

Vail Racquet Club

Mountain Resort

**Financial Statements
and
Independent Accountants' Review Report
May 31, 2017 and 2016**

EKS&H

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Racquet Club Owner's Association d/b/a Vail Racquet Club
Mountain Resort
Vail, Colorado

We have reviewed the accompanying balance sheets of Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort (the "Association") as of May 31, 2017 and May 31, 2016, and the related statements of operating revenue and expenses, changes in fund balances, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

ACCOUNTANTS' CONCLUSION

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Racquet Club Owner's Association d/b/a Vail Racquet Club
Mountain Resort
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Our reviews were made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The additional information included in the accompanying schedules is presented only for supplementary analysis purposes. Such information, except for the portion marked "not reviewed," has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, and we are not aware of any material modifications that should be made to it.

SUPPLEMENTARY INFORMATION

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 AICPA. We have compiled this from information that is the representation of the Association's management without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

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August 7, 2017
Denver, Colorado

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Balance Sheets

	May 31, 2017			Total
	Homeowners	Rental	Total	May 31, 2016
Assets				
Current assets				
Cash and cash equivalents	\$ 248,917	\$ 355,139	\$ 604,056	\$ 1,373,987
Cash and cash equivalents - restricted	4,754,460	425,029	5,179,489	1,533,727
Accounts receivable, net	162,513	61,086	223,599	267,786
Accounts receivable - special assessment	1,506,508	-	1,506,508	3,125,756
Inventories, net	50,019	5,977	55,996	58,262
Prepaid expenses and other	3,036	-	3,036	10,126
Total current assets	<u>6,725,453</u>	<u>847,231</u>	<u>7,572,684</u>	<u>6,369,644</u>
Property and equipment				
Land	55,000	-	55,000	55,000
Buildings	4,722,982	450,000	5,172,982	5,157,982
Equipment	946,225	166,264	1,112,489	999,189
Furniture	15,917	3,489	19,406	19,406
Building improvements	201,116	-	201,116	163,016
	5,941,240	619,753	6,560,993	6,394,593
Less accumulated depreciation	<u>(3,080,978)</u>	<u>(288,626)</u>	<u>(3,369,604)</u>	<u>(3,137,262)</u>
Net property and equipment	<u>2,860,262</u>	<u>331,127</u>	<u>3,191,389</u>	<u>3,257,331</u>
Accounts receivable - special assessment, net of current portion	<u>3,268,014</u>	<u>-</u>	<u>3,268,014</u>	<u>5,203,288</u>
Total assets	<u>\$ 12,853,729</u>	<u>\$ 1,178,358</u>	<u>\$ 14,032,087</u>	<u>\$ 14,830,263</u>
Liabilities and Fund Balances				
Current liabilities				
Accounts payable	\$ 158,340	\$ -	\$ 158,340	\$ 20,221
Accrued expenses				
Payroll and related	186,940	41,787	228,727	205,419
Other	179,860	197,473	377,333	305,791
Short-term rental deposits	1,208	140,992	142,200	118,363
Assessments and dues collected in advance	528,525	-	528,525	513,895
Deferred revenue - special assessment	<u>1,504,000</u>	<u>-</u>	<u>1,504,000</u>	<u>1,065,000</u>
Total current liabilities	2,558,873	380,252	2,939,125	2,228,689
Deferred revenue - special assessment, net of current portion	5,888,956	-	5,888,956	7,570,000
Long-term rental deposits	<u>22,938</u>	<u>40,058</u>	<u>62,996</u>	<u>68,308</u>
Total liabilities	<u>8,470,767</u>	<u>420,310</u>	<u>8,891,077</u>	<u>9,866,997</u>
Commitments				
Fund balances				
Operating	3,339,379	333,019	3,672,398	3,735,495
Reserve	<u>1,043,583</u>	<u>425,029</u>	<u>1,468,612</u>	<u>1,227,771</u>
Total fund balances	<u>4,382,962</u>	<u>758,048</u>	<u>5,141,010</u>	<u>4,963,266</u>
Total liabilities and fund balances	<u>\$ 12,853,729</u>	<u>\$ 1,178,358</u>	<u>\$ 14,032,087</u>	<u>\$ 14,830,263</u>

See notes to financial statements.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Statements of Operating Revenue and Expenses

	Year Ended May 31, 2017			Total Year Ended May 31, 2016
	Homeowners	Rental	Total	
Assessments and revenue				
Club revenue	\$ 935,345	\$ -	\$ 935,345	\$ 926,095
Short-term room revenue	-	2,847,552	2,847,552	2,784,000
Long-term rental commissions	-	54,662	54,662	56,374
Common assessments	1,259,436	-	1,259,436	1,227,468
Garden level rental income	282,272	-	282,272	263,648
Maid income	-	117,849	117,849	125,537
Firewood income	-	6,320	6,320	6,103
Interest income	4,528	1,387	5,915	7,104
Rent deposit forfeitures	-	56,512	56,512	52,674
Other revenues	65,386	126,466	191,852	188,322
Total assessments and revenue	<u>2,546,967</u>	<u>3,210,748</u>	<u>5,757,715</u>	<u>5,637,325</u>
Direct expenses				
Cost of sales	29,419	-	29,419	27,518
Rooms	-	997,236	997,236	949,838
Operating	1,066,142	167,747	1,233,889	1,208,685
Marketing	-	103,198	103,198	113,634
Repairs and maintenance	724,086	63,080	787,166	763,136
Utilities	419,897	15,935	435,832	416,959
Rental club usage fees	-	145,642	145,642	141,664
Total direct expenses	<u>2,239,544</u>	<u>1,492,838</u>	<u>3,732,382</u>	<u>3,621,434</u>
Excess of revenue over expenses before fixed charges	<u>307,423</u>	<u>1,717,910</u>	<u>2,025,333</u>	<u>2,015,891</u>
Fixed charges				
Property taxes	23,318	3,260	26,578	26,542
Insurance expense	26,943	4,326	31,269	34,564
Depreciation and amortization	209,559	22,783	232,342	219,510
Total fixed charges	<u>259,820</u>	<u>30,369</u>	<u>290,189</u>	<u>280,616</u>
Excess of revenue over expenses before distributions to rental participants	47,603	1,687,541	1,735,144	1,735,275
Distributions to rental participants	-	(1,585,641)	(1,585,641)	(1,543,199)
Excess of revenue over expenses	<u>\$ 47,603</u>	<u>\$ 101,900</u>	<u>\$ 149,503</u>	<u>\$ 192,076</u>

See notes to financial statements.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

**Statement of Changes in Fund Balances
Years Ended May 31, 2017 and 2016**

	<u>Homeowners</u>		<u>Rental</u>		<u>Total</u>
	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Operating Fund</u>	<u>Reserve Fund</u>	
Balance - May 31, 2015 (Audited)	\$ 3,498,973	\$ 630,542	\$ 362,925	\$ 517,857	\$ 5,010,297
Excess of operating revenue over expenses	59,582	-	132,494	-	192,076
Transfer to reserve fund	(258,000)	258,000	(152,000)	152,000	-
Reserve fund assessment	-	519,396	-	-	519,396
Reserve fund expenditures	-	(580,671)	-	(177,832)	(758,503)
Transfer of assets	<u>91,521</u>	<u>(91,521)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance - May 31, 2016 (Reviewed)	3,392,076	735,746	343,419	492,025	4,963,266
Excess of operating revenue over expense	47,603	-	101,900	-	149,503
Transfer to reserve fund	(255,000)	255,000	(124,000)	124,000	-
Reserve fund assessment	-	519,396	-	-	519,396
Reserve fund expenditures	-	(311,859)	-	(179,296)	(491,155)
Transfer of assets	<u>154,700</u>	<u>(154,700)</u>	<u>11,700</u>	<u>(11,700)</u>	<u>-</u>
Balance - May 31, 2017 (Reviewed)	<u>\$ 3,339,379</u>	<u>\$ 1,043,583</u>	<u>\$ 333,019</u>	<u>\$ 425,029</u>	<u>\$ 5,141,010</u>

See notes to financial statements.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Statements of Cash Flows

	Year Ended May 31, 2017			Total Year Ended May 31, 2016
	Homeowners	Rental	Total	
Cash flows from operating activities				
Excess of operating revenue over expenses	\$ 47,603	\$ 101,900	\$ 149,503	\$ 192,076
Adjustments to reconcile excess of operating revenue over expenses to net cash provided by operating activities				
Reserve assessments	519,396	-	519,396	519,396
Reserve expenditures	(311,859)	(179,296)	(491,155)	(758,503)
Depreciation and amortization	209,559	22,783	232,342	219,510
Changes in certain assets and liabilities				
Accounts receivable	35,609	8,578	44,187	124,843
Inventories	458	1,784	2,242	(318)
Prepaid expenses and other	7,114	-	7,114	(6,612)
Special assessments receivable	3,554,522	-	3,554,522	(8,329,044)
Accounts payable	138,119	-	138,119	(104,653)
Accrued expenses	30,090	64,760	94,850	(50,724)
Deferred revenue - special assessment	(1,242,044)	-	(1,242,044)	8,635,000
Rental deposits	(262)	18,787	18,525	(1,983)
Assessments and dues collected in advance	14,630	-	14,630	(801)
Net cash provided by operating activities	3,002,935	39,296	3,042,231	438,187
Cash flows from investing activities				
Additions to buildings, units, and equipment	(154,700)	(11,700)	(166,400)	(91,522)
Net cash used in investing activities	(154,700)	(11,700)	(166,400)	(91,522)
Net increase in cash and cash equivalents and restricted cash and cash equivalents	2,848,235	27,596	2,875,831	346,665
Cash and cash equivalents and restricted cash and cash equivalents - beginning of year	2,155,142	752,572	2,907,714	2,561,049
Cash and cash equivalents and restricted cash and cash equivalents- end of year	\$ 5,003,377	\$ 780,168	\$ 5,783,545	\$ 2,907,714

For other cash flow information, see Note 1.

See notes to financial statements.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies

Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort (the "Association"), a non-profit corporation, was incorporated in 1973 and merged with the Racquet Club Townhomes in 1980. The Association's purpose is to govern and manage the common affairs of owners of condominium and townhouse property located in Vail, Colorado. The Association consists of 311 condominiums and townhomes and related common areas. The Association is responsible for maintaining the common areas and managing the rental operations. On December 18, 1998, the Association purchased Vail Racquet Club (the "Club") and 23 condominium units to be utilized for employee housing from the original developer. In 2003, the deed restriction to these units expired. During 2013, the Racquet Club Owners Association added d/b/a Vail Racquet Club Mountain Resort to better describe the property for marketing purposes.

The owners of the condominium units may individually elect to offer their units for rent as part of a short-term rental program. Approximately 30% of the owners participate in the program. Each owner is credited with 55% of the short-term room-rental income received from the specific unit being rented. The Association retains 45% of room revenue to offset related operations costs, including usage of the Club. Association expenses are allocated between the homeowners' operating fund and the rental operating fund based on percentages reviewed and approved annually by the Board of Directors ("Board").

Fund Accounting

The Association uses fund accounting, which requires that funds, as described below, be classified separately for accounting and reporting purposes. Disbursements for operations are generally at the discretion of the Board and property manager. Disbursements from the repair and replacement reserve fund generally may be made only for designated purposes.

Homeowners' Operating Fund

Included in this classification of transactions are assets, liabilities, revenues, and expenses for the non-rental operations of the Association. This fund includes typical Association costs and revenues. The homeowners' operating fund balance represents the net cumulative difference of such transactions.

The Association maintains working capital, which is reported together with the homeowners' operating fund. Working capital consists of predetermined amounts that are collected at the time of the initial sale of the condominium unit. Collections of working capital are considered contributions of capital. Working capital included in the homeowners' operating fund balance was \$73,961 at May 31, 2017 and 2016.

Homeowners' Reserve Fund

Included in the homeowners' reserve fund are amounts assessed to the residential owners and expenses for Board-designated major repairs and replacements.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Rental Operating Fund

Included in this classification of transactions are assets, liabilities, revenues, and expenses for the rental operations of the Association. The rental operating fund includes typical rental revenues and expenses. The rental operating fund balance represents the cumulative difference of such transactions.

Rental Reserve Fund

Included in the rental reserve fund are amounts assessed to the rental owners and expenses for Board-designated major repairs and replacements or other expenditures as determined by the Board. For the years ended May 31, 2017 and 2016, the Board approved payment of 4% and 5%, respectively, back of regular rental night revenue to the rental participants based on the results of the year.

Club Operating Fund

Included in this classification of transactions are assets, liabilities, revenues, and expenses for the operations of the Club. This fund includes typical Club revenues and expenses. The Club operating fund balance represents the cumulative difference of such transactions.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and certificates of deposit. Included in cash and cash equivalents are designated restricted funds for the repair and replacement reserve fund. The Association invests a portion of its cash funds in money market funds and bank savings accounts administered by high-quality financial institutions. The Association keeps deposits at several different financial institutions to limit risk associated with exceeding federally insured limits; however, at times deposited amounts do exceed such limits. Such deposits are held in high-quality financial institutions.

Accounts Receivable

Accounts receivable represent amounts due from owners and members. At the time the accounts receivable are originated, the Association considers a reserve for doubtful accounts based on the creditworthiness of the homeowner or member. The provision for uncollectible accounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Association on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. The Association had an allowance of \$43,405 and \$23,929 at May 31, 2017 and 2016, respectively.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Inventories

Inventories consist primarily of maintenance and housekeeping items for owners' units and items available for sale at the Club. Inventories are stated at the lower of cost or market, determined using the first-in, first-out method. The Association had an allowance of \$14,285 at May 31, 2017 and 2016.

Recognition of Assets and Depreciation Policy

The policy of the Association is to capitalize real and personal property at cost on the operating fund to which the Association has separate title or ownership and that may be sold individually, or from which significant cash flows can be derived based on usage by owners and non-owners.

These assets are depreciated using the straight-line method over estimated lives ranging from three to thirty years.

Long-Lived Assets

The Association reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Association looks primarily to the fair value of the underlying assets and secondarily to the discounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No impairment was recorded for the years ended May 31, 2017 and 2016.

Rental Deposits

Rental deposits are payments received in advance for future reservations and are recorded as a liability until rooms and other services are provided and revenues are earned.

Concentration of Risk

A significant portion of the rental operation's revenues are derived during the winter months. If the Vail area were to experience a significant decline in snowfall, it could have a significant impact on the rental operation's revenue.

Income Taxes

The Association does not qualify to be treated as an association exempt from income taxes pursuant to Internal Revenue Code Section 528. Although the Association is a not-for-profit corporation, it is subject to income tax, essentially in the same manner as a regular business corporation, with the exception of assessments held as long-term reserves for non-recurring expenditures.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Association evaluates its tax positions taken or expected to be taken in the course of preparing the Association's tax returns to determine whether the tax positions will more likely than not be sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are not recorded as a tax benefit or expense in the current year. Interest and penalties, if applicable, are recorded in the period assessed as general and administrative expenses. However, no interest or penalties have been assessed as of May 31, 2017 and 2016.

Homeowners' Assessments and Revenue

The Association assesses dues monthly, two months in advance, which are payable by the last day of the month. The assessments are allocated based upon square footage and certain costs on a per-unit basis. Monthly dues billed but not yet earned are deferred and presented as a liability, assessments and dues collected in advance. The Board has allocated approximately 30% of total assessments to the repair and replacement reserve fund in 2017 and 2016.

Insurance costs are billed to each owner as a separate assessment based on actual insurance costs.

At various times, the Association's Board may elect to assess or distribute prior year operating deficits or income. Typically, however, income is transferred to the reserve fund.

Club Revenue

The Club receives 5% of short-term rental revenue, for which Association rental guests receive the right to use the Club. Additionally, all homeowners are required to be Club members and are billed monthly, two months in advance, for dues. Monthly dues billed but not yet earned are deferred and presented as a liability, assessments and dues collected in advance. The Club has non-homeowner members that are billed in advance and accounted for in the same manner.

Rental Revenue

Rental room revenue is recognized as lodging is provided.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Marketing Costs

The Club and rental operations expense marketing costs as incurred.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years beginning after December 15, 2018. The Association is in the process of evaluating the impact that this new guidance will have on its financial statements.

Subsequent Events

The Association has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure in the financial statements.

Note 2 - Special Assessment

The Board has special assessed homeowners \$8,635,000 for specific future repairs and replacement projects. The homeowners were given three different billing options. Plan A allows the homeowner to be billed the full amount; Plan B allows the homeowner to be billed for the assessment in four annual installments with a 1% fee; and under Plan C, the homeowner is billed monthly over 60 months with a 2% fee. The fee amounts will be fixed for the first year and may adjust annually in subsequent years based on market conditions. Upon sale of a unit, the remaining amount of unpaid assessment is due at the time of closing.

As of May 31, 2016, the Association had billed \$2,978,677, \$305,956 of which was collected prior to year-end. As of May 31, 2017, the Association has billed \$4,948,943, \$3,860,478 of which was collected prior to year-end. The remaining \$4,774,522 is included in accounts receivable - special assessment on the accompanying balance sheets. The current portion of \$1,506,508 is the amount anticipated to be collected in the next year. The remaining amount is the long-term portion. The Association billed fees in the amount of \$69,210 for the year ended May 31, 2017.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Notes to Financial Statements

Note 2 - Special Assessment (continued)

The Association spent \$1,242,044 in repairs for the year ended May 31, 2017. The remaining amount of the assessment is included in deferred revenue - special assessment on the accompanying balance sheets as expenditures have not yet been incurred. The assessments will be recognized as reserve fund assessment revenue as the expenditures occur. The remaining expenditures are expected to occur in fiscal year 2018 through fiscal year 2020.

Note 3 - Restricted Cash

The Association and rental program accumulate funds for future repairs and replacements in designated restricted accounts, which generally are not available for expenditures for normal operations. The Association held \$5,179,489 and \$1,533,727 in separate designated cash accounts at May 31, 2017 and 2016, respectively, for this purpose.

Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board has the right, subject to the requirements of the bylaws and declarations, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 4 - Line-of-Credit

The Association had an \$800,000 line-of-credit with a bank bearing interest at 4.5%. The line-of-credit matured in April 2017 and was collateralized by Association-owned rental units. There was no outstanding balance due on the line-of-credit at May 31, 2016. As of the report date, the Association is conducting negotiations to renew this line-of-credit.

Note 5 - Section 401(k) Plan

The Association has adopted a 401(k) plan (the "Plan") for eligible employees. The Plan provides for discretionary matching contributions by the Association. During fiscal years 2017 and 2016, matching contributions of \$25,457 and \$22,177 were made by the homeowners' operation, \$14,807 and \$11,369 by the rental operation, and \$6,744 and \$6,198 by the Club, respectively.

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Notes to Financial Statements

Note 6 - Related Party Transactions

Vail Racquet Club

The Club was developed and owned by the original registered partnership of the Racquet Club Townhomes and Condominiums, which was governed by the Association's bylaws and declarations. The bylaws and declarations provided for several types of transactions between the Association or individual owners and the Club. On December 18, 1998, the Association purchased the Club.

Club Dues

Appurtenant to each unit is a Club membership. The Club bills each owner individually for Club dues.

Club Percentage of Short-Term Rental Revenue

The Association remits 5% of short-term room revenue to the Club, for which the Association rental guests are entitled to use the Club. The 5% revenue represented approximately \$146,000 and \$142,000 in 2017 and 2016, respectively.

SUPPLEMENTARY INFORMATION

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Homeowners' and Club Combined Balance Sheets

	May 31, 2017			Total May 31, 2016
	Homeowners	Club	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ (12,132)	\$ 261,049	\$ 248,917	\$ 1,113,440
Cash and cash equivalents - restricted	4,754,460	-	4,754,460	1,041,702
Accounts receivable, net	150,918	11,595	162,513	198,122
Accounts receivable - special assessment	1,506,508	-	1,506,508	3,125,756
Inventories, net	24,565	25,454	50,019	50,477
Prepaid expenses and other	3,234	(198)	3,036	10,150
Total current assets	6,427,553	297,900	6,725,453	5,539,647
Property and equipment				
Land	-	55,000	55,000	55,000
Buildings	1,605,316	3,117,666	4,722,982	4,707,982
Equipment	551,437	394,788	946,225	844,625
Furniture	15,917	-	15,917	15,917
Building improvements	201,116	-	201,116	163,016
	2,373,786	3,567,454	5,941,240	5,786,540
Less accumulated depreciation	(1,180,818)	(1,900,160)	(3,080,978)	(2,871,419)
Net property and equipment	1,192,968	1,667,294	2,860,262	2,915,121
Interfund transfers	3,009,060	(3,009,060)	-	-
Accounts receivable - special assessment, net of current portion	3,268,014	-	3,268,014	5,203,288
Total assets	\$ 13,897,595	\$ (1,043,866)	\$ 12,853,729	\$ 13,658,056
Liabilities and Fund Balances				
Current liabilities				
Accounts payable	\$ 158,340	\$ -	\$ 158,340	\$ 20,221
Accrued expenses				
Payroll and related	122,067	64,873	186,940	171,847
Other	144,785	35,075	179,860	164,863
Short-term rental deposits	1,208	-	1,208	-
Assessments and dues collected in advance	453,654	74,871	528,525	513,895
Deferred revenue - special assessment	1,504,000	-	1,504,000	1,065,000
Total current liabilities	2,384,054	174,819	2,558,873	1,935,826
Deferred revenue - special assessment, net of current portion	5,888,956	-	5,888,956	7,570,000
Long-term rental deposits	22,938	-	22,938	24,408
Total liabilities	8,295,948	174,819	8,470,767	9,530,234
Commitments				
Fund balances				
Operating	4,558,064	(1,218,685)	3,339,379	3,392,076
Reserve	1,043,583	-	1,043,583	735,746
Total fund balances	5,601,647	(1,218,685)	4,382,962	4,127,822
Total liabilities and fund balances	\$ 13,897,595	\$ (1,043,866)	\$ 12,853,729	\$ 13,658,056

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Homeowners' and Club Combined Statements of Operating Revenue and Expenses

	<u>Year Ended May 31, 2017</u>			Total
	<u>Homeowners</u>	<u>Club</u>	<u>Total</u>	<u>May 31, 2016</u>
Assessments and revenue				
Club revenue	\$ -	\$ 935,345	\$ 935,345	\$ 926,095
Common assessments	1,259,436	-	1,259,436	1,227,468
Garden level rental income	282,272	-	282,272	263,648
Interest income	4,070	458	4,528	4,865
Other revenues	<u>65,386</u>	<u>-</u>	<u>65,386</u>	<u>64,308</u>
Total assessments and revenue	<u>1,611,164</u>	<u>935,803</u>	<u>2,546,967</u>	<u>2,486,384</u>
Direct expenses				
Cost of sales	-	29,419	29,419	27,518
Operating	477,174	588,968	1,066,142	1,037,693
Repairs and maintenance	628,142	95,944	724,086	707,255
Utilities	<u>310,577</u>	<u>109,320</u>	<u>419,897</u>	<u>401,699</u>
Total direct expenses	<u>1,415,893</u>	<u>823,651</u>	<u>2,239,544</u>	<u>2,174,165</u>
Excess of revenue over expenses before fixed charges	<u>195,271</u>	<u>112,152</u>	<u>307,423</u>	<u>312,219</u>
Fixed charges				
Property taxes	4,650	18,668	23,318	23,326
Insurance expense	14,943	12,000	26,943	30,244
Depreciation and amortization	<u>76,128</u>	<u>133,431</u>	<u>209,559</u>	<u>199,067</u>
Total fixed charges	<u>95,721</u>	<u>164,099</u>	<u>259,820</u>	<u>252,637</u>
Excess (deficit) of revenue over expenses	<u>\$ 99,550</u>	<u>\$ (51,947)</u>	<u>\$ 47,603</u>	<u>\$ 59,582</u>

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Homeowners' Operating Expenses

	Year Ended May 31, 2017		
	Actual	Budget	Variance
		(Not Reviewed)	
Administrative Department			
Salaries	\$ 128,949	\$ 124,541	\$ 4,408
Payroll taxes and benefits	23,503	24,290	(787)
Dues and publications	903	1,034	(131)
Office supplies and miscellaneous	816	816	-
Training	650	600	50
Guest and entertainment	563	960	(397)
Travel and transport	134	120	14
Postage	208	384	(176)
Total administrative department	155,726	152,745	2,981
Accounting Department			
Salaries	53,841	50,173	3,668
Payroll taxes and benefits	12,580	12,428	152
Office supplies	1,327	1,450	(123)
Postage	737	384	353
Transportation	254	316	(62)
Training	175	1,066	(891)
Dues and publications	125	400	(275)
Guest and entertainment	51	160	(109)
Advertising - employees	-	120	(120)
Total accounting department	69,090	66,497	2,593
Maintenance Department			
Salaries, net of Club allocation	298,743	307,470	(8,727)
Water and sewer	261,427	270,090	(8,663)
Repairs and maintenance	147,207	144,000	3,207
Payroll taxes and benefits	94,937	89,286	5,651
Gas and electric	49,150	51,660	(2,510)
Lawn care	17,793	20,000	(2,207)
Equipment repairs	15,594	15,120	474
Trash removal	13,590	13,640	(50)
Supplies	13,387	14,800	(1,413)
Fire alarm	11,860	12,500	(640)
Snow removal	11,807	8,500	3,307
Telephone	10,659	10,380	279
Miscellaneous	1,863	1,800	63
Uniforms	1,361	4,000	(2,639)
Total maintenance department	949,378	963,246	(13,868)

(Continued on the following page)

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Homeowners' Operating Expenses

(Continued from the previous page)

	Year Ended May 31, 2017		
	Actual	Budget (Not Reviewed)	Variance
Other Operating Expenses			
Depreciation	23,604	27,307	(3,703)
Computer expenses	16,999	17,266	(267)
Legal fees	16,505	12,996	3,509
Insurance expense	14,943	11,152	3,791
Director/owner communication and meeting expense	13,520	15,865	(2,345)
Professional fees	10,128	10,128	-
Property tax	4,650	4,650	-
Bad debt expense, net of recoveries	4,534	-	4,534
Entertainment expense	3,134	2,820	314
Unemployment tax	3,089	3,200	(111)
Office equipment maintenance	2,561	2,387	174
Miscellaneous	2,163	2,113	50
Office supplies	1,907	3,060	(1,153)
Postage	40	1,006	(966)
Total other operating expenses	<u>117,777</u>	<u>113,950</u>	<u>3,827</u>
Front Desk Expenses			
Front desk expense - allocated	<u>44,552</u>	<u>44,552</u>	<u>-</u>
Total front desk expenses	<u>44,552</u>	<u>44,552</u>	<u>-</u>
Garden Level Rental Units			
Commissions	63,479	46,112	17,367
Depreciation	52,524	52,200	324
Water and sewer	18,560	18,567	(7)
Television	15,642	16,008	(366)
Taxes - property	12,062	12,062	-
Repairs and maintenance	9,109	12,000	(2,891)
Electricity	3,715	4,224	(509)
Total garden level rental units	<u>175,091</u>	<u>161,173</u>	<u>13,918</u>
Total homeowners' operating expenses	<u>\$ 1,511,614</u>	<u>\$ 1,502,163</u>	<u>\$ 9,451</u>

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Rental Operating Expenses

	Year Ended May 31, 2017		
	Actual	Budget (Not Reviewed)	Variance
Administrative Department			
Salaries	\$ 48,151	\$ 46,583	\$ 1,568
Payroll taxes and benefits	12,742	13,605	(863)
Dues and publications	766	400	366
Office supplies and miscellaneous	636	1,224	(588)
Training	99	900	(801)
Travel and transport	249	180	69
Postage	243	576	(333)
Guest and entertainment	146	1,440	(1,294)
Total administrative department	63,032	64,908	(1,876)
Accounting Department			
Salaries	53,852	50,324	3,528
Payroll taxes and benefits	12,532	12,454	78
Postage	727	440	287
Office supplies	629	1,450	(821)
Transportation	254	316	(62)
Training	175	1,066	(891)
Dues and publications	125	400	(275)
Guest and entertainment	31	160	(129)
Advertising and promotion	-	120	(120)
Total accounting department	68,325	66,730	1,595
Maintenance Department			
Repairs and maintenance	56,949	49,880	7,069
Gas and electric	9,305	9,620	(315)
Telephone	6,212	7,860	(1,648)
Firewood	6,070	9,600	(3,530)
Water and sewer	4,014	4,313	(299)
Trash removal	2,616	2,360	256
Supplies	61	600	(539)
Total maintenance department	85,227	84,233	994

(Continued on the following page)

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Rental Operating Expenses

(Continued from the previous page)

	Year Ended May 31, 2017		
	Actual	Budget	Variance
		(Not Reviewed)	
Other Operating Expenses			
Computer expenses	25,888	25,898	(10)
Depreciation	22,783	23,200	(417)
Accounting and legal	10,440	10,440	-
Taxes - other	4,637	6,413	(1,776)
Insurance expense	4,326	4,326	-
Property taxes	3,260	3,260	-
Miscellaneous	2,914	2,113	801
Office equipment maintenance	2,561	1,764	797
Entertainment expense	2,257	2,811	(554)
Office supplies	1,209	2,970	(1,761)
Postage	59	1,009	(950)
Total other operating expenses	80,334	84,204	(3,870)
Front Desk Expenses			
Salaries	200,327	216,669	(16,342)
Payroll	47,808	51,406	(3,598)
HOA long-term rent	16,800	16,800	-
Key blank expense	8,489	6,251	2,238
Office supplies	5,904	5,400	504
Telephone	1,753	1,800	(47)
Advertising	1,284	2,400	(1,116)
Uniforms	1,036	2,400	(1,364)
Miscellaneous	588	300	288
Training	345	600	(255)
Postage	213	600	(387)
Transportation	48	240	(192)
Front desk expenses related to HOA	(44,552)	(44,552)	-
Pro shop front desk expense - allocated Club	(94,696)	(94,696)	-
Total front desk expenses	145,347	165,618	(20,271)

(Continued on the following page)

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Rental Operating Expenses

(Continued from the previous page)

	Year Ended May 31, 2017		
	Actual	Budget (Not Reviewed)	Variance
Sales and Marketing Department			
Salaries	201,211	178,428	22,783
Advertising	68,624	67,229	1,395
Payroll taxes and benefits	42,714	38,394	4,320
Dues	19,596	26,084	(6,488)
Promotion	4,623	5,000	(377)
Advertising - brochures	3,270	3,000	270
Contract services	2,963	3,000	(37)
Training	2,809	2,000	809
Office supplies	497	1,000	(503)
Guest and entertainment	387	1,000	(613)
Travel and transport	368	11,000	(10,632)
Postage	13	500	(487)
Total sales and marketing department	<u>347,075</u>	<u>336,635</u>	<u>10,440</u>
Reservations Department			
Credit card commissions	71,704	64,900	6,804
Adjustments	<u>86</u>	<u>600</u>	<u>(514)</u>
Total reservations department	<u>71,790</u>	<u>65,500</u>	<u>6,290</u>
Housekeeping Department			
Housekeeping - non-billable	244,416	218,348	26,068
Contract labor	97,632	97,700	(68)
Housekeeping - billable	91,745	91,940	(195)
Linen replacement	24,405	22,800	1,605
Guest supplies	22,752	24,200	(1,448)
Guest amenities	17,169	17,500	(331)
Laundry supplies	6,173	8,250	(2,077)
Glass, china, and silver	4,743	1,500	3,243
Cleaning expenses	4,282	3,000	1,282
Repairs/supplies - machinery	2,495	1,440	1,055
Office supplies	622	360	262
Postage	1	-	1
Training	-	400	(400)
Miscellaneous	<u>-</u>	<u>180</u>	<u>(180)</u>
Total housekeeping department	<u>516,435</u>	<u>487,618</u>	<u>28,817</u>
Total rental operating expenses exclusive of Club fees	<u>\$ 1,377,565</u>	<u>\$ 1,355,446</u>	<u>\$ 22,119</u>

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Club Operating Expenses

	Year Ended May 31, 2017		
	Actual	Budget	Variance
		(Not Reviewed)	
Cost of sales	\$ 29,419	\$ 25,500	\$ 3,919
Payroll and Employee Expenses			
Pro shop front desk - allocated	94,696	94,696	
Contract labor - housekeeping and laundry	78,498	78,020	478
Club manager	58,565	56,292	2,273
Accounting salaries	53,841	50,481	3,360
Administration	31,642	30,022	1,620
Class instructions	26,811	27,783	(972)
Housekeeping - billable	26,387	26,618	(231)
Benefits - insurance	20,382	20,386	(4)
Massage therapists salaries	18,984	25,340	(6,356)
Payroll taxes and benefits	18,645	19,864	(1,219)
Fitness salaries	17,705	20,150	(2,445)
Employee benefits	12,946	12,610	336
Personal trainers	5,080	5,775	(695)
Tennis pro salary	5,000	6,000	(1,000)
Swim instructor/lifeguard salaries	3,830	4,500	(670)
Taxes - other	2,567	3,000	(433)
Maintenance salaries	1,742	1,000	742
Training	1,053	1,548	(495)
Uniforms	222	1,000	(778)
Pro shop front desk salary	162	-	162
Total payroll and employee expenses	478,758	485,085	(6,327)
Office Expenses			
Computer expenses	20,366	21,836	(1,470)
Office supplies and miscellaneous	4,788	4,000	788
Office equipment maintenance	2,561	1,830	731
Postage	806	735	71
Printing	665	1,200	(535)
Total office expenses	29,186	29,601	(415)
Maintenance Department			
Gas and electric	74,984	80,060	(5,076)
Owners association repairs	57,741	55,000	2,741
Water and sewer	32,115	34,504	(2,389)
Repairs and maintenance	31,110	36,000	(4,890)
Trash removal	2,743	2,500	243
Telephone	2,221	2,160	61
Landscaping	1,815	3,500	(1,685)
Equipment repairs	1,009	2,100	(1,091)
Fire alarm expense	665	1,800	(1,135)
Total maintenance department	204,403	217,624	(13,221)

(Continued on the following page)

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Club Operating Expenses

(Continued from the previous page)

	Year Ended May 31, 2017		
	Actual	Budget (Not Reviewed)	Variance
Other Operating Expenses			
Tennis court supplies	3,747	4,000	(253)
Guest meal expense	2,557	3,282	(725)
Supplies	861	480	381
Massage room expense	820	1,300	(480)
Rental equipment	471	1,000	(529)
Total other operating expenses	<u>8,456</u>	<u>10,062</u>	<u>(1,606)</u>
Supplies			
Swimming pool	12,480	12,000	480
Locker room	8,525	9,000	(475)
Linen	4,033	4,400	(367)
Laundry	2,038	2,750	(712)
Supplies	1,781	6,000	(4,219)
Weight room	995	1,000	(5)
Total supplies	<u>29,852</u>	<u>35,150</u>	<u>(5,298)</u>
Taxes and Business Licenses			
Property	18,218	18,218	
License fees	450	450	-
Total taxes and business licenses	<u>18,668</u>	<u>18,668</u>	<u>-</u>
General Expenses			
Depreciation	133,431	133,771	(340)
Commissions	12,220	9,100	3,120
Advertising	12,073	12,000	73
Insurance property and liability	12,000	12,000	-
Accounting and legal	10,132	10,132	-
Music, television, and internet	4,190	4,392	(202)
Miscellaneous expense	2,397	2,113	284
Advertising - employees	982	600	382
Club activities	649	1,000	(351)
Entertainment/travel	642	364	278
Dues and publications	292	920	(628)
Promotions	-	600	(600)
Adjustments	-	300	(300)
Total general expenses	<u>189,008</u>	<u>187,292</u>	<u>1,716</u>
Total Club operating expenses	<u>\$ 987,750</u>	<u>\$ 1,008,982</u>	<u>\$ (21,232)</u>

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

Supplementary Information on HOA 10-Year Capital Plan - Summary (Not Reviewed)

The Board and management estimate the remaining useful lives and the replacement costs of the components of common property of residential unit owners on an annual basis. The estimates were obtained or derived by the property's management based on previous costs, estimates from contractors and management, and the Board's experience. Over the next 10 years, the Board and management anticipate incurring the below capital expenditures.

The following table is based on the study and is not audited or reviewed:

	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>	<u>FY 24/25</u>	<u>FY 25/26</u>	<u>FY 26/27</u>	<u>Total</u>
Major capital projects											
Condo deck and patio/walkway replacement											
Deck replacement (assumes half building per year)	\$ 685,000	\$ 570,000	\$ 618,000	\$ 212,500	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 3,585,500
Condo roof replacement	-	110,000	-	110,000	-	-	-	-	-	-	220,000
Condo fireplace conversion to gas units	20,000	130,000	600,000	650,000	-	-	-	-	-	-	1,400,000
Condo buildings 9-12 fireplace upgrade incentive	-	120,000	30,000	30,000	30,000	30,000	24,000	-	-	-	264,000
Townhome exteriors	594,000	1,024,000	960,000	1,037,000	-	-	-	-	-	-	3,615,000
Townhome roof replacement	200,000	352,000	330,000	337,000	-	-	-	-	-	-	1,219,000
Major asphalt replacement	-	-	-	-	75,000	75,000	75,000	75,000	75,000	75,000	450,000
Main sidewalk snowmelt expansion	-	-	-	-	-	-	60,000	60,000	60,000	60,000	240,000
Landscaping and other grounds major projects	10,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	190,000
Vehicles and equipment replacement	40,000	-	-	-	-	8,000	-	40,000	-	-	88,000
Hot tub and pool	16,000	-	-	-	-	60,000	15,000	15,000	15,000	15,000	136,000
Locker rooms and restaurant	-	25,000	250,000	325,000	-	-	-	-	-	-	600,000
Bike storage building and playground replacement	205,000	-	-	100,000	-	-	-	-	-	-	305,000
Tennis court resurfacing and fence replacement	20,000	10,000	10,000	10,000	10,000	20,000	10,000	10,000	10,000	10,000	120,000
Other major club refurbishment projects	10,000	15,000	15,000	15,000	30,000	30,000	30,000	30,000	30,000	30,000	235,000
Other major condo and townhome projects	35,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	485,000
Assessment projects contingency	-	60,000	60,000	60,000	-	-	-	-	-	-	180,000
Subtotal	<u>1,835,000</u>	<u>2,486,000</u>	<u>2,943,000</u>	<u>2,956,500</u>	<u>465,000</u>	<u>543,000</u>	<u>534,000</u>	<u>550,000</u>	<u>510,000</u>	<u>510,000</u>	<u>13,332,500</u>
Maintenance capital											
Condominium maintenance capital items											
Roof, gutters, downspouts, and heat tape	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	230,000
Chimneys, chase tops, power vents, and fireplaces	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
Decks, balusters, and railing	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000
Plumbing, electric, structural, stucco, and siding	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,000
Subtotal	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	<u>570,000</u>
Townhomes maintenance capital items											
Roofs (including snow guards and gutters)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,000
Decks, balusters, railing, siding, and entries	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Subtotal	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>60,000</u>
Club maintenance capital items											
Roofs, snow guards, gutter, downspout, and heat tape	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Decks, handrails, balusters, stairs, siding, and stucco	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Plumbing, mechanical, HVAC, electrical, and lighting	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	150,000
Window, doors, and security system	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Restaurant refurbishment and equipment replacement	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	60,000
Fitness equipment	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	145,000
Subtotal	<u>41,500</u>	<u>41,500</u>	<u>41,500</u>	<u>41,500</u>	<u>41,500</u>	<u>41,500</u>	<u>41,500</u>	<u>41,500</u>	<u>41,500</u>	<u>41,500</u>	<u>415,000</u>
Grounds maintenance capital items											
Trees, landscaping, irrigation, and retaining walls	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	90,000
Water, drainage, and sewer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Exterior light fixtures and signage	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	30,000
Parking lots and asphalt maintenance	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	200,000
Subtotal	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>340,000</u>
Equipment maintenance capital items											
Trucks, plows, bobcat, and lift	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	30,000
Snow blowers, lawn mowers, and aerators	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,000
Office furniture, computers, copiers, phones, and radios	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	125,000
Subtotal	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>195,000</u>
Other infrastructure maintenance											
Garden level unit remodels	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000
Subtotal	<u>183,000</u>	<u>183,000</u>	<u>183,000</u>	<u>183,000</u>	<u>183,000</u>	<u>183,000</u>	<u>183,000</u>	<u>183,000</u>	<u>183,000</u>	<u>183,000</u>	<u>1,830,000</u>
Total for all budgeted capital items	<u>\$ 2,018,000</u>	<u>\$ 2,669,000</u>	<u>\$ 3,126,000</u>	<u>\$ 3,139,500</u>	<u>\$ 648,000</u>	<u>\$ 726,000</u>	<u>\$ 717,000</u>	<u>\$ 733,000</u>	<u>\$ 693,000</u>	<u>\$ 693,000</u>	<u>\$ 15,162,500</u>

**RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT**

**Supplementary Information on Funding Summary - 10-Year Capital Plan (Not Reviewed)
(In Thousands)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Total</u>
Reserve fund beginning balance	\$ 4,754.9	\$ 4,933.7	\$ 4,461.5	\$ 2,486.2	\$ 459.8	\$ 511.2	\$ 484.6	\$ 467.0	\$ 433.4	\$ 439.8	
Reserve expenditures	<u>(2,018.0)</u>	<u>(2,669.0)</u>	<u>(3,126.0)</u>	<u>(3,139.5)</u>	<u>(648.0)</u>	<u>(726.0)</u>	<u>(717.0)</u>	<u>(733.0)</u>	<u>(693.0)</u>	<u>(693.0)</u>	<u>\$ (15,162.5)</u>
	<u>2,736.9</u>	<u>2,264.7</u>	<u>1,335.5</u>	<u>(653.3)</u>	<u>(188.2)</u>	<u>(214.8)</u>	<u>(232.4)</u>	<u>(266.0)</u>	<u>(259.6)</u>	<u>(253.2)</u>	
Capital assessments from owners	519.4	519.4	519.4	519.4	519.4	519.4	519.4	519.4	519.4	519.4	5,194.0
Special assessment from owners	1,497.4	1,497.4	451.3	413.7	-	-	-	-	-	-	3,859.8
From operations	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>1,800.0</u>
Subtotal funding	<u>2,196.8</u>	<u>2,196.8</u>	<u>1,150.7</u>	<u>1,113.1</u>	<u>699.4</u>	<u>699.4</u>	<u>699.4</u>	<u>699.4</u>	<u>699.4</u>	<u>699.4</u>	<u>\$ 10,853.8</u>
Reserve fund ending balance	<u>\$ 4,933.7</u>	<u>\$ 4,461.5</u>	<u>\$ 2,486.2</u>	<u>\$ 459.8</u>	<u>\$ 511.2</u>	<u>\$ 484.6</u>	<u>\$ 467.0</u>	<u>\$ 433.4</u>	<u>\$ 439.8</u>	<u>\$ 446.2</u>	

Shown in current fiscal year 2017 dollars.

No increase in capital assessment is included in the funding projection.