

APPROVED
JULY 23, 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lake Holiday Country Club, Inc.

We have audited the accompanying balance sheet of Lake Holiday Country Club, Inc. as of December 31, 2007, and the related statements of revenues and expenses, changes in fund balances 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 financial statements of Lake Holiday Country Club, Inc. as of December 31, 2006 were audited by other auditors whose report dated February 26, 2007 expressed a qualified opinion, as stated below, on those financial statements. As explained in note K, the beginning balances were restated.

Except as discussed in the following paragraph, 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.

The Association has \$ 624,344 recorded as lots held for resale. These lots were received as part of the developer settlement and member foreclosures prior to December 31, 1996. The prior auditors could not obtain sufficient accounting documentation supporting this balance.

In our opinion, except for the effects of such adjustments, if any, that may have been necessary had we been able to substantiate the lots held for resale, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Holiday Country Club, Inc. as of December 31, 2007, 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 performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on income and expenses on pages 11-14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly presented.

The supplementary information on future major repairs and replacements on page 15 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 applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Daly, Hamad & Associates, P.L.L.C.

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**LAKE HOLIDAY
COUNTRY CLUB, INC.
BALANCE SHEET
December 31, 2007**

**APPROVED
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	Operating Fund	Capital Fund	Replacement Fund	Total
ASSETS				
Cash -- including interest bearing deposits	\$ 304,009	\$ -	\$ 205,202	\$ 509,211
Cash -- conformance bonds	68,000	-	-	68,000
Accounts receivable - members - net of allowance	210,435	-	-	210,435
Investment - Lake Holiday Estates Utility Co.	5,483	-	-	5,483
Escrow - Aqua Lake Holiday Utilities, Inc.	50,000	-	-	50,000
Prepaid insurance and other expenses	28,923	-	-	28,923
Accounts receivable -- Aqua Lake Holiday Utilities, Inc.	757,130	-	-	757,130
Lots held for resale	624,344	-	-	624,344
Due from operating fund	(468,459)	468,459	-	-
Total Assets	<u>\$ 1,579,865</u>	<u>\$ 468,459</u>	<u>\$ 205,202</u>	<u>\$ 2,253,526</u>
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued expenses	\$ 59,350	\$ -	\$ -	\$ 59,350
Tax penalties and interest - Commonwealth of Virginia	33,929	-	-	33,929
Conformance bonds	68,000	-	-	68,000
Assessments received in advance	116,309	-	-	116,309
Note payable - clubhouse	-	639,956	-	639,956
Total Liabilities	277,588	639,956	-	917,544
Fund balances	1,302,277	(171,497)	205,202	1,335,982
Total Liabilities and Fund Balances	<u>\$ 1,579,865</u>	<u>\$ 468,459</u>	<u>\$ 205,202</u>	<u>\$ 2,253,526</u>

See accompanying notes to financial statements.

**LAKE HOLIDAY
COUNTRY CLUB, INC.
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
For The Year Ended December 31, 2007**

**APPROVED
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	Operating Fund	Capital Fund	Replacement Fund	Total
REVENUES				
Assessment revenues	\$ 1,626,920	\$ 239,000	\$ 200,000	\$ 2,065,920
Other revenues	266,010	4,931	5,202	276,143
Lake Holiday, LLC	-	183,241	-	183,241
Total Revenues	1,892,930	427,172	205,202	2,525,304
EXPENSES				
Administrative	\$ 275,568	\$ 5,414	\$ -	\$ 280,982
Annual contracts	310,430	-	-	310,430
As needed contracts	65,175	-	-	65,175
Bad debts - current	130,823	-	-	130,823
Capital improvement/fund expenditures	73,167	1,306,123	-	1,379,290
Committee expense	10,897	-	-	10,897
Materials and supplies	76,418	-	-	76,418
Personnel	570,447	-	-	570,447
Road expenditures	340,189	-	-	340,189
Taxes and licenses	19,726	-	-	19,726
Utilities	35,892	-	-	35,892
Total Expenses	1,908,732	1,311,537	-	3,220,269
Excess (Deficit) of Revenues Over Expenses before Other income(expense) Items	(15,802)	(884,365)	205,202	(694,965)
Other income(expense) Items				
Bad debts - prior years	\$ (384,901)	\$ -	\$ -	\$ (384,901)
Loss on LHEUC	(81,080)	-	-	(81,080)
Tax liabilities abated - Commonwealth of Virginia	51,618	-	-	51,618
Total Other income(expense) Items	\$ (414,363)	\$ -	\$ -	\$ (414,363)
Excess (deficit) revenues over expenses	(430,165)	(884,365)	205,202	(1,109,328)
BEGINNING FUND BALANCES(restated)	1,732,442	712,868	-	2,445,310
ENDING FUND BALANCES	<u>\$ 1,302,277</u>	<u>\$ (171,497)</u>	<u>\$ 205,202</u>	<u>\$ 1,335,982</u>

See accompanying notes to financial statements.

**LAKE HOLIDAY
COUNTRY CLUB, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2007**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Excess (deficit) of revenues over expenses	\$ (1,109,328)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Tax liabilities abated - Commonwealth of Virginia	(51,618)
Bad debts	515,724
Investment - Lake Holiday Estates Utility Co.	146,463
(Increase) decrease in:	
Accounts receivable - members	(296,332)
Escrow - Aqua Lake Holiday Utilities, Inc.	(50,000)
Prepaid insurance and other expenses	(15,262)
Due from LHEUC	1,163,589
Increase (decrease) in:	
Accounts payable and accrued expenses	(118,374)
Tax penalties and interest - Federal	(46,008)
Assessments received in advance	<u>40,265</u>
NET INCREASE (DECREASE) IN CASH PROVIDED BY OPERATING ACTIVITIES	179,119
CASH FLOWS FROM FINANCING ACTIVITIES:	
Line of credit - net	(350,179)
Note payable - clubhouse - gross proceeds	<u>639,956</u>
INCREASE (DECREASE) IN CASH	468,896
CASH AT BEGINNING OF YEAR	<u>40,315</u>
CASH AT END OF YEAR	<u><u>\$ 509,211</u></u>

See accompanying notes to financial statements.

**LAKE HOLIDAY
COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

**APPROVED
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NOTE A - NATURE OF ORGANIZATION

The Lake Holiday Country Club, Inc. is a nonstock corporation incorporated in the Commonwealth of Virginia, for the purpose of operating and maintaining the common property of the community. The Articles of Incorporation were amended on October 23, 1999. The Association consists of approximately 2,700 lots and is located in Cross Junction, Commonwealth of Virginia.

The wholly owned subsidiary, Lake Holiday Estates Utility Company, sold all of its waste water and water system assets and operations on December 31, 2006. In November 2007, the Board approved the transfer of all remaining assets to the Association. These financial statements reflect the transfers. This transfer resulted in an additional loss on liquidation of \$43,977. See note G for additional loss. At December 31, 2007, there is a cash balance of \$ 5,483 remaining and will be transferred upon final liquidation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable--Members:

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and future major repairs and replacements. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are ninety days or more delinquent.

The Association uses the allowance method for accounting for bad debts. Receivables are written off as a loss when it has been determined that collection is uncertain. Collection efforts may continue and amounts previously written off are recognized as income in the year of their subsequent collection. At December 31, 2007, the balance in the Allowance for Doubtful Accounts was \$ 472,749.

Income Taxes:

The Association may be taxed either as a homeowners' association or as a regular corporation. For the tax year ended December 31, 2007, the Association was taxed as a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income less nonmembership expenses at regular federal and state corporate rates.

Common areas:

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because their disposition and use is restricted. According to the Association's governing documents, 67% of the total eligible voting power of the membership must approve all abandonment, partitions, encumbrances, sales, or any other transfers of common area or other property owned by the Association.

As part of the sales agreement, the Association made a commitment to convey to Aqua Lake Holiday Utilities, Inc. the parcel of land which was the site of the maintenance facility.

**LAKE HOLIDAY
COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

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NOTE B - continued

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Association includes all cash accounts, which are not subject to withdrawal restrictions or material penalties, as cash equivalents on the accompanying balance sheet. Conformance Bond cash is excluded since these monies represent deposits which are subject to refund.

The following is a summary of all cash accounts at December 31, 2007:

Institution	Type	Operating Fund	Replacement Fund	Total
Petty cash	Impress	\$ 500	\$ -	\$ 500
Wachovia	Checking	270,549	-	270,549
Wachovia	Checking	157	-	157
Wachovia	Checking	-	205,202	205,202
Deposits in Transit		32,803	-	32,803
		<u>\$ 304,009</u>	<u>\$ 205,202</u>	<u>\$ 509,211</u>

Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$ 100,000. Uninsured balances are approximately \$ 408,711 at December 31, 2007.

NOTE D - LAKE HOLIDAY, LLC

The Association executed a development agreement with Lake Holiday, LLC on May 21, 2004, amended June 9, 2006. The contract is a mutual commitment concerning the development of lots, infrastructure improvements and the construction of houses in certain sections of Lake Holiday. The contract also states that Lake Holiday, LLC will make contributions for certain projects at Lake Holiday. For the year ended December 31, 2007, \$ 183,241 was contributed for the construction of the clubhouse.

**LAKE HOLIDAY
COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

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NOTE E - LOTS HELD FOR RESALE

The Association has title to approximately 212 lots located within the community. These lots were received as part of the developer settlement and member foreclosures in prior years. They are recorded at cost. However, prior auditors could not obtain accounting support or documentation supporting the historical cost basis of \$ 624,344.

The fair market value or the future sales price of these lots cannot be determined at this time and is dependent on market conditions.

NOTE F - NOTE PAYABLE

The Association executed a promissory note for \$ 750,000 for the construction of the club house. However, this note was adjusted to \$ 639,956 for the actual monies received for the construction. Interest accrued at a rate of 6.94%. Interest only payments were made through December 31, 2007. Monthly principle and interest payments of \$ 5,959.54 will begin in 2008 and the note will be fully amortized in 2023.

NOTE G - DISCONTINUED OPERATIONS

The Association was the parent company of the wholly owned subsidiary, Lake Holiday Estates Utility Company. On December 31, 2006, the utility company sold all of the waste water and water system assets and operations to Aqua Lake Holiday Utilities, Inc. This subsidiary provided water and sewer services to certain members of the Association.

The Association received \$ 1,163,589 from the purchaser on January 4, 2007.

At settlement, \$ 50,000 of the proceeds was placed in an escrow account pending the resolution of the Ogunquit Development lawsuit against both the Association and the utility company.

As part of the sale starting in 2007, the purchaser will pay the Association \$ 76,000 per year for the next 15 years if documented contingencies are met. The present value of these payments, at 4.9%, is \$ 794,213. A minimum of 70 lots, per year, must be connected to the water and wastewater system services to meet this contingency.

For the year ended December 31, 2007, the number of connections did not meet this contingency requirement and an additional \$ 37,083 has been written off on the sale of the utility company. Total loss as December 31, 2007 is \$ 81,080.

**LAKE HOLIDAY
COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE H - CONFORMANCE AND DAMAGE BOND DEPOSIT

A member, when applying for initial construction, must file an application-for-approval. A deposit of \$ 2,000, per lot, is required which serves as security for the obligation of the applicant to a) repair any damage to the Association's property caused by the applicant or its employees, invitees, contractors or subcontractors and/or b) compensate the Association in the form of liquidated damages for the applicant's failure to comply with the terms and conditions of any Certificate of Building Approval rendered by the Committee.

NOTE I - 401 K PENSION PLAN

An employee pension plan was established in 2006. All employees who work a minimum of 35 hours per week, have attained the age of 18 years old and have completed three months of service are eligible to participate in the plan. The Association matches up to 4 % of contributions. The Association contributed \$ 7,688 to the plan for the year ended December 31, 2007.

NOTE J - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$ 205,202, at December 31, 2007 are held in a separate account and is generally not available for operating purposes.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy a special assessment or delay major repairs and replacements until funds are available.

NOTE K - PRIOR PERIOD ADJUSTMENT

The Operating fund balance, at December 31, 2006, has been adjusted to reflect the accounting guidelines established by the American Institute of Public Accountants for common interest realty associations for capitalizing assets. This change, of \$ 136, 594, reduced the balance to \$ 1,732,442.

**LAKE HOLIDAY
COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

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NOTE L - PENDING LITIGATION

OGUNKUIT VERSUD LAKE HOLIDAY

In a suit known as Ogunquit versus Lake Holiday, past members of the Board of Directors along with the Association itself are charged with a variety of bad acts. Plaintiffs request award of \$4,000,000. This suit has not had final adjudication as yet, and the outcome is indeterminate. Lake Holiday is being defended entirely at the expense of its insurance carrier.

BEMIS VERSUS LAKE HOLIDAY

In a suit known as Bemis versus Lake Holiday, 38 plaintiffs (all property owners at Lake Holiday) challenged the legitimacy of Lake Holiday Country Club, Inc.'s status as a statutory property owners' association. The plaintiffs request that this status be denied, that the Association be caused to rebate all assessments paid by plaintiffs and that the Association be denied the right to ever charge assessments, dues or fees to any property owner in the future. This suit has not had final adjudication as yet, and the outcome is indeterminate. Lake Holiday is being defended at the expense of its insurance carrier and is supplementing this defense with additional counsel at its own expense.

POSSIBLE LEGAL ACTION

Lake Holiday Country Club, Inc. has been threatened with legal action by a property owner who has a history of bringing such actions. This owner charges that the conduct of the 2007 election for Directors was improperly conducted causing him to not be elected to the Board. It is indeterminate at this time whether this owner will actually bring such action.

NOTE M - SPECIAL ASSESSMENTS

In 2007, the Board of Directors approved a special assessment, of \$ 379,173 to cover a comprehensive road program. This operating assessment was billed to all members based on their ownership percentages and is subject to the same collection policies as monthly assessments.

In 2008, the Board of Directors approved a special assessment of \$ 233,000 to be designated for the relocation of the maintenance facility. This operating assessment was billed to all members based on their ownership percentages and is subject to the same collection policies as monthly assessments.

**LAKE HOLIDAY
COUNTRY CLUB, INC.
SUPPLEMENTARY INFORMATION
INCOME AND EXPENSES
For The Year Ended December 31, 2007**

APPROVED

	Operating Fund	Capital Fund	Replacement Fund	Total
Assessment revenue				
Assessments - lots with utilities	\$ 778,724	\$ 193,590	\$ 160,000	\$ 1,132,314
Assessments - lots without utilities	174,048	45,410	40,000	259,458
Special assessments - roads	373,874	-	-	373,874
Annual trash assessment	69,274	-	-	69,274
Cap fee	231,000	-	-	231,000
Total assessments	<u>\$ 1,626,920</u>	<u>\$ 239,000</u>	<u>\$ 200,000</u>	<u>\$ 2,065,920</u>
Other revenues				
Late fees	\$ 44,620	\$ -	\$ -	\$ 44,620
Compliance penalties	43,360	-	-	43,360
Boat slip rental	33,880	-	-	33,880
Boat fees 10 HP over	31,845	-	-	31,845
Legal fee recovery	28,648	-	-	28,648
Prior years assessments collected	20,755	-	-	20,755
Interest	9,974	4,931	5,202	20,107
Miscellaneous	10,196	-	-	10,196
Fitness center	8,483	-	-	8,483
Disclosure packages	8,450	-	-	8,450
Prior years unbilled	6,692	-	-	6,692
Boat fees 10 HP	6,476	-	-	6,476
Activities	3,883	-	-	3,883
Lake committee	2,500	-	-	2,500
Federal tax refund	2,327	-	-	2,327
News letter advertising	1,818	-	-	1,818
Youth activities	831	-	-	831
Boat trailer storage	600	-	-	600
Canoe slip	352	-	-	352
Club rental	320	-	-	320
	<u>\$ 266,010</u>	<u>\$ 4,931</u>	<u>\$ 5,202</u>	<u>\$ 276,143</u>

**LAKE HOLIDAY
COUNTRY CLUB, INC.
SUPPLEMENTARY INFORMATION
INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	Operating Fund	Capital Fund	Replacement Fund	Total
Administration Expenses				
Advertising	\$ 3,411	\$ -	-	3,411
Bank charges	1,162	-	-	1,162
Board meetings	5,087	-	-	5,087
Insurance	54,817	-	-	54,817
Interest	10,735	5,414	-	16,149
Legal	110,394	-	-	110,394
Miscellaneous	14,834	-	-	14,834
Office equipment	4,944	-	-	4,944
Office supplies	12,000	-	-	12,000
Postage	19,096	-	-	19,096
Printing and copying	38,594	-	-	38,594
Travel	494	-	-	494
	<u>\$ 275,568</u>	<u>\$ 5,414</u>	<u>\$ -</u>	<u>\$ 280,982</u>
Annual contracts				
Audit and tax	\$ 43,507	\$ -	\$ -	\$ 43,507
Exterminating	858	-	-	858
Financial management	58,356	-	-	58,356
Gate contract	129,169	-	-	129,169
Lake culture testing	2,030	-	-	2,030
Port toilets	967	-	-	967
Trash	72,980	-	-	72,980
Uniforms	2,563	-	-	2,563
	<u>\$ 310,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,430</u>

**LAKE HOLIDAY
COUNTRY CLUB, INC.
SUPPLEMENTARY INFORMATION
INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

**APPROVED
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	Operating Fund	Capital Fund	Replacement Fund	Total
As needed contracts				
Consulting/engineering	\$ 7,316	\$ -	\$ -	\$ 7,316
Janitorial service	5,171	-	-	5,171
Computer service	5,439	-	-	5,439
Landscaping service	805	-	-	805
Road repairs	2,795	-	-	2,795
Lake and beach repairs	2,891	-	-	2,891
Dam certification and maintenance	1,439	-	-	1,439
Boat repairs	1,126	-	-	1,126
Marina repairs	2,348	-	-	2,348
Vehicle maintenance	10,322	-	-	10,322
Equipment repairs	11,079	-	-	11,079
Building repairs	5,936	-	-	5,936
Club maintenance	1,230	-	-	1,230
Miscellaneous repairs	7,278	-	-	7,278
	<u>\$ 65,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,175</u>
Capital improvements/fund expenditures				
Back up batteries/UPS	\$ 1,373	\$ -	\$ -	\$ 1,373
Clubhouse exercise equipment	20,650	-	-	20,650
Clubhouse furniture	25,095	-	-	25,095
Clubhouse improvements	-	1,268,532	-	1,268,532
Clubhouse ping pong	469	-	-	469
Dam	-	36,616	-	36,616
Jeep 2005	17,198	-	-	17,198
Security camera	-	975	-	975
Snow plow for truck	4,200	-	-	4,200
Spreader for truck	4,182	-	-	4,182
	<u>\$ 73,167</u>	<u>\$ 1,306,123</u>	<u>\$ -</u>	<u>\$ 1,379,290</u>
Committee expenses				
Activities	\$ 10,522	\$ -	\$ -	\$ 10,522
Architectural	237	-	-	237
Lake	32	-	-	32
Safety	74	-	-	74
Welcome	32	-	-	32
	<u>\$ 10,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,897</u>

**LAKE HOLIDAY
COUNTRY CLUB, INC.
SUPPLEMENTARY INFORMATION
INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	Operating Fund	Capital Fund	Replacement Fund	Total
Materials and supplies				
Boat and vehicle decals	\$ 2,646	\$ -	\$ -	\$ 2,646
Electrical supplies	402	-	-	402
Equipment rental	121	-	-	121
Ground and road supplies	2,617	-	-	2,617
Janitorial supplies	3,932	-	-	3,932
Lake and marina	3,981	-	-	3,981
Miscellaneous supplies	1,723	-	-	1,723
Signs	3,103	-	-	3,103
Snow removal	17,186	-	-	17,186
Tools and equipment	6,709	-	-	6,709
vehicle and equipment fuel	29,088	-	-	29,088
Visitor passes	4,910	-	-	4,910
	<u>\$ 76,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,418</u>
Personnel				
Administration salaries	\$ 223,204	\$ -	\$ -	\$ 223,204
Bonuses	1,624	-	-	1,624
Club house	6,984	-	-	6,984
Federal unemployment	1,363	-	-	1,363
FICA	36,543	-	-	36,543
Lake patrol salaries	938	-	-	938
Lifeguards salary	13,839	-	-	13,839
Maintenance salaries	156,986	-	-	156,986
Medical and health care	29,154	-	-	29,154
Patrol service salaries	85,390	-	-	85,390
Pension	7,688	-	-	7,688
State unemployment	4,747	-	-	4,747
Training and miscellaneous	733	-	-	733
Vacation allowance	1,254	-	-	1,254
	<u>\$ 570,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,447</u>

**LAKE HOLIDAY
COUNTRY CLUB, INC.
SUPPLEMENTARY INFORMATION
INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

**APPROVED
JULY 23, 2008**

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Taxes and licenses				
Penalties and interest	\$ 569	\$ -	\$ -	\$ 569
Permits and licenses	1,309	-	-	1,309
Personal property taxes	4,509	-	-	4,509
Real estate taxes	13,339	-	-	13,339
	<u>\$ 19,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,726</u>
Utilities				
Club utilities	\$ 1,107	\$ -	\$ -	\$ 1,107
Electricity	10,766	-	-	10,766
Fuel heating and cooling	5,826	-	-	5,826
Internet services	5,660	-	-	5,660
Telephone	9,216	-	-	9,216
Water and sewer	3,317	-	-	3,317
	<u>\$ 35,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,892</u>

**LAKE HOLIDAY
COUNTRY CLUB, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2007**

**APPROVED
JULY 23, 2008**

The Association's Financial Management Task Force conducted a study in June 2006, to estimate the remaining useful lives and the replacement costs of the common property components. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy a special assessment or delay major repairs and replacements until funds are available.

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

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Summit Facilities		
Structural	5 to 20	33,600
Roofing	5	28,800
Administrative Offices		
Structural	4	60,000
Roofing	0	9,600
Plumbing/Electrical	4	23,000
Boat Docks	3 to 28	330,000
Roads	10 to 15	3,067,425
Tennis Courts	5 to 40	30,000
Entry Facility	25 to 30	208,000
Maintenance facility relocation	0	233,000
Vehicles and Equipment	3 to 15	543,725
		<u>\$ 4,567,150</u>

The Association is responsible for maintaining the dam which creates the 240 acre lake at the center of the community. The Commonwealth of Virginia has adopted more stringent safety requirements since its original construction and the estimated costs to modify the dam's spillway will range between \$ 4,000,000 and \$ 6,000,000. The Board of Directors will fund for this project starting in 2009.