in Operating Fund Balances
For the Year Ended December 31, 2005

	Townhouse Operating Fund	Condo Operating Fund	Common Area Operating Fund	Total
Revenues				
Regular Assessments	\$ 1,668	117,808	265,032	384,508
Interest			284	284
Storage Locker Rentals		5,200		5,200
Late Charges			180	180
Moving Fees		300		300
Other Income			404	404
	<u>1,668</u>	<u>123,308</u>	<u>265,900</u>	<u>390,876</u>
Total Revenues	\$ <u>1,668</u>	<u>123,308</u>	<u>265,900</u>	<u>390,876</u>
Expenses				
Repairs and Maintenance	\$ 10,973	76,669	112,212	199,854
Utilities		57,165	15,929	73,094
Administrative			124,863	124,863
Income Taxes			4,960	4,960
	<u>10,973</u>	<u>133,834</u>	<u>257,964</u>	<u>402,771</u>
Expenses	\$ <u>10,973</u>	<u>133,834</u>	<u>257,964</u>	<u>402,771</u>
Excess (Deficit) of Revenues over Expenses	\$ (9,305)	(10,526)	7,936	(11,895)
Fund Balances December 31, 2004	<u>724</u>	<u>32,121</u>	<u>(1,958)</u>	<u>30,887</u>
Fund Balances December 31, 2005	\$ <u><u>(8,581)</u></u>	<u><u>21,595</u></u>	<u><u>5,978</u></u>	<u><u>18,992</u></u>

**SHARON PARK HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenses and Changes in Replacement Fund Balances
For the Year Ended December 31, 2005

	<u>Townhouse Reserve</u>	<u>Condo Reserve</u>	<u>Common Area Reserve</u>	<u>Total</u>
Revenues:				
Homeowners Assessments	\$ 43,321	56,525	40,862	140,708
Interest	<u>7,832</u>	<u>3,366</u>	<u>3,376</u>	<u>14,574</u>
Total Revenues	\$ <u>51,153</u>	<u>59,891</u>	<u>44,238</u>	<u>155,282</u>
Expenses				
Roofing	\$ 3,250	15,885		19,135
Painting		600		600
Pool and Spa			10,610	10,610
Residential Buildings Exteriors		2,092		2,092
Landscaping and Irrigation			12,524	12,524
Site Appurtenances		5,511		5,511
Streets and Drives			5,245	5,245
Fences, Walls and Gates	1,655		2,146	3,801
Elevators		1,600		1,600
Heating and Mechanical		1,030		1,030
Lighting and Electrical			2,329	2,329
Clubhouse Facilities			2,342	2,342
Miscellaneous		<u>2,034</u>		<u>2,034</u>
Expenses	\$ <u>4,905</u>	<u>28,752</u>	<u>35,196</u>	<u>68,853</u>
Excess (Deficit) of Revenues over Expenses	\$ 46,248	31,139	9,042	86,429
Fund Balances				
December 31, 2004	273,077	312,900	100,750	686,727
Other changes in fund balances:				
Interfund transfer		<u>(228,993)</u>		<u>(228,993)</u>
Fund Balances December 31, 2005	\$ <u><u>319,325</u></u>	<u><u>115,046</u></u>	<u><u>109,792</u></u>	<u><u>544,163</u></u>

**SHARON PARK HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

Schedule of Operating Expenses
For the Year Ended December 31, 2005

	Townhouse Operating Fund	Condo Operating Fund	Common Area Operating Fund	Total
Maintenance and Repairs				
Repairs and Maintenance	\$ 797	1,795	5,407	7,999
Maintenance Supplies		546		546
Clubhouse Maintenance & Repairs			243	243
Gutter Cleaning and Repairs	5,663	3,119		8,782
Roofs	1,975	990		2,965
Unit Interior Related		1,700		1,700
Janitorial - Services		46,616	7,704	54,320
Janitorial - Supplies		1,478	250	1,728
Elevator - Contract		9,728		9,728
Elevator - Repairs		2,470		2,470
Fire - Alarm System Contract		960		960
Fire - Extinguishers Service		551	52	603
Antenna System Repairs		448		448
Lighting and Supplies		2,536	1,428	3,964
Pest Control	2,538	1,147		3,685
Plumbing and Sewer		2,585	1,272	3,857
Landscape:				
- Contract			44,352	44,352
- Irrigation Repairs			9,486	9,486
- Improvements and Renovation			22,321	22,321
- Large Tree			10,850	10,850
Pool and Spa:				
- Contract			3,610	3,610
- Supplies and Repairs			2,912	2,912
Sharon Heights Unit # 9:				
- Flood and Gate Repairs			2,325	2,325
Total	\$ 10,973	76,669	112,212	199,854
Utilities				
Gas	\$	18,691	4,878	23,569
Electricity		16,331	6,074	22,405
R refuse		13,653		13,653
Telephone		1,587	263	1,850
Water		6,903	4,714	11,617
Total	\$ 0	57,165	15,929	73,094

(Continued)

SHARON PARK HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION
Schedule of Operating Expenses (Continued)
For the Year Ended December 31, 2005

	Townhouse Operating Fund	Condo Operating Fund	Common Area Operating Fund	Total
Administrative				
Audit and Tax Preparation	\$		3,000	3,000
Mailings, Postage and Copies			4,557	4,557
Insurance			88,686	88,686
Legal and Professional			6,537	6,537
Management Fee			20,980	20,980
Miscellaneous			467	467
Permits Licenses and Other			636	636
Total	\$ 0	0	124,863	124,863
Income Taxes				
Federal	\$		3,227	3,227
California			1,733	1,733
Total	0	0	4,960	4,960
Total Operating Fund Expenditures	\$ <u>10,973</u>	<u>133,834</u>	<u>257,964</u>	<u>402,771</u>

SHARON PARK HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS
 December 31, 2005
 (UNAUDITED)

Reserve Analysis Financial Planning, LLC conducted a study in November 2005 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future replacement costs at the date of the study. Estimated current replacement costs have been adjusted to reflect a 3% inflation factor between the date of the study and the date that the components will require repair and replacement. A 2.5% pre-tax interest rate has been applied to the cash flow.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>
Townhouse Reserve		
Fencing	1-23 yrs.	\$ 75,840
Painting/ Siding & Trim	2 yrs.	57,500
Roofs/ Gutters/ Downspouts/ Decks etc.	3-15 yrs.	430,842
Pest control	1-3 yrs.	<u>23,500</u>
		<u>\$ 587,682</u>
Condominium Reserve		
Electrical	7-24 yrs.	\$ 51,325
Trellis replacement	5 yrs.	30,000
Painting	2-11 yrs.	165,300
Siding & Trim	4-35 yrs.	114,493
Roofs/ Gutters/ Downspouts/ Fences/ Railings etc.	5-32 yrs.	2,040,554
Bee Screens	19 yrs.	23,000
Elevators	0-36 yrs.	401,500
Wood Bridges	4 yrs.	<u>4,500</u>
		<u>\$2,830,672</u>

(CONTINUED)

SHARON PARK HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS
 December 31, 2005
 (UNAUDITED)

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

<u>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>
Common Area Reserve		
Roads	1-30 yrs.	\$ 451,587
Concrete	2-12 yrs.	11,050
Clubhouse	1-23 yrs.	92,443
HVAC	1-13 yrs.	8,250
Swimming Pool	0-20 yrs.	27,195
Spa	0-5 yrs.	20,070
Signage	3-11 yrs.	10,000
Retaining Wall	8-32 yrs.	156,100
Fencing	10 yrs.	23,760
Electrical	15-23 yrs.	20,698
Landscape	0-99 yrs.	81,355
Site Replacement	10 yrs.	9,500
Gazebo	4 yrs.	1,500
Sharon Heights, #9		
Roads/ Retaining Walls/ Gate House/ Entry Gate etc.	0-34 yrs.	<u>88,848</u>
		<u>\$1,002,356</u>
Total		<u>\$4,420,710</u>

The Association uses the cash flow method of funding the replacement fund. Under the cash flow method, the funding for each individual component is not separately calculated. The actual fund balance at December 31, 2005, is \$319,325 for Townhouse Reserve, \$115,046 for Condominium Reserve and \$109,792 for Common Area Reserve with expected contributions of \$43,321 for Townhouse Reserve, \$56,525 for Condominium Reserve and \$41,034 for Common Area Reserve for the year 2006.