

Independent Auditor's Report

The Board of Directors
Waikoloa Village Association:

We have audited the accompanying balance sheets of the Waikoloa Village Association (a Corporation) as of December 31, 2005 and 2004 and the related statements of revenues and expenses, changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Waikoloa Village Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 the Waikoloa Village Association as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information included in Schedule 1, Supplementary Information on Future Major Repairs and Replacements, is not a required part of the basic financial statements of Waikoloa Village Association but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

April 28, 2006

WAIKOLOA VILLAGE ASSOCIATION

Balance Sheets

December 31, 2005 and 2004

<u>Assets</u>	<u>2005</u>	<u>2004</u>	<u>Liabilities and Members' Equity</u>	<u>2005</u>	<u>2004</u>
Currents assets:			Current liabilities:		
Cash and cash equivalents - undesignated	\$ 339,399	278,702	Accounts payable	\$ 89,552	56,038
Cash and cash equivalents - designated for future major repairs and replacements	224,922	213,294	Accrued payroll and related costs	90,565	93,385
Certificate of deposit - designated for future repairs and replacements	147,000	-	Construction deposits	160,436	175,558
Construction deposits	160,787	175,617	Deferred revenues	511,264	370,894
Accounts receivable, net of allowance for doubtful accounts of \$43,000 in 2005 and 2004	29,090	33,949	Loan payable	51,512	-
Golf merchandise inventory	46,744	50,203	Current portion of obligation under capital lease	88,240	15,753
Prepaid expenses	<u>16,677</u>	<u>9,236</u>	Total current liabilities	<u>991,569</u>	<u>711,628</u>
Total current assets	<u>964,619</u>	<u>761,001</u>	Obligation under capital lease - net of current portion	<u>291,395</u>	<u>72,204</u>
Property and equipment:			Total liabilities	<u>1,282,964</u>	<u>783,832</u>
Land and improvements	6,534,394	6,534,350	Members' equity:		
Buildings	1,996,271	1,996,271	Undesignated	7,035,215	7,285,461
Equipment	1,279,998	1,245,948	Designated for future major repairs and replacements	<u>371,922</u>	<u>213,294</u>
Furniture and fixtures	113,688	108,117	Total members' equity	<u>7,407,137</u>	<u>7,498,755</u>
Construction in progress	<u>59,846</u>	<u>-</u>			
	9,984,197	9,884,686			
Less accumulated depreciation	<u>2,663,902</u>	<u>2,463,442</u>			
Net property and equipment	<u>7,320,295</u>	<u>7,421,244</u>			
Assets under capital lease, net of accumulated amortization of \$29,115 and \$3,889 in 2005 and 2004	379,087	89,442			
Deferred tax asset	<u>26,100</u>	<u>10,900</u>			
	<u>\$ 8,690,101</u>	<u>8,282,587</u>		<u>\$ 8,690,101</u>	<u>8,282,587</u>

See accompanying notes to financial statements.

WAIKOLOA VILLAGE ASSOCIATION

Statements of Revenues and Expenses

For the years ended December 31, 2005 and 2004

	Membership	Operations	Total	
			2005	2004
Revenue:				
Dues	\$ 1,255,318	-	1,255,318	1,253,823
Green fees	-	795,830	795,830	902,819
Golf rentals	-	470,679	470,679	402,746
Merchandise sales	-	143,415	143,415	158,575
Lease rent	114,052	-	114,052	78,337
Driving range	-	32,016	32,016	23,657
Waikoloa Amateur/ Waikoloa Open	-	3,390	3,390	50,466
Other	146,670	9,648	156,318	128,681
	<u>1,516,040</u>	<u>1,454,978</u>	<u>2,971,018</u>	<u>2,999,104</u>
Operating expenses:				
Salaries and wages, payroll taxes and benefits	384,516	1,089,355	1,473,871	1,372,091
Utilities	44,051	381,451	425,502	365,860
Depreciation and amortization	41,004	184,682	225,686	201,208
Taxes and licenses	56,943	132,626	189,569	118,339
Repairs and maintenance	25,781	152,865	178,646	138,726
Cost of sales	-	102,076	102,076	101,094
Insurance	17,148	81,873	99,021	106,246
Professional fees	67,079	11,684	78,763	82,852
Supplies	17,822	52,471	70,293	95,855
Advertising and promotion	40,742	25,672	66,414	130,219
Fuel	-	56,096	56,096	40,123
Charge card discounts	10,046	24,705	34,751	32,513
Equipment rent	8,161	-	8,161	7,940
Annual meeting	8,874	-	8,874	5,836
Interest expense	-	7,019	7,019	1,246
Waikoloa Amateur/ Waikoloa Open	-	6,317	6,317	50,947
Bad debt (recovery) expense	(1,402)	-	(1,402)	(19,432)
Income tax (benefit) expense	-	(13,300)	(13,300)	(8,800)
Other	57,440	(533)	56,907	36,914
Allocated administration	(128,390)	128,390	-	-
	<u>649,815</u>	<u>2,423,449</u>	<u>3,073,264</u>	<u>2,859,777</u>
Excess (deficiency) of revenues over expenses from operations	<u>\$ 866,225</u>	<u>(968,471)</u>	(102,246)	139,327
Interest and dividend income			10,528	2,131
Gain on sale of asset			100	200
(Deficiency) excess of revenues over expenses			<u>\$ (91,618)</u>	<u>141,658</u>

See accompanying notes to financial statements.

WAIKOLOA VILLAGE ASSOCIATION

Statements of Changes in Members' Equity

For the years ended December 31, 2005 and 2004

	<u>Total</u>	<u>Undesignated</u>	<u>Designated for Future Major Repairs and Replacements</u>
Members' equity - January 1, 2004	\$ 7,357,097	7,143,963	213,134
Excess of revenues over expenses	141,658	141,658	-
Repayment of funds borrowed for operations	-	(60,000)	60,000
Assessments for future major repairs and replacements	-	(83,235)	83,235
Major repairs and replacements:			
Furniture and equipment	-	1,257	(1,257)
Golf course improvements	-	61,718	(61,718)
Pavement and fences	-	34,950	(34,950)
Tennis court improvements	-	8,539	(8,539)
Restaurant improvements	-	5,600	(5,600)
Building improvements - ADA repairs	-	32,864	(32,864)
Total expenses for repairs and replacements	-	144,928	(144,928)
Interest earned on reserve funds	-	(1,853)	1,853
Members' equity - December 31, 2004	<u>7,498,755</u>	<u>7,285,461</u>	<u>213,294</u>
Excess of revenues over expenses	(91,618)	(91,618)	-
Funds borrowed for operations	-	95,000	(95,000)
Assessments for future major repairs and replacements	-	(264,881)	264,881
Major repairs and replacements:			
Furniture and equipment	-	20,000	(20,000)
Total expenses for repairs and replacements	-	20,000	(20,000)
Interest earned on reserve funds	-	(8,747)	8,747
Members' equity - December 31, 2005	<u>\$ 7,407,137</u>	<u>7,035,215</u>	<u>371,922</u>

See accompanying notes to financial statements.

WAIKOLOA VILLAGE ASSOCIATION

Statements of Cash Flows

For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
(Deficiency) excess of revenues over expenses	<u>\$ (91,618)</u>	<u>141,658</u>
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	225,686	201,208
Bad debt recovery	(1,402)	(19,432)
Provision for losses on accounts receivable	-	(568)
Deferred taxes	(15,200)	(4,700)
Gain on the sale of property and equipment	(100)	(200)
(Increase) decrease in:		
Accounts receivable	6,261	54,209
Inventory	3,459	(9,152)
Prepaid expenses	(7,441)	18,747
Increase (decrease) in:		
Accounts payable	33,514	(137,677)
Accrued expenses	(2,820)	14,197
Construction deposits	(292)	(59)
Deferred revenues	<u>140,370</u>	<u>44,511</u>
 Total adjustments	 <u>382,035</u>	 <u>161,084</u>
 Net cash provided by operations	 <u>290,417</u>	 <u>302,742</u>
 Cash flows used by investing activities:		
Investment in certificate of deposits	(147,000)	-
Proceeds from sale of asset	100	1,000
Cash paid for capital lease	-	(1,000)
Capital expenditures for property and equipment	<u>(47,999)</u>	<u>(148,347)</u>
 Net cash used by investing activities	 <u>(194,899)</u>	 <u>(148,347)</u>
 Cash flows used by financing activities:		
Repayments on capital lease obligations	<u>(23,193)</u>	<u>(4,374)</u>
 Net cash used by financing activities	 (23,193)	 (4,374)
 Net increase in cash	 72,325	 150,021
 Cash and cash equivalents, beginning of year	 <u>491,996</u>	 <u>341,975</u>
 Cash and cash equivalents, end of year	 <u>\$ 564,321</u>	 <u>491,996</u>

(Continued)

WAIKOLOA VILLAGE ASSOCIATION

Statements of Cash Flows, Continued

	<u>2005</u>	<u>2004</u>
Summary of cash accounts:		
Cash and cash equivalents - undesignated	\$ 339,399	278,702
Cash and cash equivalents - designated for future major repairs and replacements	<u>224,922</u>	<u>213,294</u>
	<u>\$ 564,321</u>	<u>491,996</u>

Supplemental Disclosure of Cash Flow Information

	<u>2005</u>	<u>2004</u>
Cash paid during the year for:		
Interest	\$ 7,019	1,246
Taxes	-	-

Supplemental Schedule of Noncash Investing and Financing Activities

In 2004, the Association leased equipment in the amount of \$93,331 that was capitalized on the balance sheet as assets under capital lease. Of this amount, \$92,331 was financed by the lease and recorded as an obligation under capital leases.

In 2005, the Association financed construction in progress of \$51,512 with a loan. The Association leased golf carts in the amount of \$314,871 that was capitalized on the balance sheet as assets under capital lease.

See accompanying notes to financial statements.

WAIKOLOA VILLAGE ASSOCIATION

Notes to Financial Statements

December 31, 2005 and 2004

(1) Organization and Summary of Significant Accounting Policies

Organization

Waikoloa Village Association (the Association) is an incorporated property owners' association located on the island of Hawaii. The Association provides for the management, maintenance, protection, preservation and development of property within the area known as "Waikoloa Village". The Association is responsible for the operation and maintenance of the common property within the development. The development consists of approximately 2,500 residential and condominium units located on approximately 10,000 acres in Waikoloa, Hawaii. The goal of the Association is to promote the health, safety, recreation, sports, entertainment and athletic activities within the community. To that end the Association operates a golf course and leases other facilities used by its members, other residents of Hawaii and tourists. A significant portion of golf revenues is received from nonmember Hawaii residents and tourists. As required by its bylaws, the board of directors is comprised of members of the Association.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents. At December 31, 2005, the Association had cash balances that exceeded the limits for federal insurance by approximately \$313,000.

Construction Deposits

Construction deposits of \$2,500 are provided by Waikoloa Village property owners to the Association prior to the commencement of construction. The Association provides guidelines which members must comply with during the construction process. If unapproved changes are made the Association reserves the right to use this deposit to remediate the problem. Prior to April 21, 2004, construction deposits were maintained in individual interest bearing accounts at Solomon Smith Barney and American Savings Bank. After April 21, 2004, new construction deposits were maintained in one American Savings Bank account with interest accruing to the Association. Upon completion of the construction project, if all guidelines have been met, the original deposit is returned to the member. The Association maintains a liability for the trust deposits provided to the Association prior to commencement of construction.

Golf Merchandise Inventory

Golf merchandise inventory is stated at the lower of cost or market, with cost determined on the first-in, first-out basis.

WAIKOLOA VILLAGE ASSOCIATION

Notes to Financial Statements, Continued

Accounts Receivable and Allowance for Doubtful Accounts

Association members are subject to yearly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable on the balance sheet date represent assessments due from property owners and other trade receivables. The Association's policy is to assess a penalty on properties of homeowners whose assessments are thirty days or more delinquent and to retain legal counsel and place liens on properties with assessments that become significantly past due. Any excess assessments at year end are retained by the Association for use in future years. As of December 31, 2005 and 2004, there was approximately \$35,000 and \$60,000, respectively in receivables 90 days or more past due. An allowance for doubtful accounts has been established based on a percentage of accounts receivable outstanding, payment history, and present market conditions. A review of the delinquent accounts is done periodically. Accounts are written off when deemed uncollectible. Accounts receivable are net of allowances for doubtful accounts of \$43,000 at December 31, 2005 and 2004.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. According to the Association's governing documents, any exchange, sale, or other disposition of any real property owned by the Association requires the approval of two-thirds of the members present at a meeting of the Association, notice of the meeting must disclose that such a transaction is being considered.

Property and equipment acquired by the Association are recorded at cost. Property contributed to the Association by the developer is recorded at estimated fair value at the date of contribution. Land and buildings consist predominantly of property contributed to the Association by Boise Cascade Home and Land Corporation and its successor in interest, Transcontinental Development Co. Boise Cascade, developer of the Waikoloa Village, agreed to convey approximately 10,000 acres of land and improvements to the Association. Accordingly, in 1975, the Clubhouse, swimming pool, tennis courts and approximately 2,000 acres of land were conveyed to the Association. In 1987, the remaining 8,000 acres were conveyed to the Association. These properties have been recorded at their fair value based on either their assessed value for real property tax purposes or their appraised value as determined by a private appraisal company as follows:

	<u>Recorded Value</u>	<u>Basis for Recorded Value</u>
Property conveyed in 1975:		
Land and improvements - approximately 2,000 acres	\$ 652,600	Assessed Value
Clubhouse, swimming pool, tennis courts	137,400	Assessed Value
Property conveyed in 1987:		
Land - approximately 8,000 acres	4,800,000	Private Appraisal
Maintenance buildings	<u>166,397</u>	Assessed Value
	5,756,397	
Other property and equipment acquired by the Association	<u>4,227,800</u>	Cost
	\$ <u>9,984,197</u>	

WAIKOLOA VILLAGE ASSOCIATION

Notes to Financial Statements, Continued

Depreciation on all property and equipment is recorded on the straight-line basis over the estimated useful lives of the respective assets. Repairs and maintenance are charged directly to income, and expenditures for renewals and betterments are capitalized. Cost and related accumulated depreciation of property and equipment retired or otherwise disposed are eliminated from the accounts at the time of retirement or sale, and gain or loss is credited or charged to income. Depreciation expense of \$200,460 and \$197,319 in 2005 and 2004, respectively, is included in depreciation and amortization expense.

Equipment acquired under a capital lease is amortized using the straight-line method over the estimated useful lives of the respective assets. Amortization expense of \$25,226 and \$3,889 in 2005 and 2004 respectively is included in depreciation and amortization expense.

Income Tax

For income tax purposes, the Association is taxed under Internal Revenue Code Section 277, which requires that the Association pay tax on the excess of its membership income over its membership operating expenses as well as its excess non-membership income over non-membership expenses. Pursuant to Internal Revenue Service Revenue Ruling 70-604 the Association may elect to apply its excess membership income to reduce the future year's membership fee assessments and as a result pay tax only on the excess of its non-membership income. The Association records income tax expense for its excess non-membership income only.

Deferred Revenues

In accordance with generally accepted accounting principles, revenues and expenses are recorded when earned and incurred. Deferred revenues consist primarily of association assessments which were collected but not earned during the year.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred. Advertising and promotion costs amounted to approximately \$66,400 and \$130,200 for the year ended December 31, 2005 and 2004, respectively.

Use of Estimates

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

WAIKOLOA VILLAGE ASSOCIATION

Notes to Financial Statements, Continued

(2) Leases

The Association leases equipment used in its operations and classifies those leases as either operating or capital leases following the provision of SFAS No. 13, "Accounting for Leases." In 2004, the Association entered into a five year lease for ground maintenance equipment for the golf course. In 2005, the Association entered into a four year lease for golf carts. These leases are accounted for as capital leases.

Rental expense for the operating lease is summarized below:

	<u>2005</u>	<u>2004</u>
Minimum rent	<u>\$ 8,161</u>	<u>7,940</u>
	<u>\$ 8,161</u>	<u>7,940</u>

At December 31, 2005 the future minimum lease commitments under capital leases and the non-cancelable operating lease is as follows:

	<u>Operating lease</u>	<u>Capital lease</u>
Year ending December 31:		
2006	\$ 2,040	111,768
2007	-	111,768
2008	-	111,768
2009	-	<u>98,707</u>
Total minimum lease payments	<u>\$ 2,040</u>	434,011
Less amount representing interest		<u>54,376</u>
Present value minimum lease payments		379,635
Less current portion of obligation under capital lease		<u>88,240</u>
Obligations under capital lease, less current portion		<u>291,395</u>

Rental Income Leases

The Association has entered into various agreements to lease land and other real property for periods ranging from two to sixty years. In addition other real property is leased on a month-to-month or year-to-year basis. Land and property leased under these agreements have a carrying value of \$1,225,000. Rental income is comprised as follows:

	<u>2005</u>	<u>2004</u>
Minimum rents	\$ 58,922	67,391
Contingent rents	<u>55,130</u>	<u>10,946</u>
	<u>\$ 114,052</u>	<u>78,337</u>

WAIKOLOA VILLAGE ASSOCIATION

Notes to Financial Statements, Continued

Future minimum rental income under non-cancelable leases to be received as of December 31, 2005 is as follows:

	<u>Future Minimum Rental Income</u>
Year ending December 31:	
2006	\$ 51,000
2007	48,000
2008	48,000
2009	48,000
2010	48,000
Thereafter	<u>1,641,000</u>
Total	<u>\$ 1,884,000</u>

(3) Union Contract

Golf course maintenance workers, based on wages paid, comprise approximately fifty percent of the Association's workforce. They are employed under a union contract which expires in May 2007.

(4) Employee Benefit Plan

The Association has a profit sharing plan for all non-bargaining unit employees who meet the qualifications of the plan. Employer contributions are determined by the Board of Directors of the Association. The plan includes a salary reduction provision under which employees can elect to contribute up to \$40,000 but no more than 25% of annual compensation. For 2005 and 2004, the Association made contributions at 4% of salaries and wages of approximately \$20,000 and \$17,000, for years ended December 31, 2005 and 2004, respectively.

Bargaining unit employees are covered under a pension plan as part of their union contract. The pension plan provision calls for an employer contribution of \$.30 per hour of compensation. The Association contributed \$10,523 and \$10,345 to the plan in 2005 and 2004, respectively.

(5) Future Major Repairs and Replacements

Neither the Association's governing documents nor current Hawaii state law requires the Association to accumulate funds for future major repairs and replacements. However, in 1992, the Association's board of directors adopted a program to accumulate such funds. Accumulated funds, which aggregate \$371,922 and \$213,294 at December 31, 2005 and 2004, respectively, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy that interest earned on such funds is allowed to accumulate in those accounts.

The Association's board of directors conducted a study in April 2005 to estimate the remaining useful lives and the replacement costs of the common property components. Actual expenditures, however, 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. If additional funds are needed, the Association may increase regular assessment or levy special assessments, or it may delay major repairs and replacements until funds are available.

WAIKOLOA VILLAGE ASSOCIATION

Notes to Financial Statements, Continued

(6) Income Taxes

For income tax purposes the Association reallocates its operating income and expenses between amounts which are received from or benefit the membership and those amounts which are received from or benefit non-members. Thus all operations of the association were reallocated for tax purposes for the years ended December 31, 2005 and 2004 as follows:

	<u>2005</u>	<u>2004</u>
Membership operations	\$ 141,633	409,272
Non-membership operations	<u>(233,251)</u>	<u>(267,614)</u>
	<u>\$ (91,618)</u>	<u>141,658</u>

Income tax (benefit) expense is comprised of the following components:

	<u>2005</u>	<u>2004</u>
Current:		
Federal	\$ -	-
State	<u>-</u>	<u>(4,100)</u>
	<u>-</u>	<u>(4,100)</u>
Deferred:		
Federal	(10,900)	(3,900)
State	<u>(2,400)</u>	<u>(800)</u>
	<u>(13,300)</u>	<u>(4,700)</u>
	<u>\$ (13,300)</u>	<u>(8,800)</u>

The difference between income tax benefit and the expected tax benefit computed using the U.S. federal corporate rate of 25% is reconciled below:

	<u>2005</u>	<u>2004</u>
Computed "expected" tax expense (benefit)	\$ (26,200)	33,200
Increase (decrease) in tax resulting from:		
Member income	(32,100)	(101,100)
Net operating loss allowance	55,100	72,500
State income tax benefit	(11,900)	(13,700)
Other	<u>1,800</u>	<u>300</u>
	<u>\$ (13,300)</u>	<u>(8,800)</u>

WAIKOLOA VILLAGE ASSOCIATION

Notes to Financial Statements, Continued

(6) Income Taxes (continued)

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities at December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Deferred tax assets:		
Net operating loss carryforward	\$ 334,200	280,600
Net operating loss valuation allowance	(334,200)	(280,600)
Depreciation	<u>11,400</u>	<u>11,000</u>
Deferred tax asset	<u>11,400</u>	<u>11,000</u>
Deferred tax liability:		
Capital lease	<u>14,700</u>	<u>(100)</u>
Deferred tax liability	<u>14,700</u>	<u>(100)</u>
	<u>\$ 26,100</u>	<u>10,900</u>

The valuation allowance of \$334,200 and \$280,600 at December 31, 2005 and 2004, respectively, represents a provision for uncertainty as to the realization of the deferred tax asset from the net operating loss carry forward. For income tax purposes, approximately \$1,100,000 of net operating losses is available at December 31, 2005 to carry forward against income in future years. These carry forwards expire at various intervals in the years 2021 to 2024.

Management believes that it is more likely than not that all net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable, however, could be reduced in the near term based on changing conditions.

(7) Litigation

The Association is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect the Association's financial statements or results of operations.

(8) Note Payable

The Association entered into a promissory note with a financial institution on August 4, 2005, to finance the construction of a new well. The Association will draw funds as costs of the well are incurred. As of December 31, 2005 approximately \$52,000 was drawn.

The total note is for \$850,000 with monthly interest only payments until August 2006 at an annual interest rate of 6.38%. Beginning in September 2006, monthly principal and interest payments of \$6,278 are due. The note is due in August 2015 and is secured by all assets of the Association.

WAIKOLOA VILLAGE ASSOCIATION

Supplementary Information on Future
Major Repairs and Replacements (Compiled)

December 31, 2005

In April 2005, the Association's board of directors commissioned Armstrong & Consulting Inc. to perform a reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs are based on the estimated costs to repair or replace the common property components at the latest date of the updated study. The study and the update do not take into account the effects of inflation between the dates of the studies and the dates that the components will require repair or replacement. Accordingly, actual replacement costs may vary from those estimates and the variations may be material.

The following information is based on the updated study and presents significant information about the components of common property. (Estimated amounts are rounded to the nearest thousand dollars.)

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Estimated Future Replacement Cost	Replacement Fund Balance at December 31, 2005
Buildings	0 – 15	\$ 166,000	249,000	31,934
Furniture and equipment	0 – 6	47,000	58,000	176
Pavements, fences and lights	0 – 20	252,000	261,000	123,745
Stable	0 – 13	203,000	210,000	17,420
Pool	0 – 5	85,000	99,000	11,603
Tennis court	0 – 4	55,000	58,000	5,140
Pro Shop improvements	0 – 3	552,000	616,000	94,807
Restaurant improvements	0 – 6	169,000	202,000	3,805
Golf course improvements and maintenance equipment	0 – 18	1,322,000	1,548,000	83,292
		\$ 2,851,000	3,301,000	371,922