

LAKE CHARLES ASSOCIATION, INC.

PORT ST. LUCIE, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For Year Ended December 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake Charles Association, Inc.

I have audited the accompanying balance sheet of Lake Charles Association, Inc., as of December 31, 2009, and the related statements of revenues 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 Lake Charles Association, Inc. as of December 31, 2009 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement of Revenues and Expenses vs. Budget is presented for the purposes of additional analysis and is 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 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 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 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.



Gerald Jackson Jr. CPA
Port St Lucie, Florida
May 26, 2010

LAKE CHARLES ASSOCIATION, INC.

Balance Sheet

December 31, 2009

	Operating Fund	2009 Replacement Fund	Total Funds	2008 Total Funds
<u>ASSETS</u>				
CASH, INCLUDING INTEREST BEARING ACCOUNTS	\$ 517,152	\$ 1,261,373	\$ 1,778,525	\$ 1,535,812
CASH-CROSSTOWN PARKWAY	233,531	0	233,531	225,795
CASH-INSURANCE CONTINGENCY	53,644	0	53,644	0
ASSESSMENTS RECEIVABLE	505,519	0	505,519	157,256
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(260,200)	0	(260,200)	(65,000)
NET ACCOUNTS RECEIVABLE	245,319	0	245,319	92,256
PREPAID INSURANCE	15,240	0	15,240	16,523
PREPAID INCOME TAXES	1,631	0	1,631	0
DEPOSITS	17,159	0	17,159	17,159
DUE FROM OTHER FUND	280,730	0	280,730	28,469
TOTAL ASSETS	\$ 1,364,406	\$ 1,261,373	\$ 2,625,779	\$ 1,916,014
<u>LIABILITIES AND FUND BALANCES</u>				
ACCOUNTS PAYABLE	\$ 16,449	\$ 0	\$ 16,449	\$ 27,762
REFUNDABLE DEPOSITS	24,000	0	24,000	10,000
INCOME TAXES PAYABLE	0	0	0	4,462
OTHER LIABILITIES	4,155	0	4,155	0
INSURANCE (CONTINGENCY)	53,644	0	53,644	0
DEFERRED SPECIAL ASSESSMENT-ROOF(NOTE 6)	599,691	0	599,691	0
DUE TO OTHER FUND	0	280,730	280,730	28,469
ASSESSMENTS PAID IN ADVANCE	186,068	0	186,068	227,061
TOTAL LIABILITIES	884,007	280,730	1,164,737	297,754
FUND BALANCES	480,399	980,643	1,461,042	1,618,260
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,364,406	\$ 1,261,373	\$ 2,625,779	\$ 1,916,014

Read the Accompanying Notes to Financial Statements.

LAKE CHARLES ASSOCIATION, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
For Year Ended December 31, 2009

	2009			2008
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
<u>REVENUES</u>				
MAINTENANCE ASSESSMENTS	\$ 2,085,705	\$ 227,276	\$ 2,312,981	\$ 2,292,782
FINE INCOME	12,360	0	12,360	5,570
LEASE/RESALE FEES	9,845	0	9,845	10,650
REIMBURSEMENT-LEGAL FEES	2,878	0	2,878	12,083
LATE FEES	11,948	0	11,948	13,768
INTEREST INCOME	6,834	17,154	23,988	35,587
INTEREST OWNERS	24,672	0	24,672	18,405
COMCAST OVERCHARGE REIMBURSEMENT	0	0	0	6,483
FLORIDA CITY GAS REFUND	5,557	0	5,557	0
INSURANCE REIMBURSEMENT	0	0	0	53,208
INTEREST CROSSTOWN PARKWAY	7,736	0	7,736	9,359
MISCELLANEOUS INCOME	10,398	0	10,398	12,784
TOTAL REVENUES	<u>2,177,933</u>	<u>244,430</u>	<u>2,422,363</u>	<u>2,470,679</u>
<u>EXPENDITURES</u>				
ADMINISTRATION	\$ 512,850	\$ 0	\$ 512,850	\$ 286,502
UTILITIES	548,364	0	548,364	481,980
HARBOUR ISLES	168,481	0	168,481	186,095
GROUNDS	768,660	0	768,660	804,298
GATEHOUSE OPERATION	114,357	0	114,357	114,303
CLUBHOUSE OPERATION	102,663	0	102,663	107,914
MAJOR REPAIRS - RESERVES	0	72,912	72,912	46,841
TOTAL EXPENDITURES	<u>2,215,375</u>	<u>72,912</u>	<u>2,288,287</u>	<u>2,027,934</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>(37,442)</u>	<u>171,518</u>	<u>134,076</u>	<u>442,745</u>
FUND BALANCES, BEGINNING OF YEAR	517,841	1,100,419	1,618,260	1,175,515
TRANSFERS	0	(291,294)	(291,294)	0
FUND BALANCES, END OF YEAR	<u>\$ 480,399</u>	<u>\$ 980,643</u>	<u>\$ 1,461,042</u>	<u>\$ 1,618,260</u>

Read the Accompanying Notes to Financial Statements.

LAKE CHARLES ASSOCIATION, INC.
Statement of Cash Flows
For Year Ended December 31, 2009

<u>INCREASE(DECREASE) IN CASH</u>	2009			2008
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 1,696,449	\$ 227,276	\$ 1,923,725	\$ 2,252,430
Cash Receipts-Roofing Project	1,821,893	0	1,821,893	0
Interest Income Received	14,570	17,154	31,724	44,946
Other Income Received	74,461	0	74,461	132,951
Cash Payments to Vendors and Suppliers	(2,022,682)	(72,912)	(2,095,594)	(2,064,289)
Cash Payments for Roofing Project	(1,222,202)	0	(1,222,202)	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	362,489	171,518	534,007	366,038
CASH FLOW FROM INVESTING ACTIVITIES:				
Change in Interfund Borrowing	(309,199)	309,199	0	0
Transfers	0	(291,294)	(291,294)	0
Redemption (Purchase) of Certificates of Deposit	0	0	0	0
NET CASH USED BY INVESTING ACTIVITIES	(309,199)	17,905	(291,294)	0
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	53,290	189,423	242,713	366,038
CASH AT BEGINNING OF YEAR	463,862	1,071,950	1,535,812	1,169,774
CASH AT END OF YEAR	\$ 517,152	\$ 1,261,373	\$ 1,778,525	\$ 1,535,812

**RECONCILIATION OF EXCESS OF ASSESSMENTS AND REVENUES
OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

CASH FLOWS FROM OPERATING ACTIVITIES

Excess (deficit) of revenues over expenses	\$ (37,442)	\$ 171,518	\$ 134,076	\$ 442,745
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	(348,263)	0	(348,263)	(65,061)
Allowance for Doubtful Accounts	195,200	0	195,200	18,000
Deposits	0	0	0	(30)
Prepaid Expenses	5,916	0	5,916	4,729
Increase (Decrease) in:				
Accounts Payable	(11,313)	0	(11,313)	(60,804)
Other Liabilities	4,155	0	4,155	0
Assessments Paid in Advance	(40,993)	0	(40,993)	24,709
Deferred Special Assessment	599,691	0	599,691	0
Income Taxes Payable	(4,462)	0	(4,462)	1,750
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 362,489	\$ 171,518	\$ 534,007	\$ 366,038

Read the Accompanying Notes to Financial Statements.

**LAKE CHARLES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION AND PURPOSE

Lake Charles Association, Inc. was incorporated on December 19, 1994 as a Florida not-for-profit corporation. The Association has been organized as a master Association for the purpose of operating and maintaining the common property of the Lake Charles Community and to enforce the covenants, conditions, restrictions, and other provisions pursuant to Chapter 720 of the Florida Statutes. The common property the Association maintains consists of security gates and entrance, streetlights, roads and related greenbelt and preservations areas located in Port St. Lucie, FL. Additional common property includes bridges, a clubhouse, basketball courts, tennis courts, shuffleboard courts, and a pool. The Association includes 1,026 single-family residential sites and the 102 units of Harbour Isles Townhomes on 500-acres in the St. Lucie West area of Port St. Lucie, Florida

All policy decisions are formed by the Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements have been prepared pursuant to Section 720 of the Florida Statutes. The Association's governing documents provide certain guidelines for conducting its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund

This fund is used to account for financial resources available for general operations of the Association.

Replacement Fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

**LAKE CHARLES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 expense during the reporting period. Actual results could differ from those estimates.

Common Property

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 the properties may not be disposed of at the discretion of the Board of Directors and are used exclusively by homeowners whose assessments are determined without regard to individual usage of the properties. Acquisition or disposition of common property requiring amendment to the Supplemental Declaration of Covenants must be approved by a majority of the voting interests of the members.

Member Assessments:

Association members are subject to quarterly assessments in advance, to provide funds for the Association's operating expenses and a reserve for major repairs and replacements. The annual budget and member assessments are determined and approved by the Board of Directors.

The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are in arrears. The Association has an allowance for doubtful assessments receivable.

Interest Earned:

Interest earned on replacement fund investments is retained in the replacement fund.

Cash Flows:

The Association presents changes in cash flows using the direct method.

**LAKE CHARLES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Income Taxes:

For the year ended December 31, 2009, the Association was taxed as a regular corporation in accordance with the Internal Revenue Code. The Association is taxed on its non-membership income, such as net investment earnings. Membership income, which consists primarily of owner assessments, is not taxable.

NOTE 3 – CONCENTRATION OF CREDIT RISK

As of December 31, 2009, the Association had more than the federally insured limit of \$250,000 on deposit at several financial institutions.

As of December 31, 2009, the Association also had more than the federally insured limit of \$250,000 per depositor on deposit at another financial institution. However, the total amount that exceeded the insured limit of \$250,000 at this financial institution was protected by collateralization with US Government securities and Certificates of Deposit at another financial institution by that financial institution.

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents allow funds to be accumulated for future major repairs and replacements.

Funds are being accumulated in the replacement fund based on the estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacement. If additional funds are needed, however, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following table reflects the replacement fund assessments, interest income and expenditures during the current fiscal year, along with the beginning and closing balances by the various components:

**LAKE CHARLES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (continued)

<u>RESERVES</u>	<u>Beginning Balance</u>	<u>Owner Funding</u>	<u>Current Year Interest</u>	<u>Expended</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>GENERAL RESERVES</u>						
POOL	21,410	950	0	0	0	22,360
OFFICE FURNITURE	21,000	2,000	0	0	0	23,000
PAVING & SIDEWALLS	336,439	93,179	0	(5,500)	0	424,118
TENNIS AREA	18,349	350	0	(9,354)	7,032	16,377
CLUBHOUSE BLDG	34,665	5,000	0	0	0	39,665
AIR CONDITIONING	16,115	450	0	0	0	16,565
DISASTER RECOVERY	43,452	4,000	0	0	0	47,452
BRIDGES-2	34,296	1,580	0	0	0	35,876
CAPITAL IMPROVEMENT	107,511	2,500	0	(8,783)	0	101,228
BASKETBALL COURT	3,163	0	0	0	(3,163)	0
SHUFFLEBOARD COURT	3,870	0	0	0	(3,870)	0
GATEHOUSE	15,000	0	0	0	0	15,000
LANDSCAPE	26,755	0	0	0	0	26,755
IRRIGATION	15,000	7,500	0	0	0	22,500
PAINTING	33,137	0	0	0	0	33,137
INTEREST	86,543	0	15,119	0	0	101,662
TOTAL GENERAL	816,705	117,509	15,119	(23,637)	(1)	925,695
<u>HARBOUR ISLES</u>						
PAINT	32,292	13,750	0	0	0	46,042
ROOF	198,915	94,350	0	(26,608)	(266,657)	0
DISASTER	21,000	1,667	0	(22,667)	0	0
IRRIGATION	8,906	0	0	0	0	8,906
INTEREST	22,601	0	2,035	0	(24,636)	0
TOTAL HARBOUR ISLES	283,714	109,767	2,035	(49,275)	(291,293)	54,948
TOTAL RESERVES	1,100,419	227,276	17,154	(72,912)	(291,294)	980,643

NOTE 5 – CROSSTOWN PARKWAY AND LITIGATION SETTLEMENT

Prior to 2009, the Association received \$215,042 as partial payment from the City of Port St. Lucie to pay land to be used in an I-95 interchange. These funds are being held in a separate interest bearing account.

On May 14, 2010 the Association received \$684,958 as the final settlement on this matter and has deposited these funds in a separate interest bearing account designated as litigation settlement funds. These funds will only be spent on items related to the settlement, capital expenditures and extraordinary expenses in compliance with Internal Revenue Service guidelines to avoid taxation of these proceeds.

**LAKE CHARLES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - ROOF PROJECT

As of December 31, 2009, a major roofing project had \$599,691 of funds remaining from numerous special assessments and transfers from reserve funds for this project. Since the project will still in progress at December 31, 2009 these funds have been deferred at December 31, 2009 and are available to complete the project in 2010.

NOTE 7 – HARBOUR ISLES AND PENDING INSURANCE LITIGATION

The Harbour Isles section of The Lake Charles Association, Inc. sustained major damage from Hurricanes Frances (September 5, 2004), Jeanne (September 25, 2004), and Wilma (October 24, 2005), most notably to the roofs, along with other damages.

Lake Charles Association, Inc. has been sued by several unit owners regarding issues related to these hurricane claims. The lawsuit is currently in the process of being settled by the insurance counsel for the Association. Accordingly, an estimate cannot be made of the exposure of the Association.

SUPPLEMENTARY

LAKE CHARLES ASSOCIATION, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2009

	2008		2009		
	Actual	Actual	Budget	\$ Variance	% Variance
REVENUES					
MAINTENANCE ASSESSMENTS	2,105,382	2,085,705	2,084,682	1,023	0.0%
FINE INCOME	5,570	12,360	0	12,360	0.0%
LEASE/RESALE FEES	10,650	9,845	7,000	2,845	40.6%
REIMBURSEMENT-LEGAL FEES	12,083	2,878	0	2,878	0.0%
LATE FEES	13,768	11,948	0	11,948	0.0%
INTEREST INCOME	6,188	6,834	2,795	4,039	144.5%
INTEREST OWNERS	18,405	24,672	0	24,672	0.0%
COMCAST OVERCHARGE REIMBURSEMENT	6,483	0	0	0	0.0%
FLORIDA CITY GAS REFUND	0	5,557	0	5,557	0.0%
INTEREST CROSSTOWN PARKWAY	9,359	7,736	0	7,736	0.0%
MISCELLANEOUS INCOME	12,784	10,398	0	10,398	0.0%
TOTAL REVENUE	2,200,672	2,177,933	2,094,477	83,456	4.0%
EXPENSES:					
ADMINISTRATION					
MANAGEMENT FEES	96,420	104,870	104,870	0	0.0%
ACCOUNTING/AUDIT	4,900	4,400	5,100	700	13.7%
MAINTENANCE PERSONNEL	54,080	51,439	50,000	(1,439)	-2.9%
LEGAL & PROFESSIONAL	32,765	73,015	40,000	(33,015)	-82.5%
INSURANCE - COMMON	40,748	33,160	45,000	11,840	26.3%
OFFICE EXPENSE	16,444	14,593	19,000	4,407	23.2%
NEWSLETTER & MISCELLANEOUS	3,848	2,748	4,800	2,052	42.8%
BAD DEBT EXPENSE	20,936	210,286	20,000	(190,286)	-951.4%
PERMITS & FEES	371	486	500	14	2.8%
OFFICE PHONE	7,888	11,230	7,500	(3,730)	-49.7%
INCOME & OTHER TAXES	8,102	6,623	8,000	1,377	17.2%
Total · ADMINISTRATION	286,502	512,850	304,770	(208,080)	-68.3%
UTILITIES					
STREET LIGHTS & ELECTRIC	80,350	77,398	105,000	27,602	26.3%
WATER	11,701	13,927	13,000	(927)	-7.1%
CABLE TV	389,929	457,039	411,523	(45,516)	-11.1%
Total · UTILITIES	481,980	548,364	529,523	(18,841)	-3.6%
HARBOUR ISLES					
INSURANCE	50,064	48,340	45,400	(2,940)	-6.5%
LANDSCAPING	61,430	91,745	91,930	185	0.2%
IRRIGATION	25,115	0	0	0	0.0%
PEST/FERTILIZER	18,834	0	0	0	0.0%
REPAIR & MAINTENANCE	1,866	1,105	5,000	3,895	77.9%
LEGAL	28,786	27,291	0	(27,291)	0.0%
Total · HARBOUR ISLES	186,095	168,481	142,330	(26,151)	-18.4%

LAKE CHARLES ASSOCIATION, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2009

	2008		2009		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	\$ <u>Variance</u>	% <u>Variance</u>
<u>EXPENSES: (continued)</u>					
GROUNDS					
LANDSCAPE - COMMON	102,001	129,038	147,232	18,194	12.4%
LANDSCAPE - HOUSES	511,565	589,237	589,237	0	0.0%
IRRIGATION - CALIF. BERM	11,099	0	0	0	0.0%
IRRIGATION REPAIR - COMMON	31,791	19,599	37,000	17,401	47.0%
PEST CONTROL / FERTILIZER - COMMON	15,902	0	0	0	0.0%
PEST CONTROL / FERTILIZER - HOUSES	76,098	0	0	0	0.0%
LANDSCAPE REPLACEMENT	18,643	9,639	40,000	30,361	75.9%
MULCH REPLACEMENT	9,613	3,368	17,000	13,632	80.2%
TREE MAINTENANCE & REMOVAL	13,704	6,495	12,000	5,505	45.9%
REPAIRS & MAINTENANCE - COMMON	7,328	8,464	15,000	6,536	43.6%
FOUNTAINS / CONTRACTS/REPAIRS	6,554	2,820	8,000	5,180	64.8%
Total · GROUNDS	804,298	768,660	865,469	96,809	11.2%
GATEHOUSE OPERATING					
GATEKEEPER SERVICES	106,204	113,890	110,000	(3,890)	-3.5%
ELECTRIC - GATE	2,916	2,228	4,500	2,272	50.5%
WATER/SEWER - GATE	343	839	525	(314)	-59.8%
MISCELLANEOUS - GATE	12,168	5,859	5,000	(859)	-17.2%
GATE INCOME- TRANSMITTERS	(5,813)	(6,363)	0	6,363	0.0%
GATE DAMAGE - REIMBURSEMENT	(1,515)	(2,096)	0	2,096	0.0%
Total · GATEHOUSE OPERATION	114,303	114,357	120,025	5,668	4.7%
CLUBHOUSE OPERATION					
ELECTRIC - CLUBHOUSE	16,702	16,677	24,000	7,323	30.5%
WATER/SEWER - CLUBHOUSE	10,586	14,607	12,000	(2,607)	-21.7%
POOL MAINTENANCE	10,382	10,275	12,000	1,725	14.4%
POOL EQUIPMENT/REPAIR/SUPPLY	5,277	7,055	9,000	1,945	21.6%
POOL GAS & SPA	29,454	21,253	35,000	13,747	39.3%
REPAIRS & MAINTENANCE - CLUBHOUSE	16,066	15,926	15,000	(926)	-6.2%
JANITORIAL - CLUBHOUSE	7,889	6,225	8,000	1,775	22.2%
LANDSCAPING - CLUBHOUSE	598	0	0	0	0.0%
POOL MONITOR	0	7,627	11,500	3,873	33.7%
IRRIGATION REPAIR - CLUBHOUSE	12	0	0	0	0.0%
PEST CONTROL & FERTILIZER	487	0	0	0	0.0%
ALARM MONITORING	660	605	660	55	8.3%
MISCELLANEOUS - CLUBHOUSE	8,985	1,567	4,000	2,433	60.8%
TRASH SERVICE - CLUBHOUSE	816	846	1,200	354	29.5%
Total · CLUBHOUSE OPERATION	107,914	102,663	132,360	29,697	22.4%
TOTAL EXPENSES	1,981,093	2,215,375	2,094,477	(120,898)	-5.8%
NET SURPLUS (DEFICIT)	219,579	(37,442)	0	(37,442)	0.0%

LAKE CHARLES ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
For Year Ended December 31, 2009

The Board of Directors conducted a study in 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from various sources; such as licensed contractors who inspected the property, invoices from the recent acquisition of replacement of certain common property, and telephone inquiries of licensed contractors for estimated costs to replace.

Component	Estimated Useful		Requirements		Actual 2010 Funding	Replacement Fund Balance At 12/31/2008
	in Years	in Years Remaining	Estimated Current Replacement Cost *	2010 Full Funding Requirement		
<u>GENERAL RESERVES</u>						
POOL	10	8	\$ 30,000	\$ 954	\$ 954	\$ 22,360
OFFICE FURNITURE	VARIES	VARIES	25,000	2,000	2,000	23,000
PAVING & SIDEWALLS	30	19	2,000,000	92,941	92,941	424,118
TENNIS AREA	15	4	20,000	3,406	3,406	16,377
CLUBHOUSE BLDG	VARIES	VARIES	50,000	5,000	5,000	39,665
AIR CONDITIONING	10	9	25,000	937	937	16,565
DISASTER RECOVERY	VARIES	VARIES	100,000	4,000	4,000	47,452
BRIDGES-2	20	9	50,000	1,570	1,570	35,876
CAPITAL IMPROVEMENT SPORTS FACILITIES/	VARIES	VARIES	120,000	0	0	101,228
BOCCI COURT	VARIES	VARIES	10,000	0	0	0
GATEHOUSE	VARIES	VARIES	25,000	0	0	15,000
LANDSCAPE	VARIES	VARIES	75,000	0	0	26,755
IRRIGATION	VARIES	VARIES	50,000	10,000	10,000	22,500
PAINTING	VARIES	VARIES	40,000	0	0	33,137
INTEREST	-	-	-	-	-	101,662
TOTAL GENERAL RESERVES			\$ 2,620,000	\$ 120,808	\$ 120,808	\$ 925,695
<u>HARBOUR ISLES</u>						
PAINT	7	5.5	\$ 130,000	\$ 15,038	\$ 15,038	\$ 46,042
ROOF	30	30	1,800,000	60,000	60,000	0
DISASTER	VARIES	VARIES	50,000	2,000	2,000	0
IRRIGATION	VARIES	VARIES	15,000	0	0	8,906
INTEREST	-	-	0	0	0	0
TOTAL HARBOUR ISLES RESERVES			\$ 1,995,000	\$ 77,038	\$ 77,038	\$ 54,948
TOTAL RESERVES			\$ 4,615,000	\$ 197,846	\$ 197,846	\$ 980,643

See Independent Auditor's Report and Notes to Financial Statements