



Spring Valley Lake Association
13325 Spring Valley Parkway
7001 SVL Box
Spring Valley Lake, CA 92395-5107

September 14, 2012

Dear SVLA Homeowner:

The SVLA Board of Directors is pleased to announce the adoption of the new 2012-2013 annual budget, reserve and personal property replacement schedules with their respective funding plans. The annual assessment for 2012-2013 will remain the same at \$900.00 with no change or increase. The assessment will be due quarterly at a rate of \$225.00 with the following due dates: November 1, 2012, February 1, 2013, May 1, 2013 and August 1, 2013. You may pay in full with one payment on November 1, 2012 or sign up for free quarterly automatic electronic funds transfer (EFT) from a checking account.

Included with this mailing is the required annual disclosure package which contains: The compiled financial forecast (2012-2013 annual budget), reserve and personal property schedules, the funding schedules, insurance information, collection and delinquency policies, and the required California items.

New photo Membership ID Cards are issued Monday through Friday 8:00am – 5:00pm in the Association Office and 8:00am – 8:00pm at Public Safety Office in the Community Building. Please visit our website for current information at www.svla.com.

Management will continue to look for ways to increase the efficiency of our operations in an effort to improve service and reduce costs. We also will continue to build relationships within county government in order to preserve and enhance the support our community receives from San Bernadino County and CSA 64. We shall continue our efforts toward making Spring Valley Lake the community of choice and the “Jewel of the High Desert”.

Respectfully,

Jeff Morgan
President, Spring Valley Lake Board of Directors.

Association Office – 760.245.9756
Fax – 760.245.3076
Website – www.svla.com

Effective November 1, 2012 the Association's annual assessment will remain \$900 payable in quarterly installments of \$225 per quarter.

Spring Valley Lake Association

COMPILED
FINANCIAL FORECAST
and
SUPPLEMENTAL INFORMATION

For the Years Ending
October 31, 2013 and 2012

Prepared by



Certified Public Accountants

Spring Valley Lake Association

Compiled Financial Forecasts

For the Years Ending

October 31, 2013 and 2012

INDEX

Page

Financial Statements

| | |
|--|----|
| Accountant's Compilation Report | 1 |
| Balance Sheets | 2 |
| Cash Flow Statements | 3 |
| Revenue and Expense Statements | 4 |
| Expense Schedules | 5 |
| Notes | 8 |
| Notes and Significant Assumptions | 9 |
| Insurance, Delinquency, ADR, Minutes | 10 |
| Assessments & Foreclosure Notice | 12 |

Supplemental Information

| | |
|--|----|
| Accountant's Supplemental Information Report | S1 |
| Executive Summary | S2 |
| Component Inventory | S3 |
| Forecasted Expenditures | S5 |
| Forecasted Available Cash. | S6 |
| Limitations, Assumptions & Component Descriptions. | S7 |
| Assessment & Reserve Funding Disclosure. | S8 |

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ACCOUNTANT'S COMPILATION REPORT
Financial Forecast

Board of Directors
Spring Valley Lake Association
Spring Valley Lake, CA 92395

We have compiled the accompanying forecasted Balance Sheets, Cash Flow Statements and the related Revenue and Expense Statements for **SPRING VALLEY LAKE ASSOCIATION** for the years ending **October 31, 2013 and 2012** in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We are not independent with respect to the above association.

Haney Accountants
Roseville, California
September 15, 2012

| | | October 31 | |
|---|--|--------------|--------------|
| | | 2012 | 2013 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | | \$ 303,905 | \$ 305,794 |
| Assessments Receivable | | 509,702 | 509,702 |
| Other Current Assets | | 71,256 | 71,256 |
| TOTAL CURRENT ASSETS | | 884,863 | 886,752 |
| INVESTMENTS -Designated for | | | |
| Future Major Repairs & Property Replacements | (Note 3) | 1,051,788 | 641,138 |
| PERSONAL PROPERTY | | | |
| | (Note 1) | | |
| Boats | | 114,308 | 114,308 |
| Furniture | | 101,505 | 101,505 |
| Recreation | | 96,000 | 96,000 |
| Technology | | 168,066 | 168,066 |
| Vehicles | | 426,202 | 530,452 |
| Equipment | | 75,334 | 75,334 |
| Total Personal Property Cost | | 981,415 | 1,085,665 |
| Less Accumulated Depreciation | | (850,039) | (938,035) |
| Net Book Value | | 131,375 | 147,629 |
| LAND HELD FOR INVESTMENT | | 40,000 | 40,000 |
| TOTAL ASSETS | | \$ 2,108,026 | \$ 1,715,519 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | | \$ 308,984 | \$ 308,984 |
| Assessments Paid in Advance | | 85,846 | 85,846 |
| TOTAL CURRENT LIABILITIES | | 394,830 | 394,830 |
| MAJOR REPAIR AND REPLACEMENT OBLIGATION | | | |
| | (Notes 1 & 2) (Supplemental Information Pages S1 to S8) | | |
| Beginning Balance | | 1,884,283 | 1,648,150 |
| Annual Replacement Provision | | 182,780 | 152,000 |
| Replacement Provision Adjustment (New Reserve Study) | (Note 4) | (135,101) | |
| Less Replacement Expenditures | (Page S5) | (283,812) | (546,400) |
| TOTAL REPLACEMENT OBLIGATION | | 1,648,150 | 1,253,750 |
| TOTAL LIABILITIES | | 2,042,980 | 1,648,580 |
| NET ASSETS | | | |
| Designated for Equipment Replacement | | 714,751 | 691,267 |
| Undesignated-Excess(Shortage) of Revenues over Expenses | | | |
| Prior Years' | | (995,844) | (649,705) |
| Transfer to Designated for Equipment Replacement | | (134,154) | 23,484 |
| Current Years' | | 480,293 | 1,893 |
| UNDESIGNATED NET ASSETS(DEFICIT) | | (649,705) | (624,328) |
| TOTAL NET ASSETS | | 65,046 | 66,939 |
| TOTAL LIABILITIES & NET ASSETS | | \$ 2,108,026 | \$ 1,715,519 |

| | Years Ending October 31 | |
|---|-------------------------|-------------------|
| | 2012 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess (Shortage) of Revenues over Expenses | \$ 480,294 | \$ 1,893 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Replacement & Depreciation | 135,175 | 240,000 |
| (Increase) decrease in Current Assets: | | |
| Assessments Receivable | (66,181) | |
| Other Current Assets | (21,828) | |
| Increase (decrease) in Current Liabilities: | | |
| Accounts Payable | (77,225) | |
| Income Taxes Payable | | |
| Assessments Paid in Advance | (188,020) | |
| Unearned Income | (2,820) | |
| Other Current Liabilities-Refundable Deposits | | |
| CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>259,395</u> | <u>241,893</u> |
| CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES | | |
| Purchases of Property & Equipment | (14,008) | (104,250) |
| Equipment Retired (Net) | | |
| Replacement Expenditures | (283,812) | (546,400) |
| Equity Transferred to Designated for Equipment Replacement | 169,117 | (23,484) |
| Equity Transferred from Undesignated to Designated | (169,117) | 23,484 |
| Equity Adjustments/Rounding | (1) | (4) |
| CASH PROVIDED (USED) BY INVESTING & FINANCING ACTIVITIES | <u>(297,821)</u> | <u>(650,654)</u> |
| CASH & INVESTMENTS | | |
| Net Annual Increase (Decrease) | (38,426) | (408,761) |
| Balance at Beginning of Year | 1,394,119 | 1,355,693 |
| CASH & INVESTMENTS AT END OF YEAR | <u>\$ 1,355,693</u> | <u>\$ 946,932</u> |
| CASH & INVESTMENTS | | |
| Operations | \$ 303,905 | \$ 305,794 |
| Designated for Future Major Repairs & Replacements | 1,051,788 | 641,138 |
| Total Cash & Investments | <u>\$ 1,355,693</u> | <u>\$ 946,932</u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest & income taxes paid in both years will approximate the amount accrued.

See accountant's compilation report, significant assumptions and notes

| | Years Ending October 31 | | | | Favorable (Unfavorable) | |
|--------------------------------------|-------------------------|----------------|------------------|----------------|-------------------------|------------------|
| | 2012 Estimated Actual | | 2013 Budget | | Changes | |
| | Amount | *PUPM | Amount | *PUPM | Amount | *PUPM |
| REVENUES | | | | | | |
| Assessments-Regular | \$ 3,791,700 | \$ 75.00 | \$ 3,791,700 | \$ 75.00 | \$ | \$ |
| Interest Revenues | 4,286 | 0.08 | 3,500 | 0.07 | (786) | (0.02) |
| Community Service Fees | 41,993 | 0.83 | 32,500 | 0.64 | (9,493) | (0.19) |
| Marina Fees | 145,723 | 2.88 | 181,000 | 3.58 | 35,277 | 0.70 |
| Equestrian Fees | 60,605 | 1.20 | 57,000 | 1.13 | (3,605) | (0.07) |
| Owner Fees | 213,222 | 4.22 | 168,600 | 3.33 | (44,622) | (0.88) |
| Other Revenue | 28,515 | 0.56 | 1,000 | 0.02 | (27,515) | (0.54) |
| TOTAL REVENUES | 4,286,044 | 84.78 | 4,235,300 | 83.77 | (50,744) | (1.00) |
| EXPENSES | | | | | | |
| Operating | | | | | | |
| Compensation (Sch 1) | 2,012,018 | 39.80 | 1,930,527 | 38.19 | 81,491 | 1.61 |
| Lake, Marina & Equestrian (Sch 2) | 307,300 | 6.08 | 483,700 | 9.57 | (176,400) | (3.49) |
| Utilities (Sch 3) | 175,390 | 3.47 | 235,000 | 4.65 | (59,610) | (1.18) |
| Vehicles, Equip & Tech (Sch 4) | 174,500 | 3.45 | 165,500 | 3.27 | 9,000 | 0.18 |
| Grounds & Building (Sch 5) | 364,900 | 7.22 | 285,000 | 5.64 | 79,900 | 1.58 |
| Professional Services (Sch 6) | 237,624 | 4.70 | 346,500 | 6.85 | (108,876) | (2.15) |
| Administrative Support (Sch 7) | 160,482 | 3.17 | 150,000 | 2.97 | 10,482 | 0.21 |
| Association Sponsored Events (Sch 8) | | | 48,870 | 0.97 | (48,870) | (0.97) |
| Uncollectible & Other Losses | 108,871 | 2.15 | 158,000 | 3.13 | (49,129) | (0.97) |
| Insurance | 124,925 | 2.47 | 135,000 | 2.67 | (10,075) | (0.20) |
| Total Operating | 3,666,010 | 72.51 | 3,938,097 | 77.90 | (272,087) | (5.38) |
| Replacement & Depreciation (Sch 9) | 135,175 | 2.67 | 240,000 | 4.75 | (104,825) | (2.07) |
| Income Tax (Note 1) | 4,565 | 0.09 | 5,310 | 0.11 | (745) | (0.01) |
| Budget Contingency | | | 50,000 | 0.99 | (50,000) | (0.99) |
| TOTAL EXPENSES | 3,805,750 | 75.28 | 4,233,407 | 83.74 | (427,657) | (7.47) |
| EXCESS(SHORTAGE) OF | | | | | | |
| REVENUES OVER EXPENSES | \$ 480,294 | \$ 9.50 | \$ 1,893 | \$ 0.04 | \$ (478,401) | \$ (8.47) |

* Per Unit Per Month
(Average Outstanding Units)

2013 = 4213

2012 = 4213

See accountant's compilation report, significant assumptions and notes

| | Years Ending October 31 | | | | Favorable (Unfavorable) | |
|--|-------------------------|-----------------|---------------------|-----------------|-------------------------|------------------|
| | 2012 Estimated Actual | | 2013 Budget | | Changes | |
| | Amount | *PUPM | Amount | *PUPM | Amount | *PUPM |
| Sch 1-Compensation | | | | | | |
| Gross Pay | \$ 1,460,125 | \$ 28.88 | \$ 1,348,292 | \$ 26.67 | \$ 111,833 | \$ 2.21 |
| Overtime | 24,216 | 0.48 | 6,606 | 0.13 | 17,610 | 0.35 |
| Employer Taxes | 138,238 | 2.73 | 132,422 | 2.62 | 5,816 | 0.12 |
| Health & Other | 154,260 | 3.05 | 186,501 | 3.69 | (32,241) | (0.64) |
| Workers Compensation | 204,302 | 4.04 | 220,000 | 4.35 | (15,698) | (0.31) |
| Employer Share IRA | 4,808 | 0.10 | 7,436 | 0.15 | (2,628) | (0.05) |
| HR Services (Payroll) | 26,069 | 0.52 | 29,270 | 0.58 | (3,201) | (0.06) |
| Total | \$ 2,012,018 | \$ 39.80 | \$ 1,930,527 | \$ 38.19 | \$ 81,491 | \$ 1.61 |
| Sch 2-Lake, Marina & Equestrian | | | | | | |
| Water Assessment | \$ 68,533 | \$ 1.36 | \$ 160,000 | \$ 3.16 | \$ (91,467) | \$ (1.81) |
| Water Contingency | | | 88,000 | 1.74 | (88,000) | (1.74) |
| Lake Fish Stock | 20,040 | 0.40 | 25,000 | 0.49 | (4,960) | (0.10) |
| Pumping Watermaster | 7,698 | 0.15 | 10,000 | 0.20 | (2,302) | (0.05) |
| Parks Maint & Supplies | 4,274 | 0.08 | 5,000 | 0.10 | (726) | (0.01) |
| Fishing Maint & Supplies | 18,250 | 0.36 | 15,000 | 0.30 | 3,250 | 0.06 |
| Lake Maint & Supplies | 134,676 | 2.66 | 115,000 | 2.27 | 19,676 | 0.39 |
| Water Monitoring/Testing | 601 | 0.01 | 1,000 | 0.02 | (399) | (0.01) |
| Horse Feed Equestrian | 34,457 | 0.68 | 42,000 | 0.83 | (7,543) | (0.15) |
| EQ Improvements | | | 5,000 | 0.10 | (5,000) | (0.10) |
| Marina Improvements | | | 12,700 | 0.25 | (12,700) | (0.25) |
| Lake Improvements | 18,771 | 0.37 | 5,000 | 0.10 | 13,771 | 0.27 |
| Total | \$ 307,300 | \$ 5.71 | \$ 483,700 | \$ 9.12 | \$ (172,471) | \$ (3.41) |
| Sch 3-Utilities | | | | | | |
| Electricity | \$ 28,389 | \$ 0.56 | \$ 30,000 | \$ 0.59 | \$ (1,611) | \$ (0.03) |
| Electricity-Lake | 20,026 | 0.40 | 85,000 | 1.68 | (64,974) | (1.29) |
| Natural Gas | 5,974 | 0.12 | 7,500 | 0.15 | (1,526) | (0.03) |
| Water/Sewer | 58,262 | 1.15 | 50,000 | 0.99 | 8,262 | 0.16 |
| Trash Collection | 22,301 | 0.44 | 20,000 | 0.40 | 2,301 | 0.05 |
| Telephone | 38,557 | 0.76 | 39,000 | 0.77 | (443) | (0.01) |
| Internet Service | 1,456 | 0.03 | 3,000 | 0.06 | (1,544) | (0.03) |
| Other | 425 | 0.01 | 500 | 0.01 | (75) | (0.00) |
| Total | \$ 175,390 | \$ 3.47 | \$ 235,000 | \$ 4.65 | \$ (59,610) | \$ (1.18) |

* Per Unit Per Month
(Average Outstanding Units)

2012 = 4213

2013 = 4213

| | Years Ending October 31 | | | | Favorable (Unfavorable) | |
|---|-------------------------|----------------|-------------------|----------------|-------------------------|------------------|
| | 2012 Estimated Actual | | 2013 Budget | | Changes | |
| | Amount | *PUPM | Amount | *PUPM | Amount | *PUPM |
| Sch 4-Vehicles, Equip & Tech | | | | | | |
| Vehicle Fuel & Oil | \$ 75,664 | \$ 1.50 | \$ 75,000 | \$ 1.48 | \$ 664 | \$ 0.01 |
| Marina Fuel & Oil | 30,903 | 0.61 | 40,000 | 0.79 | (9,097) | (0.18) |
| Equipment Repair | 30,026 | 0.59 | 15,000 | 0.30 | 15,026 | 0.30 |
| Software Licenses | 8,257 | 0.16 | 10,000 | 0.20 | (1,743) | (0.03) |
| Computer Equip | 6,087 | 0.12 | 7,000 | 0.14 | (913) | (0.02) |
| Property Tax | 5,176 | 0.10 | 7,500 | 0.15 | (2,324) | (0.05) |
| Small Tools | 4,797 | 0.09 | 6,000 | 0.12 | (1,203) | (0.02) |
| Other Vehicles, Equip & Tech | 13,590 | 0.27 | 5,000 | 0.10 | 8,590 | 0.17 |
| Total | \$ 174,500 | \$ 3.45 | \$ 165,500 | \$ 3.27 | \$ 9,000 | \$ 0.18 |
| Sch 5-Grounds & Building | | | | | | |
| Weed/Lot Maintenance | \$ 41,127 | \$ 0.81 | \$ 45,000 | \$ 0.89 | \$ (3,873) | \$ (0.08) |
| Building Maintenance | 18,411 | 0.36 | 25,000 | 0.49 | (6,589) | (0.13) |
| Grounds Maintenance | 37,671 | 0.75 | 25,000 | 0.49 | 12,671 | 0.25 |
| Equipment Rental | 9,750 | 0.19 | 10,000 | 0.20 | (250) | (0.00) |
| Janitorial Supplies | 7,241 | 0.14 | 7,000 | 0.14 | 241 | 0.00 |
| Drainage Improvement | | | 12,000 | 0.24 | (12,000) | (0.24) |
| Surveillance Cameras | 237,756 | 4.70 | 59,000 | 1.17 | 178,756 | 3.54 |
| Capital Improvements | 12,944 | 0.26 | 102,000 | 2.02 | (89,056) | (1.76) |
| Total | \$ 364,900 | \$ 7.22 | \$ 285,000 | \$ 5.64 | \$ 79,900 | \$ 1.58 |
| Sch 6-Professional Services | | | | | | |
| Accounting | \$ 94,068 | \$ 1.86 | \$ 95,000 | \$ 1.88 | \$ (932) | \$ (0.02) |
| Accounting-Requested Service | 6,000 | 0.12 | 7,500 | 0.15 | (1,500) | (0.03) |
| Legal | 22,257 | 0.44 | 25,000 | 0.49 | (2,743) | (0.05) |
| Legal Contingency | | | 75,000 | 1.48 | (75,000) | (1.48) |
| Consulting | 15,828 | 0.31 | 25,000 | 0.49 | (9,172) | (0.18) |
| Audit | 11,500 | 0.23 | 18,000 | 0.36 | (6,500) | (0.13) |
| Technology | 23,879 | 0.47 | 15,000 | 0.30 | 8,879 | 0.18 |
| Web Site Maintenance/Design | 600 | 0.01 | 3,000 | 0.06 | (2,400) | (0.05) |
| Fireworks-4th of July | 15,000 | 0.30 | 20,000 | 0.40 | (5,000) | (0.10) |
| Service Contracts | 17,953 | 0.36 | 60,000 | 1.19 | (42,047) | (0.83) |
| Major Repair Study | 6,600 | 0.13 | 1,000 | 0.02 | 5,600 | 0.11 |
| HR Admin | 23,939 | 0.47 | 2,000 | 0.04 | 21,939 | 0.43 |
| Total | \$ 237,624 | \$ 4.70 | \$ 346,500 | \$ 6.85 | \$ (108,876) | \$ (2.15) |

* Per Unit Per Month

(Average Outstanding Units)

2012 = 4213

2013 = 4213

See accountant's compilation report, significant assumptions and notes



| | Years Ending October 31 | | | | Favorable (Unfavorable) | |
|---|-------------------------|----------------|-------------------|----------------|-------------------------|------------------|
| | 2012 Estimated Actual | | 2013 Budget | | Changes | |
| | Amount | *PUPM | Amount | *PUPM | Amount | *PUPM |
| Sch 7-Administrative Support | | | | | | |
| Dues/Subscriptions | \$ 1,092 | \$ 0.02 | \$ 2,000 | \$ 0.04 | \$ (908) | \$ (0.02) |
| Licenses & Permits | 9,350 | 0.18 | 10,000 | 0.20 | (650) | (0.01) |
| Uniform Expense | 15,548 | 0.31 | 18,000 | 0.36 | (2,452) | (0.05) |
| Safety Eqp/Supplies | 4,847 | 0.10 | 7,000 | 0.14 | (2,153) | (0.04) |
| Training Expense | 4,732 | 0.09 | 15,000 | 0.30 | (10,268) | (0.20) |
| Travel Expense | 7,918 | 0.16 | 7,000 | 0.14 | 918 | 0.02 |
| Office Supplies | 11,574 | 0.23 | 15,000 | 0.30 | (3,426) | (0.07) |
| Materials, Supplies & Signage | 16,153 | 0.32 | 15,000 | 0.30 | 1,153 | 0.02 |
| Postage | 26,644 | 0.53 | 25,000 | 0.49 | 1,644 | 0.03 |
| Printing | 14,384 | 0.28 | 20,000 | 0.40 | (5,616) | (0.11) |
| BOD & Committee Meals | 22,428 | 0.44 | 6,500 | 0.13 | 15,928 | 0.32 |
| Bank & CC Fees | 3,586 | 0.07 | 3,000 | 0.06 | 586 | 0.01 |
| Advertising | 1,844 | 0.04 | 2,500 | 0.05 | (656) | (0.01) |
| COP Program | 1,801 | 0.04 | 3,000 | 0.06 | (1,199) | (0.02) |
| Other Expense | 18,581 | 0.37 | 1,000 | 0.02 | 17,581 | 0.35 |
| Total | \$ 160,482 | \$ 3.17 | \$ 150,000 | \$ 2.97 | \$ 10,482 | \$ 0.21 |
| Sch 8-Association Sponsored Events | | | | | | |
| Events | \$ | \$ | \$ 17,800 | \$ 0.35 | \$ (17,800) | \$ (0.35) |
| Family Festival | | | 14,000 | 0.28 | (14,000) | (0.28) |
| Concerts at Beach | | | 12,000 | 0.24 | (12,000) | (0.24) |
| SVL Event Meals | | | 3,870 | 0.08 | (3,870) | (0.08) |
| Committee Appreciation | | | 1,200 | 0.02 | (1,200) | (0.02) |
| Total | \$ | \$ | \$ 48,870 | \$ 0.97 | \$ (48,870) | \$ (0.97) |
| Sch 9-Replacement (Reserve) & Depreciation (Notes 1, 2, & 4) | | | | | | |
| Replacement Provision (Reserves) | \$ 182,280 | \$ 3.61 | \$ 152,000 | \$ 3.01 | \$ 30,280 | \$ 0.60 |
| Replacement Provision Adjustment | (135,101) | (2.67) | | | (135,101) | (2.67) |
| Depreciation Provision | 87,996 | 1.74 | 88,000 | 1.74 | (4) | (0.00) |
| Total | \$ 135,175 | \$ 2.67 | \$ 240,000 | \$ 4.75 | \$ (104,825) | \$ (2.07) |

* Per Unit Per Month
(Average Outstanding Units)

2012 = 4213

2013 = 4213

See accountant's compilation report, significant assumptions and notes



NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION-The Association, a California Mutual Benefit Nonprofit Corporation, was organized to maintain and protect the common areas owned by the owners in common including, but not limited to building exteriors, recreation areas and landscaping. It derives its authority and responsibilities from its governing documents (CCRs, By-laws and Articles of Incorporation).

Incorporation Date: August 17, 1973
Number of Units: 4213

The Board of Directors (The Board) makes most policy decisions and directs the operation of the Association in accordance with the rules set forth in the Governing Documents. However, some matters must be approved by the general Association membership.

CAPITALIZATION POLICY AND DEPRECIATION-Common area real property contributed to the Association by the project developer has not been capitalized on the Association's financial statements since they are owned by the unit owners in common rather than the Association. Common area equipment or real property contributed to the Association by the developer or purchased by the Association which has useful lives greater than one year, which the Association has title, which it may sell or exchange in the normal course of business, and has an acquisition cost greater than \$5,000 has been capitalized and depreciated over its useful life using the straight line method.

FUTURE MAJOR REPAIRS & REPLACEMENTS-Routine annual maintenance is charged to expenses in the year incurred. Major replacement expenditures for which the Association is obligated and which do not occur annually are charged to expenses at an estimated annual cost computed upon estimates of expected life and estimated cost to replace. This method results in an accrued replacement liability account. This account is reduced in the year the actual expenditure occurs. NO ASSURANCE can be given that actual expenditures will match the accrued liability at the time the expenditure occurs.

See accountant's compilation report

NOTE 1-CONTINUED

ASSESSMENTS-The unit owner assessments are computed such that part of the assessments are to provide for the replacement of capitalized tangible personal property and major nonannual maintenance and replacement expenditures.

INCOME TAXES-The Association is a nonprofit California Corporation. It has a limited tax exemption under Internal Revenue Code Section 501(c) (4) and the related California Section 23701(f). Under these Sections, the Association does not pay taxes on its exempt function activities, but does pay taxes on unrelated business activities with net income.

State income taxes are paid on income from sources which are not related to the nonprofit membership purposes of the Association. Nonmember income on which the Association is subject to California income tax includes interest income earned less related allowable deductions and unrelated business activities.

NOTE 2-FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents (Bylaws-Article VIII, Section 1.1) require it to "...consider the current and future needs of the Association and, in light of those needs..." establish the amount of the annual assessment. Therefore, the Association has adopted the policy that current member assessments will include a provision for future major repairs and replacements. Furthermore, this policy expects these annual provisions will be accumulated and when combined with their related after tax investment income will be sufficient to meet these obligations without the probable need for special assessments.

As more fully disclosed in the accompanying UNAUDITED supplementary information, the Association's current funds designated for this purpose when combined with its future funding plans and estimated obligations appear to meet this goal. However, while the Association accumulates funds based on estimated current and future costs and periodically updates these estimates, actual expenditures may vary from these estimates and these variations may be significant. ***Significant differences between estimated and actual expenditures could create a need for additional owner assessments.***

NOTE 3 - INVESTMENTS

The Association's Board of Directors has adopted the policy that a portion of the regular assessments shall be used to accumulate funds for future major repairs and replacements. This account represents the amounts designated for such purposes and are invested in interest bearing deposits in U.S. Government insured financial institutions or instruments. The instruments are generally CD's issued at current market rates with maturities of less than three years.

NOTE 4 - PROVISION ADJUSTMENT

Updated information contained within the reserve study dated **June 20, 2012** resulted in an adjustment to the major repair and replacement obligation. While "reserve" is not a term recognized by GAAP it was added in brackets to several financial statements for the benefit of those who are used to the term's use in the common interest realty association industry.

SIGNIFICANT ASSUMPTIONS:

A. Nature of Forecasted Financial Statements

The accompanying financial forecast for the years presented in comparative form presents, to the best of the Board of Directors' knowledge and belief, the Association's financial position, results of operations, and cash flows for the forecast periods. Accordingly the forecast reflects its judgment as of this forecast's date of the expected conditions and its expected course of action. The assumptions disclosed herein are those that the Board of Directors' believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

B. First Year Forecast

The first year forecasted financial statements were calculated using a combination of historical financial information and forecasted information.

The forecasted cash flow statement was calculated using a beginning of the year balance sheet that was:

Audited by Certified Public Accountants

The forecasted balance sheet and revenue and expense statements were calculated using historical compiled financial statements for part of the year and forecasting the remaining part of the year. This remaining forecast was done by annualizing the historical financial statements and adjusting for seasonal fluctuations, other expected transactions and expense changes.

Number of historical months annualized: 10

C. Second Year Forecast

Revenues: Member assessments are the primary revenue source for the Association and, within some limits, decided upon by the Board of Directors. Interest income was calculated using current interest rates or the rates on the existing instruments held by the Association. Other revenue was based on prior years' history.

Operating Expenses: These predictable expenses are driven by vendor contracts, utility rates, prior years' history and Board of Directors decisions. Known changes in these elements were incorporated in the second year forecast. The differences between the first and second year revenue and expense forecasts are displayed on the revenue and expense statements.

Replacement Provision: See the accompanying supplementary information.

INSURANCE

This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance

Carrier Name: Federal, New Hampshire
 Executive Risk, Granite State

Consultant/Agent: ISU Insurance Services
 Victorville, CA

| | Amount | Deductible |
|--------------------------|-----------|------------|
| <u>Insurance Type:</u> | | |
| Umbrella: \$ | 9,000,000 | \$ n/a |
| Business Auto: \$ | 1,000,000 | \$ 500 |
| Directors & Officers: \$ | 1,000,000 | \$ 10,000 |
| Commercial Property: \$ | 3,209,759 | \$ 1,000 |
| Crime: \$ | 55,000 | \$ 1,000 |
| Marine: \$ | 549,600 | \$ |
| General Liability: \$ | 2,000,000 | \$ n/a |

Renewal Dates:

| | |
|-----------------------|----------|
| Umbrella: | 07/01/13 |
| Business Auto: | 07/01/13 |
| Directors & Officers: | 07/01/13 |
| Commercial Property: | 07/01/13 |
| Crime: | 07/01/13 |
| Marine: | 07/01/13 |
| General Liability: | 07/01/13 |

DELINQUENCY POLICY

In accordance with California law the Association's assessments become delinquent 15 days after their due date. Delinquent assessments will be assessed a Collection Cost of \$10 or 10% of the delinquent amount whichever is larger plus any other reasonable cost of collection and interest at an annual rate not to exceed 12% on any amounts unpaid 30 days past their due date. While the Association's governing documents allow liens to be filed on amounts unpaid thirty days after their due date, except in unusual cases, the Association has adopted the policy of filing liens on the amount unpaid sixty days after their due date. Foreclosure or other collection action is considered on amounts unpaid ninety days after their due date.

MEMBERS' RIGHT TO ADR

California Civil Code (Sections 1363.810 to 1363.850 and 1369.510 to 1369.590) requires that certain disputes between the association and its owners be submitted to some form of Alternative Dispute resolution (ADR).

If a member has a dispute with the association or any other member regarding enforcement of governing documents or rules and they are unable to resolve using normal methods, the member needs to be aware that:

"Failure by any member of the association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents."

MEMBERS' RIGHT TO MINUTES

California Civil Code Section 1363.05 requires the Association to make available minutes of any Board of Directors meeting, other than an executive session, within 30 days of the meeting. The minutes will be distributed to any member upon request and at their cost. Association members and their agents may obtain these minutes upon request from:

Spring Valley Lake Association
 Board of Directors
 13325 Spring Valley Parkway
 Spring Valley Lake, CA 92395

NOTICE ASSESSMENTS & FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS & FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and cost of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid (Sections 1366, 1367.1 and 1367.4 of the Civil Code).

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for cost to repair common areas damaged by a member or a member's guests, if the governing documents provide for this option (Sections 1366 and 1367.1 of the Civil Code).

The association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association (Section 1367.1 of the Civil Code).

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt (Section 1367.1 of the Civil Code).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard (Section 1367.1 of the Civil Code).

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The Association must inform owners of a mailing address for overnight payments (Sections 1367.1 of the Civil Code).

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 5(commencing with Section 1363.810) of Chapter 4 of Title 6 of Division 2 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time (Section 1367.1 of the Civil Code).

MEETINGS & PAYMENT PLANS

An owner of a separate interest that is not a time-share may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist (Section 1367.1 of the Civil Code).

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 1367.1 of the Civil Code)

SECONDARY ADDRESSES

Owners have the right to submit secondary addresses to the Association for the purposes of collection notices. Upon the receipt of a written request by an owner identifying a secondary address for purposes of collection notices, the Association shall send additional copies of any notices required by Civil Code Section 1367.1 (k) to the secondary address provided. The owner's request shall be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it. The owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or change during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point the Association receives the request.

ACCOUNTANT'S COMPILATION REPORT
ON REQUIRED SUPPLEMENTAL INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)

Board of Directors
Spring Valley Lake Association
Spring Valley Lake, CA 92395

We have compiled the accompanying forecasted major repair and replacement expenditure schedule and the related forecasted investment fund balances of the **SPRING VALLEY LAKE ASSOCIATION** (Association) for the twenty year period beginning **November 1, 2012**, in accordance with guidelines established by the American Institute of Certified Public Accountants.

The accompanying forecasted schedules present, to the best of the Association's Board of Directors knowledge and belief, the future major repair and replacement expenditures and the related investments fund balances for the forecast period. It is not intended to be a forecast of financial position, results of operations, or cash flows. Nor is it a required part of the basic financial statements of the Association. The accompanying forecasted statements and this report were prepared for the Association as required by California Civil Code Section 1365(a)(3) and as supplementary information required by the American Institute of Certified Public Accountants. It should not be used for any other purpose.

A compilation is limited to presenting forecasted information that is the representation of the Association's Board of Directors and does not include evaluation of the support for the assumptions underlying such information. We have not examined the forecasted schedules and, accordingly, do not express an opinion or any other form of assurance on the accompanying schedules or assumptions. Furthermore, there will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We are not independent with respect to the above association.

Haney Accountants

Roseville, California
September 15, 2012

EXECUTIVE SUMMARY

NATURE AND SCOPE OF STUDY

The Association's board of directors conducted a study in 2012 to estimate the remaining useful lives and the replacement costs of the major components of common property. Replacement costs were based on the estimated costs to repair or replace the major common property components at the date of the study. Various sources such as contractors, vendors, other professionals and trade literature provided the estimated lives, remaining lives and cost figures. These estimates have not been revised since that date.

FUNDING POLICY

As also described in Financial Statement Notes 1 and 2, the Association accumulates funds for future major repairs and replacements by charging current owners for their share of the wearing out of these components. The estimated funds required were calculated based on future estimated replacement costs, member contributions and related net after tax interest income. The Association's policy is to accumulate funds sufficient to meet these obligations without the need for special assessments. However, actual expenditures and net investment income may vary from the estimated amounts, and the variations may be significant. 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 Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

FUNDING ANALYSIS

Based upon the estimates and the assumptions used in the study and the resulting calculations in EXHIBIT C, it appears that the Association will be able to meet its obligations for future major repairs and replacements without the need for SPECIAL ASSESSMENTS. However, the Association can not assure the members that a special assessment will not be required.

INCLUDED MAJOR COMPONENTS

The Association included in the study as major repair and replacement components the exterior and interior surfaces that it is obligated to maintain, that have useful lives of more than one year and that have expected current costs to replace of more than \$5,000.

EXCLUDED MAJOR COMPONENTS

The Association excluded from the study major structural components such as the buildings, underground water systems, the lake infrastructure, the four mile six foot cinder block wall and any other component not specifically listed in EXHIBIT A. The Association assumes any personal property asset replacements will be funded by the annual depreciation charge to the income statement. It further assumes that the major structural items have indefinite lives and the appropriate funding method for their replacement will be decided by the owners when these items need replacing.

EXHIBIT A-MAJOR COMPONENT INVENTORY

Lists the components, their related estimated typical life, remaining life, current replacement cost, accumulated wear and annual provision. The estimated accumulated wear and annual provision was calculated using the sinking fund method.

EXHIBIT B-PROJECTED EXPENDITURES

Displays the amount of money needed each year over the next twenty years to perform the expected major repairs and replacements using the current replacement costs.

EXHIBIT C-PROJECTED INVESTMENT ACTIVITY

Calculates the estimated available cash each year over the next twenty years calculated using the beginning available cash, estimated cash expenditures, estimated cash receipts and related assumptions regarding inflation and after tax investments income.

EXHIBIT A - COMPONENT INVENTORY

See limitations, assumptions and descriptions on page S9

| Descriptions (Pg S5) | Life | | Unit | | | Total Cost | Sinking Fund(1) | |
|---|---------|------|-----------|-------|-------|------------|--------------------|------------------|
| | Typical | Left | Cost Per | Scale | Count | | Current Obligation | Annual Provision |
| | | | | | | | | |
| Administration & Maintenance Buildings | | | | | | | | |
| HVAC System (front) | 15 | 14 | 7,500.00 | Unit | 1 | 7,500 | 466 | 466 |
| HVAC System (back) | 15 | 10 | 6,575.00 | Unit | 1 | 6,575 | 2,084 | 408 |
| Parking Lot Lights | 25 | 15 | 2,950.00 | Unit | 2 | 5,900 | 2,186 | 209 |
| Telephone System | 10 | 6 | 11,025.00 | Unit | 1 | 11,025 | 4,279 | 1,054 |
| Carpet | 6 | 4 | 33.26 | GSY | 233 | 7,750 | 2,532 | 1,260 |
| Overhead Doors | 20 | 16 | 1350 | Unit | 4 | 5,400 | 996 | 245 |
| Restrooms - Refurbish (admin) | 25 | 21 | 3,025.00 | Unit | 2 | 6,050 | 870 | 214 |
| Restroom - Refurbish (maint) | 25 | 0 | 5,400 | Unit | 1 | 5,400 | 5,400 | 191 |
| Restrooms - Refurbish (public) | 25 | 4 | 3525 | Unit | 2 | 7,050 | 5,801 | 250 |
| Tile Roof (maint) | 30 | 21 | 8 8/65 | GSF | 3290 | 26,725 | 7,198 | 768 |
| Tile Roof (admin) | 30 | 23 | 8 9/70 | GSF | 3380 | 27,475 | 5,698 | 790 |
| Message Board Sign | 25 | 13 | 18,000 | Unit | 1 | 18,000 | 8,083 | 637 |
| Exterior Building Repairs | 20 | 6 | 25,000 | Unit | 1 | 25,000 | 16,971 | 1,135 |
| Community Building | | | | | | | | |
| HVAC | 15 | 2 | 31,800 | Unit | 1 | 31,800 | 27,281 | 1,976 |
| Interior Lighting | 25 | 6 | 94 74/79 | Unit | 158 | 15,000 | 11,053 | 531 |
| Wrought Iron Fencing | 30 | 12 | 44 | LF | 440 | 19,350 | 10,911 | 556 |
| Wood Patio | 20 | 5 | 7 3/4 | GSF | 1800 | 13,950 | 10,198 | 634 |
| Vinyl Floor | 15 | 4 | 7 | GSF | 5700 | 39,000 | 28,024 | 2,423 |
| Tile | 25 | 13 | 12 | GSF | 1250 | 15,000 | 6,736 | 531 |
| Metal Doors | 25 | 14 | 2200 | Unit | 9 | 19,800 | 8,109 | 701 |
| Range/Hood | 20 | 14 | 13,250 | Unit | 1 | 13,250 | 3,702 | 602 |
| Refrigerator/Freezer | 15 | 7 | 6,250.00 | Unit | 1 | 6,250 | 3,217 | 388 |
| Kitchen - Refurbish | 20 | 17 | 17,500 | Unit | 1 | 17,500 | 2,408 | 795 |
| Restrooms - Refurbish | 25 | 15 | 13,750 | Unit | 2 | 27,500 | 10,187 | 974 |
| Security Offices | 15 | 8 | 13 1/2 | GSF | 900 | 12,150 | 5,445 | 755 |
| Flat Roof | 20 | 7 | 3 1/4 | GSF | 6900 | 22,425 | 14,064 | 1,018 |
| Tile Roof Underlayment | 30 | 7 | 6 5/8 | GSF | 2600 | 17,225 | 12,734 | 495 |
| Antenna Tower (new) | 15 | 14 | 22,500 | Unit | 1 | 22,500 | 1,398 | 1,398 |
| Antenna Tower (old) | 15 | 10 | 9,000 | Unit | 1 | 9,000 | 2,852 | 559 |
| Fire Alarm System | 20 | 5 | 12,000 | Unit | 1 | 12,000 | 8,773 | 545 |
| Fire Suppression System | 20 | 13 | 10,000 | Unit | 1 | 10,000 | 3,276 | 454 |
| Sound System | 15 | 7 | 7,100 | Unit | 1 | 7,100 | 3,655 | 441 |
| Equestrian Center | | | | | | | | |
| HVAC Unit (Apartment) | 15 | 1 | 9,375 | Unit | 1 | 9,375 | 8,706 | 582 |
| HVAC Unit (Clubroom) | 15 | 14 | 5,625 | Unit | 1 | 5,625 | 349 | 349 |
| Judges Gazebo | 30 | 2 | 5,000 | Unit | 1 | 5,000 | 4,618 | 144 |
| Bridges | 30 | 4 | 33 | Unit | 1400 | 46,200 | 39,215 | 1,328 |
| Sand (Arena) | 10 | 4 | 0 | GSF | 20000 | 9,200 | 5,410 | 879 |
| Metal Hay Barn | 35 | 29 | 5,000 | Unit | 1 | 5,000 | 738 | 120 |
| Pipe Rail (Stalls/Arena) | 30 | 8 | 22 | LF | 2900 | 63,800 | 44,884 | 1,834 |
| Pipe Rail Fence (Pens) | 30 | 10 | 22 | LF | 1250 | 27,500 | 17,408 | 791 |
| Wood Fence | 15 | 1 | 17 1/2 | LF | 650 | 11,375 | 10,563 | 707 |
| Vinyl Fence | 30 | 23 | 18 | LF | 3400 | 61,200 | 12,691 | 1,759 |
| Metal Doors | 25 | 4 | 662 1/2 | Unit | 34 | 22,525 | 18,534 | 798 |
| Tile Roof (Clubhouse) | 30 | 22 | 8 | GSF | 4250 | 34,550 | 8,230 | 993 |
| Tile Roof (Stables) | 30 | 22 | 8 | GSF | 8000 | 65,000 | 15,483 | 1,869 |
| Walkway Poles | 30 | 11 | 250 | Unit | 44 | 11,000 | 6,581 | 316 |
| Propane Tank | 40 | 7 | 5,000 | Unit | 1 | 5,000 | 3,975 | 102 |

EXHIBIT A - COMPONENT INVENTORY

See limitations, assumptions and descriptions on page S6

| Descriptions (Pg S5) | Life | | Unit | | | Total Cost | Sinking Fund(1) | |
|-----------------------------------|--------------------------------------|------|----------|-------|-------|------------------|------------------|----------------|
| | Est. | Left | Cost Per | Scale | Count | | Current | Annual |
| | | | | | | | Obligation | Provision |
| Asphalt | | | | | | | | |
| Asphalt - Resurface (Admin) | 20 | 0 | 1 | GSF | 39770 | 54,375 | 54,375 | 2,469 |
| Asphalt - Resurface (CB, MP) | 20 | 0 | 1 | GSF | 70100 | 96,400 | 96,400 | 4,378 |
| Asphalt - Resurface (EQ) | 20 | 0 | 1 | GSF | 35400 | 48,700 | 48,700 | 2,212 |
| Asphalt - Resurface (Beach Parks) | 20 | 0 | 1 | GSF | 61690 | 84,825 | 84,825 | 3,852 |
| Asphalt - Seal/Repair | 4 | 3 | 0 | GSF | 2E+05 | 26,950 | 6,637 | 6,637 |
| Lake & Marina | | | | | | | | |
| Boat Ramp - Replace | 25 | 12 | 7 | GSF | 1320 | 8,725 | 4,266 | 309 |
| Gangways - Replace | 50 | 10 | 11 | GSF | 1560 | 16,975 | 12,873 | 263 |
| Fuel Dispenser - Replace | 20 | 9 | 29,875 | Unit | 1 | 29,875 | 15,694 | 1,357 |
| Fuel Storage Tank - Replace | 40 | 9 | 45,700 | Unit | 1 | 45,700 | 33,778 | 935 |
| Sea Wall - Replace (partial) | 15 | 5 | 7 | LF | 1900 | 13,075 | 8,498 | 812 |
| Iron Fence/Rail - Replace | 20 | 6 | 39 | LF | 150 | 5,775 | 3,920 | 262 |
| Signs - Replace | 15 | 9 | 338 | Unit | 20 | 6,750 | 2,580 | 419 |
| Docks - Replace (ph 1) | 50 | 10 | 51 | GSF | 4480 | 229,600 | 174,120 | 3,562 |
| Docks - Replace (ph 2) | 50 | 16 | 51 | GSF | 4980 | 255,225 | 159,390 | 3,959 |
| Dock Bumpers - Replace (partial) | 5 | 1 | 1 | LF | 5570 | 5,100 | 4,060 | 1,000 |
| Fish Clean Structure - Replace | 25 | 15 | 5,275 | Unit | 1 | 5,275 | 1,954 | 187 |
| Dam - Replacement | 45 | 15 | 300 | LF | 175 | 52,525 | 32,348 | 930 |
| Aerators - Replace | 15 | 12 | 8,500 | Unit | 3 | 25,500 | 4,800 | 1,584 |
| Lake Water Flow Meters-Replace | 15 | 11 | 1,350 | Unit | 13 | 17,550 | 4,427 | 1,090 |
| Outflow Monitor Devices-Replace | 20 | 2 | 8,750 | Unit | 2 | 17,500 | 15,589 | 795 |
| Wells - Replace (#1,2,10,15) | 25 | 24 | 75,000 | Unit | 4 | 300,000 | 10,622 | 10,622 |
| Wells - Replace (#3,5,14) | 25 | 21 | 75,000 | Unit | 3 | 225,000 | 32,347 | 7,967 |
| Wells - Replace (#6,11,13) | 25 | 0 | 75,000 | Unit | 3 | 225,000 | 225,000 | 7,967 |
| Wells - Replace (#7,9,16) | 25 | 23 | 75,000 | Unit | 3 | 225,000 | 16,013 | 7,967 |
| Well Pumps - Replace (#1,2,10,15) | 10 | 9 | 13,500 | Unit | 4 | 54,000 | 5,161 | 5,161 |
| Well Pumps - Replace (#3,5,14) | 10 | 6 | 13,500 | Unit | 3 | 40,500 | 15,718 | 3,871 |
| Well Pumps - Replace (#6,11,13) | 10 | 9 | 13,500 | Unit | 3 | 40,500 | 3,871 | 3,871 |
| Well Pumps - Replace (#7,9,16) | 10 | 8 | 13,500 | Unit | 3 | 40,500 | 7,781 | 3,871 |
| Beach Parks | | | | | | | | |
| Beach Sand - Replace | 20 | 8 | 28 | CY | 536 | 14,850 | 8,553 | 674 |
| Wrought Iron - Replace | 25 | 13 | 33 | LF | 2390 | 78,875 | 35,419 | 2,793 |
| Restrooms - Refurbish | 25 | 24 | 5,550 | Unit | 2 | 11,100 | 393 | 393 |
| Metal Roof - Replace | 35 | 30 | 7 39/44 | GSF | 1,100 | 8,675 | 1,062 | 208 |
| Basketball Court - Resurface | 10 | 0 | 3 | GSF | 4800 | 15,850 | 15,850 | 1,515 |
| Meadow Lark Park | | | | | | | | |
| Chain Link Fence/Backstop-Replace | 25 | 10 | 7,600 | Unit | 3 | 22,800 | 12,995 | 807 |
| Restrooms - Refurbish | 25 | 2 | 1,222 | Unit | 9 | 11,000 | 10,016 | 389 |
| Concrete Tile Roof - Replace | 30 | 19 | 6 | GSF | 450 | 2,700 | 898 | 78 |
| Basketball Court-Resurface/Repair | 10 | 0 | 3 | GSF | 4800 | 15,850 | 15,850 | 1,515 |
| Bocce Ball Courts - Resurface | 15 | 9 | 2,850 | Unit | 4 | 11,400 | 4,357 | 708 |
| General Common Area | | | | | | | | |
| Pole Lights - Replace (median) | 25 | 11 | 662 | Unit | 28 | 18,525 | 9,804 | 656 |
| Flag Pole - Replace | 40 | 9 | 5,950 | Unit | 1 | 5,950 | 4,398 | 122 |
| Monument Signs - Replace | 30 | 29 | 1,625 | Unit | 2 | 3,250 | 93 | 93 |
| Storm Drains - Repair | 40 | 7 | 2,200 | Unit | 5 | 11,000 | 8,746 | 225 |
| Major Components Inventory | Totals as of October 31, 2012 | | | | | 3,301,725 | 1,648,150 | 134,462 |

Amount scheduled to be replaced in FYE 10.31.2013 **546,400**

EXHIBIT A - COMPONENT INVENTORY

See limitations, assumptions and descriptions on page S6

| Descriptions (Pg S5) | Life | | Unit | | | Total Cost | Sinking Fund(1) | |
|------------------------------------|------|------|----------|-------|-------|------------|--------------------|------------------|
| | Est. | Left | Cost Per | Scale | Count | | Current Obligation | Annual Provision |
| Personal Property Inventory | | | | | | | | |
| Vehicles | | | | | | | | |
| Patrol Car - Replace (#001) | 6 | 2 | 26,000 | ea | 1 | 26,000 | 17,160 | 4,226 |
| Patrol Car - Replace (#002) | 6 | 2 | 26,000 | ea | 1 | 26,000 | 17,160 | 4,226 |
| Patrol Car - Replace (#003) | 6 | 2 | 26,000 | ea | 1 | 26,000 | 17,160 | 4,226 |
| Patrol Car - Replace (#004) | 6 | 2 | 26,000 | ea | 1 | 26,000 | 17,160 | 4,226 |
| Patrol Truck - Replace (#007) | 8 | 3 | 19,075 | ea | 1 | 19,075 | 11,743 | 2,302 |
| Community Vehicles - Replace | 10 | 4 | 13,000 | ea | 2 | 26,000 | 15,289 | 2,485 |
| Maintenance Truck-Replace(M-0) | 15 | 7 | 28,500 | ea | 1 | 28,500 | 14,670 | 1,771 |
| Maintenance Truck-Replace(M-01) | 15 | 10 | 17,950 | ea | 1 | 17,950 | 5,688 | 1,115 |
| Maintenance Truck-Replace(M-02) | 15 | 10 | 18,850 | ea | 1 | 18,850 | 5,973 | 1,171 |
| Maintenance Truck-Replace(M-1) | 15 | 0 | 19,675 | ea | 1 | 19,675 | 19,675 | 1,222 |
| Maintenance Truck-Replace(M-10) | 15 | 3 | 29,025 | ea | 1 | 29,025 | 22,868 | 1,803 |
| Maintenance Truck-Replace(M-2) | 20 | 5 | 34,400 | ea | 1 | 34,400 | 25,148 | 1,562 |
| Maintenance Truck-Replace(M-3) | 20 | 0 | 17,950 | ea | 1 | 17,950 | 17,950 | 815 |
| Maintenance Truck-Replace(M-4) | 15 | 6 | 31,700 | ea | 1 | 31,700 | 18,450 | 1,969 |
| Maintenance Truck-Replace(M-5) | 20 | 2 | 28,500 | ea | 1 | 28,500 | 25,388 | 1,294 |
| Maintenance Truck-Replace(M-6) | 20 | 0 | 33,875 | ea | 1 | 33,875 | 33,875 | 1,538 |
| Maintenance Truck-Replace(M-7) | 20 | 0 | 32,750 | ea | 1 | 32,750 | 32,750 | 1,487 |
| Maintenance Truck-Replace(M-8) | 20 | 1 | 33,875 | ea | 1 | 33,875 | 32,016 | 1,538 |
| Maintenance Truck-Replace(M-9) | 15 | 2 | 21,625 | ea | 1 | 21,625 | 18,552 | 1,343 |
| Boats | | | | | | | | |
| Maintenance Vessel-Replace(B-15) | 25 | 6 | 36,000 | ea | 1 | 36,000 | 26,526 | 1,275 |
| Maintenance Vessel-Replace(B-17) | 25 | 2 | 36,000 | ea | 1 | 36,000 | 32,779 | 1,275 |
| Security Vessel - Replace (B-14) | 25 | 19 | 36,500 | ea | 1 | 36,500 | 7,951 | 1,292 |
| Security Vessel - Replace (VX110) | 20 | 14 | 11,500 | ea | 1 | 11,500 | 3,213 | 522 |
| Outboard Motor - Replace (150 hp) | 6 | 2 | 13,000 | ea | 1 | 13,000 | 8,580 | 2,113 |
| Outboard Motor - Replace (50 hp) | 6 | 2 | 6,500 | ea | 1 | 6,500 | 4,290 | 1,057 |
| Outboard Motor - Replace (60 hp) | 6 | 1 | 7,400 | ea | 1 | 7,400 | 6,136 | 1,203 |
| Outboard Motor - Replace (80 hp) | 6 | 3 | 7,700 | ea | 1 | 7,700 | 3,793 | 1,252 |
| Outboard Motor - Replace (90 hp) | 6 | 1 | 7,700 | ea | 1 | 7,700 | 6,385 | 1,252 |

EXHIBIT A - COMPONENT INVENTORY

See limitations, assumptions and descriptions on page S6

Personal Property Inventory (Continued)

| Descriptions (Pg S5) | Life | | Unit | | | Total Cost | Sinking Fund(1) | |
|-------------------------------------|------|------|----------|-------|-------|------------|--------------------|------------------|
| | Est. | Left | Cost Per | Scale | Count | | Current Obligation | Annual Provision |
| Furniture | | | | | | | | |
| Folding Furniture - Replace (CB) | 10 | 1 | 49 | ea | 252 | 12,250 | 10,969 | 1,171 |
| Furniture - Replace (Boardroom) | 10 | 5 | 592 | ea | 13 | 7,700 | 3,754 | 736 |
| Window Coverings - Replace | 10 | 4 | 165 | LF | 60 | 9,900 | 5,821 | 946 |
| Furniture - Replace (partial) | 4 | 1 | 111 | ea | 54 | 6,000 | 4,478 | 1,478 |
| Stage - Replace | 15 | 3 | 9,200 | ea | 1 | 9,200 | 7,249 | 572 |
| Office Equipment | | | | | | | | |
| Defibrillator - Replace | 10 | 7 | 1,700 | ea | 3 | 5,100 | 1,477 | 487 |
| Mobile Radios - Replace (PSD) | 10 | 8 | 450 | ea | 14 | 6,300 | 1,210 | 602 |
| Security System - Replace | 10 | 9 | 3,518 | ea | 14 | 49,250 | 4,707 | 4,707 |
| Security System - Replace | 10 | 5 | 3,563 | ea | 4 | 14,250 | 6,948 | 1,362 |
| Computers/Printers - Replace | 5 | 2 | 769 | ea | 16 | 12,300 | 7,306 | 2,411 |
| Maintenance Equipment | | | | | | | | |
| Tractor - Replace (1) | 30 | 25 | 36,250 | ea | 1 | 36,250 | 5,316 | 1,042 |
| Tractor - Replace (2) | 30 | 3 | 36,250 | ea | 1 | 36,250 | 32,119 | 1,042 |
| Riding Mower - Replace (1) | 25 | 1 | 20,000 | ea | 1 | 20,000 | 19,101 | 708 |
| Riding Mower - Replace (2) | 15 | 3 | 18,000 | ea | 1 | 18,000 | 14,182 | 1,118 |
| Walk Mower - Replace | 15 | 2 | 9,000 | ea | 1 | 9,000 | 7,721 | 559 |
| Chipper - Replace | 20 | 7 | 6,125 | ea | 1 | 6,125 | 3,841 | 278 |
| Recreation Equipment | | | | | | | | |
| Picnic Tables - Replace | 4 | 1 | 125 | ea | 48 | 6,000 | 4,478 | 1,478 |
| Metal Play Equip. - Replace (MP) | 20 | 4 | 1,833 | ea | 6 | 11,000 | 8,621 | 500 |
| Play Equipment - Replace (Beach) | 15 | 5 | 21,225 | ea | 2 | 42,450 | 27,590 | 2,637 |
| Play Equipment - Replace (MP) | 15 | 4 | 16,500 | ea | 2 | 33,000 | 23,713 | 2,050 |
| Play Equipment - Replace (Playfair) | 15 | 2 | 11,500 | ea | 4 | 46,000 | 39,463 | 2,858 |
| Bleachers - Replace | 25 | 12 | 3,250 | ea | 4 | 13,000 | 6,356 | 460 |

| | | | | |
|------------------------------------|--------------------------------------|------------------|----------------|---------------|
| Personal Property Inventory | Totals as of October 31, 2012 | 1,069,375 | 714,751 | 80,766 |
|------------------------------------|--------------------------------------|------------------|----------------|---------------|

Amount scheduled to be replaced in FYE 10.31.2013 **104,250**

(1) Assumed after tax yield on Sinking Fund = 1.00%

EXHIBIT B-FORECASTED EXPENDITURES

See limitations, assumptions and descriptions on page S9

| Major Components | | | | | | | | | |
|------------------|--------|------------------|--------------------|--------------------|-------------------|----------------|------------------|----------------|---------------|
| Year | | TOTAL | Admin & Maint Bldg | Community Building | Equestrian Center | Asphalt | Lake & Marina | Parks | Common Areas |
| Count | Actual | | | | | | | | |
| 0 | 2013 | 546,400 | 5,400 | | | 284,300 | 225,000 | 31,700 | |
| 1 | 2014 | 25,850 | | | 20,750 | | 5,100 | | |
| 2 | 2015 | 65,300 | | 31,800 | 5,000 | | 17,500 | 11,000 | |
| 3 | 2016 | 26,950 | | | | 26,950 | | | |
| 4 | 2017 | 131,725 | 14,800 | 39,000 | 77,925 | | | | |
| 5 | 2018 | 39,025 | | 25,950 | | | 13,075 | | |
| 6 | 2019 | 102,400 | 36,025 | 15,000 | | | 51,375 | | |
| 7 | 2020 | 95,950 | | 53,000 | 5,000 | 26,950 | | | 11,000 |
| 8 | 2021 | 131,300 | | 12,150 | 63,800 | | 40,500 | 14,850 | |
| 9 | 2022 | 194,175 | | | | | 176,825 | 11,400 | 5,950 |
| 10 | 2023 | 351,900 | 14,325 | 9,000 | 27,500 | | 246,575 | 54,500 | |
| 11 | 2024 | 79,125 | | | 11,000 | 26,950 | 22,650 | | 18,525 |
| 12 | 2025 | 53,575 | | 19,350 | | | 34,225 | | |
| 13 | 2026 | 121,875 | 18,000 | 25,000 | | | | 78,875 | |
| 14 | 2027 | 77,875 | 7,500 | 55,550 | 14,825 | | | | |
| 15 | 2028 | 118,150 | 5,900 | 27,500 | | 26,950 | 57,800 | | |
| 16 | 2029 | 345,750 | 24,175 | | 20,750 | | 300,825 | | |
| 17 | 2030 | 49,300 | | 49,300 | | | | | |
| 18 | 2031 | 40,500 | | | | | 40,500 | | |
| 19 | 2032 | 163,150 | | 39,000 | | 26,950 | 94,500 | 2,700 | |
| Totals | | 2,760,275 | 126,125 | 401,600 | 246,550 | 419,050 | 1,326,450 | 205,025 | 35,475 |

| Personal Property Assets | | | | | | | | | |
|--------------------------|--------|------------------|----------------|----------------|----------------|------------------|-----------------------|----------------------|----------|
| Year | | TOTAL | Vehicles | Boats | Furniture | Office Equipment | Maintenance Equipment | Recreation Equipment | |
| Count | Actual | | | | | | | | |
| 0 | 2013 | 104,250 | 104,250 | | | | | | |
| 1 | 2014 | 93,225 | 33,875 | 15,100 | 18,250 | | 20,000 | 6,000 | |
| 2 | 2015 | 276,925 | 154,125 | 55,500 | | 12,300 | 9,000 | 46,000 | |
| 3 | 2016 | 119,250 | 48,100 | 7,700 | 9,200 | | 54,250 | | |
| 4 | 2017 | 79,900 | 26,000 | | 9,900 | | | 44,000 | |
| 5 | 2018 | 110,800 | 34,400 | | 13,700 | 14,250 | | 48,450 | |
| 6 | 2019 | 67,700 | 31,700 | 36,000 | | | | | |
| 7 | 2020 | 67,125 | 28,500 | 15,100 | | 17,400 | 6,125 | | |
| 8 | 2021 | 129,800 | 104,000 | 19,500 | | 6,300 | | | |
| 9 | 2022 | 68,950 | | 7,700 | 6,000 | 49,250 | | 6,000 | |
| 10 | 2023 | 36,800 | 36,800 | | | | | | |
| 11 | 2024 | 31,325 | 19,075 | | 12,250 | | | | |
| 12 | 2025 | 25,300 | | | | 12,300 | | 13,000 | |
| 13 | 2026 | 27,100 | | 15,100 | 6,000 | | | 6,000 | |
| 14 | 2027 | 170,900 | 130,000 | 31,000 | 9,900 | | | | |
| 15 | 2028 | 49,325 | 19,675 | 7,700 | 7,700 | 14,250 | | | |
| 16 | 2029 | 0 | | | | | | | |
| 17 | 2030 | 106,025 | 21,625 | | 6,000 | 17,400 | 9,000 | 52,000 | |
| 18 | 2031 | 62,525 | 29,025 | | 9,200 | 6,300 | 18,000 | | |
| 19 | 2032 | 152,925 | 19,075 | 51,600 | | 49,250 | | 33,000 | |
| Totals | | 1,780,150 | 840,225 | 262,000 | 108,100 | 199,000 | 116,375 | 254,450 | 0 |

See accountant's compilation report on supplemental information



(A) See Important notice below

See column definitions on page S7

EXHIBIT C-FORECASTED AVAILABLE CASH

| YEAR | | EXPECTED EXPENDITURES | | | EXPECTED RECEIPTS | | | FORECASTED AVAILABLE CASH |
|--|--------|--------------------------------------|-----------|------------------|-------------------|---------------|---------------|---------------------------|
| Count | Actual | Current \$ | Inflation | Future \$ | Sinking Fund | Other | Interest | |
| | | (1)RATE ASSUMPTIONS --> 3.00% | | | (2) 3.00% | | | (3) 0.32% |
| Investment Funds Designated for Major Component and Personal Property Asset Replacement | | | | | | | | |
| | | | | | | | | 1,051,788 |
| 0 | 2013 | 650,650 | 1.0000 | 650,650 | 215,228 | 22,074 | 2,699 | 641,139 |
| 1 | 2014 | 119,075 | 1.0300 | 122,647 | 221,685 | | 2,205 | 742,381 |
| 2 | 2015 | 342,225 | 1.0609 | 363,067 | 228,335 | | 2,155 | 609,805 |
| 3 | 2016 | 146,200 | 1.0927 | 159,757 | 235,185 | | 2,068 | 687,302 |
| 4 | 2017 | 211,625 | 1.1255 | 238,186 | 242,241 | | 2,201 | 693,558 |
| 5 | 2018 | 149,825 | 1.1593 | 173,688 | 249,508 | | 2,336 | 771,713 |
| 6 | 2019 | 170,100 | 1.1941 | 203,108 | 256,993 | | 2,550 | 828,148 |
| 7 | 2020 | 163,075 | 1.2299 | 200,562 | 264,703 | | 2,747 | 895,036 |
| 8 | 2021 | 261,100 | 1.2668 | 330,754 | 272,644 | | 2,765 | 839,692 |
| 9 | 2022 | 263,125 | 1.3048 | 343,318 | 280,823 | | 2,581 | 779,778 |
| 10 | 2023 | 388,700 | 1.3439 | 522,380 | 289,248 | | 2,118 | 548,764 |
| 11 | 2024 | 110,450 | 1.3842 | 152,889 | 297,926 | | 1,984 | 695,784 |
| 12 | 2025 | 78,875 | 1.4258 | 112,457 | 306,863 | | 2,532 | 892,723 |
| 13 | 2026 | 148,975 | 1.4685 | 218,775 | 316,069 | | 3,006 | 993,023 |
| 14 | 2027 | 248,775 | 1.5126 | 376,295 | 325,551 | | 3,090 | 945,370 |
| 15 | 2028 | 167,475 | 1.5580 | 260,921 | 335,318 | | 3,137 | 1,022,904 |
| 16 | 2029 | 345,750 | 1.6047 | 554,827 | 345,377 | | 2,932 | 816,386 |
| 17 | 2030 | 155,325 | 1.6528 | 256,729 | 355,739 | | 2,765 | 918,161 |
| 18 | 2031 | 103,025 | 1.7024 | 175,393 | 366,411 | | 3,237 | 1,112,416 |
| 19 | 2032 | 316,075 | 1.7535 | 554,239 | 377,403 | | 3,270 | 938,849 |
| Totals | | 4,540,425 | | 5,970,641 | 5,783,250 | 22,074 | 52,377 | |

PERCENT OF FUTURE MAJOR REPAIRS & REPLACEMENTS FUNDED CALCULATION

(This calculation only includes the Major Component inventory as required by California law)

| YEAR | | Straight Line Method (CC 1365.2.5 (b)(4)) | | | Sinking Fund Method (Alternate Method) | | |
|-------|--------|---|-----------|----------|--|-----------|----------|
| Count | Actual | Estimated Cash Available | Necessary | % Funded | Estimated Cash Available | Necessary | % Funded |
| 0 | 2013 | 1,051,788 | 2,439,016 | 43.12% | 1,051,788 | 2,362,901 | 44.51% |
| 1 | 2014 | 641,139 | 2,023,386 | 31.69% | 641,139 | 1,960,242 | 32.71% |
| 2 | 2015 | 742,381 | 2,139,331 | 34.70% | 742,381 | 2,072,568 | 35.82% |
| 3 | 2016 | 609,805 | 2,032,126 | 30.01% | 609,805 | 1,968,708 | 30.97% |
| 4 | 2017 | 687,302 | 2,120,945 | 32.41% | 687,302 | 2,054,756 | 33.45% |

(A) This cash flow forecast includes both the major components and the personal property assets as disclosed on pages S3 to S7

LIMITATIONS, ASSUMPTIONS AND DESCRIPTIONS

MODEL LIMITATIONS

The calculated investment funds on page S4 (Exhibit C) results from the interplay of many variables and the forecast model. The amounts used in these variables are considered reasonable assumptions. While the Association believes the forecast model and the variable amounts used produce a reasonable estimate of future cash receipts and expenditures during the forecast period, it is **HIGHLY UNLIKELY** that the actual results will precisely match the forecasted results.

SIGNIFICANT ASSUMPTIONS

The information in the major component inventory (EXHIBIT A) related to estimated life, remaining life, cost per unit and number of units are considered reasonable estimates. The rate for inflation, increase in assessment levels and the net after tax return on investment used to forecast the available cash (EXHIBIT C) are considered significant assumptions. Even if the component inventory estimates prove relatively accurate, minor variations among the three assumed rates could have a major effect on the forecast's outcome.

SINKING FUND METHOD

The Association uses the sinking fund method to calculate the estimated annual payment required to produce the amount needed to replace each major component at its replacement time. This method also calculates the estimated investment funds that should be on hand at the current point in the replacement cycle. The Association recalculates these amounts every year. Since the current cost to replace a component, the after tax rate of return on investments (ATROI), the typical component life and the remaining component life variables are all subject to change every year, the results of applying this method could change from year to year and those changes could be material.

A Sinking Fund Method Calculation Example:

Suppose the Association had to replace a \$100,000 item every ten years, that the ATROI is 3% and that the item is currently five years old. The sinking fund method would calculate an annual payment of \$8,723 and a current obligation of \$46,312. In other words to produce \$100,000 in ten years would require an annual deposit of \$8,723 if the after tax yield on investments were 3%. Moreover, if we were five years into that process we

COMPONENT DESCRIPTIONS (Page S3)

Detail component maintenance and repair specifications are available in the reserve study dated **June 20, 2012**.

Interested parties may obtain this information by requesting it from the Association.

During the fiscal year ending October 31, 2012 the new reserve study made adjustments to the estimated lives, remaining lives, current cost to replace, and other key assumptions. Individual items are summarized and different to some extent from the Reserve Study. Therefore, the current obligation, annual provision and timing of expenditures will differ somewhat from the study. Some of these differences are not material.

COLUMN DEFINITIONS (Page S8)

(1) Assumed after tax inflation or interest rates for component costs, members' contributions, and investments.

(2) Expected inflated component costs.

(3) Members' annual payment for major repair and replacement as calculated using the Sinking Fund Method.

(4) Additional member payments designated to pay for expected obligations or transfers from operating cash generated from excess of revenues over expenses to bolster the long term cash position. The scheduled transfer for **2013** is based on the amount recommended in the reserve study dated **June 20, 2012**.

(5) Net after tax investment earnings on average investment balance.

(6) Beginning of the year cash minus expected expenditures plus members' payments and after tax

1. The current assessment per unit:

Average per unit: \$ 75.00 Per: Month

2. Additional approved assessments:

| Date | Average Per Unit | Purpose |
|------|------------------|---------|
| None | None | None |

3. Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve accounts balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes: No:

4. If "No", what additional assessments or other contributions to reserves would be necessary to insure that sufficient reserve funds will be available each year during the next 30 years?

| Estimated: | Due Date | Amount | |
|------------|----------|--------|----------|
| | | Total | Per Unit |
| 1 | N/A | N/A | N/A |

5. The following major components with the listed remaining life, which are included in the reserve study, are NOT included in the existing reserve funding:

| Item | Major Component |
|------|--------------------------------|
| 1 | None |
| | Useful remaining life in years |
| 1 | None |
| | Reason not included |
| 1 | None |

See infrastructure exclusions on page S2

6. Based on the method of calculation in Section 1365.2.5(4)(b) the estimated amount required in the reserve fund at the end of the current fiscal year is disclosed on page S5, based in whole or in part on the last reserve study or as updated in **June 2012**. The projected reserve fund cash balance at the end of the current year and the percent funded at this date is disclosed on page S6. The alternative sinking fund method is also disclosed on page S6.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change and those changes may be material.