

SPRING VALLEY LAKE ASSOCIATION
COMPARATIVE FINANCIAL STATEMENTS
OCTOBER 31, 2013 and 2012

WITH

INDEPENDENT AUDITORS' REPORT
AND SUPPLEMENTARY INFORMATION

SPRING VALLEY LAKE ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Owners
Spring Valley Lake Association

Report on the Financial Statements

We have audited the accompanying financial statements of Name, which comprise the balance sheet as of October 31, 2013, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Spring Valley Lake Association as of October 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited Spring Valley Lake Association's October 31, 2012 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



SCHONWIT & ASSOCIATES

January 10, 2014

SPRING VALLEY LAKE ASSOCIATION
BALANCE SHEET
AS OF OCTOBER 31, 2013
(with comparative totals for 2012)

	<u>2013</u>				<u>2012</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Personal Property Fund</u>	<u>Total</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents [Note 7]	\$ 540,403	\$ 634,465	\$ --	\$1,174,868	\$ 1,242,262
Member assessments receivable, less allowance for doubtful collection of \$500,000 at 10/31/13 and \$400,000 at 10/31/12 [Note 5]	250,279	--	--	250,279	283,307
Investments [Note 8]	--	346,500	--	346,500	345,419
Facilities & equipment, less accumulated depreciation of \$163,295 at 10/31/13 and \$263,467 at 10/31/12 [Note 12]	--	--	300,130	300,130	160,362
Land held for investment	40,000	--	--	40,000	40,000
Inventory	8,296	--	--	8,296	9,460
Accrued interest receivable	--	39	--	39	39
Deposits and prepaid expenses	61,657	--	--	61,657	44,087
Prepaid taxes	6,014	--	--	6,014	6,236
Due (to)/from fund	(40,563)	40,563	--	--	--
Total Assets	<u>\$ 866,086</u>	<u>\$1,021,567</u>	<u>\$300,130</u>	<u>\$2,187,783</u>	<u>\$ 2,131,172</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 303,251	\$ 33,200	\$ --	\$ 336,451	\$ 255,727
Prepaid assessments	294,635	--	--	294,635	277,055
Accrued payroll	105,059	--	--	105,059	102,256
Refundable deposits and other liabilities	9,052	--	--	9,052	2,663
Total Liabilities	711,997	33,200	--	745,197	637,701
FUND BALANCES	<u>154,089</u>	<u>988,367</u>	<u>300,130</u>	<u>1,442,586</u>	<u>1,493,471</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 866,086</u>	<u>\$1,021,567</u>	<u>\$300,130</u>	<u>\$2,187,783</u>	<u>\$ 2,131,172</u>

See independent auditors' report and accompanying notes to financial statements.

SPRING VALLEY LAKE ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED OCTOBER 31, 2013
(with comparative totals for 2012)

	2013			2012	
	Operating Fund	Replacement Fund	Personal Property Fund	Total	Total
REVENUES					
Member assessments	\$ 3,551,428	\$ 240,000	\$ --	\$ 3,791,428	\$ 3,791,688
Community service fees	23,785	--	--	23,785	30,363
Community building activities	181,935	--	--	181,935	135,469
Equestrian fees	51,208	--	--	51,208	59,839
Owner fees	300,766	--	--	300,766	203,353
Interest income	1,550	1,177	--	2,727	4,155
Other revenue	8,962	--	--	8,962	29,155
Total Revenues	4,119,634	241,177	--	4,360,811	4,254,022
EXPENSES					
Salaries and related (supplementary schedule)	1,956,808	--	--	1,956,808	1,999,423
Lake, marina and parks (supplementary schedule)	385,130	--	--	385,130	243,884
Well drilling & related	--	216,329	--	216,329	279,051
Equestrian	28,080	--	--	28,080	29,070
Legal and accounting	145,606	--	--	145,606	140,231
Other professional services (supplementary schedule)	126,050	--	--	126,050	72,240
Administrative support (supplementary schedule)	175,149	189	--	175,338	196,838
Vehicles, equipment, technology (supplementary schedule)	172,810	--	--	172,810	178,134
Insurance	151,136	--	--	151,136	123,126
Utilities (supplementary schedule)	234,049	--	--	234,049	187,132
Surveillance camera project	36,805	--	--	36,805	237,756
Grounds and building (supplementary schedule)	288,396	55,200	--	343,596	162,223
Association events	51,753	--	--	51,753	35,517
Depreciation	--	--	88,969	88,969	70,805
Income taxes	1,167	--	--	1,167	2,436
Loss on disposition of assets	3,099	--	--	3,099	--
Bad debt expense	294,971	--	--	294,971	272,220
Total Expenses	4,051,009	271,718	88,969	4,411,696	4,230,086
EXCESS OF REVENUES OVER/(UNDER) EXPENSES	68,625	(30,541)	(88,969)	(50,885)	23,936
Beginning Fund Balances	314,201	1,018,908	160,362	1,493,471	863,320
Prior Period Adjustment [Note 9]	--	--	--	--	606,215
Interfund Transfers	(228,737)	--	228,737	--	--
Ending Fund Balances	\$ 154,089	\$ 988,367	\$300,130	\$1,442,586	\$ 1,493,471

See independent auditors' report and accompanying notes to financial statements.

SPRING VALLEY LAKE ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2013
(with comparative totals for 2012)

	2013				2012
	Operating Fund	Replacement Fund	Personal Property Fund	Total	Total
Excess of revenues over/(under) expenses:	\$ 68,625	\$ (30,541)	\$ (88,969)	\$ (50,885)	\$ 23,936
Adjustments to reconcile excess of revenues over/(under) expenses to net cash provided/(used) by operating activities:					
Depreciation	--	--	88,969	88,969	70,805
Decrease in member assessments receivable	33,028	--	--	33,028	160,214
(Increase)/decrease in accrued interest receivable	39	(39)	--	--	51
(Increase)/decrease in inventory	1,164	--	--	1,164	(5,661)
Increase/(decrease) in prepaid expenses	(17,570)	--	--	(17,570)	1,261
(Increase)/decrease in prepaid taxes	222	--	--	222	3,405
Decrease in deposits/other assets	--	--	--	--	5,000
Increase/(decrease) in accounts payable	47,524	33,200	--	80,724	(130,482)
Increase in prepaid assessments	17,580	--	--	17,580	369
Increase/(decrease) in accrued payroll	2,803	--	--	2,803	102,256
Increase/(decrease) in refundable deposits	6,389	--	--	6,389	(11,698)
Change in due to/(from) fund	40,563	(40,563)	--	--	--
Net cash provided/(used) by operating activities	200,367	(37,943)	--	162,424	219,456
Cash provided/(used) by investing activities:					
Acquisition of facilities and equipment	--	--	(259,841)	(259,841)	(32,930)
Disposition of facilities and equipment	--	--	31,104	31,104	7,127
Acquisition of certificates of deposit	--	(346,500)	--	(346,500)	(345,419)
Maturity of certificates of deposit	--	345,419	--	345,419	343,399
Net cash flows from investing activities	--	(1,081)	(228,737)	(229,818)	(27,823)
Cash provided/(used) by financing activities:					
Interfund transfers	(228,737)	--	228,737	--	--
Net increase/(decrease) in cash	(28,370)	(39,024)	--	(67,394)	191,633
Cash at beginning of year	568,773	673,489	--	1,242,262	1,050,629
Cash at end of year	\$ 540,403	\$ 634,465	\$ --	\$ 1,174,868	\$ 1,242,262

See independent auditors' report and accompanying notes to financial statements.

SPRING VALLEY LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

NOTE 1. ORGANIZATION

Spring Valley Lake Association [the Association] is a statutory homeowners association which was organized as a non-profit public benefit corporation in December 1969. The Association is a large scale community consisting of 4,213 lots, 2 of which are owned by the Association. The Association, which is located in Spring Valley Lake, California, includes a 200 surface acre fresh water lake, a community building, an equestrian area, and three separate parks. Additionally, a separate, privately operated country club and golf course run through parts of the community. The purpose of the Association is primarily to maintain, preserve and control the defined common areas of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Accounting - The books and records for the Association are maintained on a modified accrual basis of accounting. The tax returns are reported on the accrual basis of accounting.

(b) Capitalization Policy and Depreciation - In accordance with industry standards, the Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer, as all beneficial rights of ownership belong to the unit owners and not to the Association. Replacements and improvements to the real property and common areas have been capitalized in the Association's financial statements.

Significant capital assets not directly associated with the units, referred to as personal property assets, are capitalized and depreciated over their estimated useful lives ranging from 5 to 20 years and using the straight-line method of depreciation. During the year ended October 31, 2013, the Association capitalized \$259,871 of personal property assets.

(c) Fund Accounting - The Association's accompanying financial statements have been prepared using fund accounting. Under this method of accounting, funds are separated into three categories; the operating fund, the replacement fund, and the personal property fund. Disbursements from the replacement fund generally may be made only for designated repair or replacement of major common area components. Disbursements from the operating fund are at the discretion of the Board of Directors and generally are for on-going repairs, maintenance, and administrative functions. Additionally, a third fund (personal property fund) has been established in order to separately account for personal property additions and related depreciation expense.

(d) Investment Income - The Board's policy is to allocate interest earned on replacement fund cash accounts and investments to the operating fund.

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

SPRING VALLEY LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

(f) Subsequent Events – Subsequent events have been evaluated through January 10, 2014, which is the date the financial statements were available to be issued.

NOTE 3. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended October 31, 2012, from which the summarized information was derived.

NOTE 4. INCOME TAXES

The Association had been granted tax exempt status by the IRS under code section 501(c)(4) and therefore is subject to income tax only on income unrelated to its exempt purpose. For California purposes, the Association has been granted tax exempt status as a homeowners association and is subject to tax only on income unrelated to members' dues and assessments (such as interest income less related expenses) at a rate of 8.84%. For the year ended October 31, 2013, the federal and California income tax expense was \$553 and \$614, respectively.

The Association utilizes the liability method of accounting for income taxes. Under the liability method deferred income tax assets and liabilities are provided based on the difference between the financial statements and tax basis of assets and liabilities measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. Because there is no material difference between the financial accounting and tax basis of the Association's assets and liabilities, the Association has not recorded any deferred tax assets or liabilities.

The Association has adopted accounting standards for the accounting for uncertainty in income taxes. These standards provide guidance for the accounting and disclosure about uncertain tax positions taken by an association. Management believes that all of the positions taken by the Association in its federal and state income tax returns are more likely than not to be sustained upon examination. The Association's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed.

NOTE 5. ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to paying assessments to fund the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at October 31, 2013 represent assessments and other fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments, including filing of liens on the owner's unit, foreclosing on the unit owner, or obtaining judgment on other assets of the unit owner. At October 31, 2013, the Association has recorded an allowance for uncollectible assessments of \$500,000.

For the year ended October 31, 2013, the Association's quarterly assessment was \$225 per unit. For the 2013/2014 fiscal year, the quarterly assessment has been raised to \$247 per unit.

SPRING VALLEY LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

NOTE 6. REPLACEMENT FUNDING PROGRAM

In accordance with the Association's governing documents, which require that funds be accumulated for future major repairs and replacements, the Association has established certain amounts as reserves for future capital expenditures. Members' assessments relating to the replacement funding program are considered capital contributions from members' dues and as such are restricted in usage. Disbursements are to be made only if specifically approved by the Board of Directors.

A study of Spring Valley Lake Association's replacement funding program was conducted in June 2012. Accordingly, the study recommended a funding contribution for the 2012/2013 fiscal year of \$239,400. The table included in the unaudited supplementary information on future major repairs and replacements is based on these studies.

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

NOTE 7. SCHEDULE OF CASH BALANCES

Generally, certificates of deposit and other debt securities with original maturities less than 90 days are considered cash equivalents, while certificates of deposits and debt securities with maturities over 90 days are considered "investments."

At October 31, 2013 and 2012, the Association maintained cash balances at the following institutions:

<u>Operating Funds:</u>	<u>2013</u>	<u>2012</u>
Pacific Western Bank-checking	\$ 330,228	\$ --
Bank of Commerce-checking	--	350,227
American Security Bank-credit card checking	161,233	--
Desert Community Bank-credit card checking	--	102,960
American Security Bank-checking	9,058	--
Desert Community Bank-checking	32,043	33,869
Desert Community Bank-checking	--	2,704
Bank of Commerce-savings	--	134
American Security Bank-manager checking	6,341	7,028
Petty cash fund	1,500	1,500
Citizens Business Bank-checking	--	70,351
Total Cash - Operating Fund	<u>\$ 540,403</u>	<u>\$ 568,773</u>

SPRING VALLEY LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

NOTE 7. SCHEDULE OF CASH BALANCES (continued)

	2013	2012
<u>Replacement Funds:</u>		
The Washington Trust Co-savings	\$ 245,029	\$ --
Mutual of Omaha Bank-checking	--	530,591
Hudson Valley Bank-savings	192,985	--
Pacific Western Bank-savings	105,503	--
American Security Bank-savings	90,948	--
Mutual of Omaha-money market	--	45,577
Desert Community Bank-checking	--	97,321
Total Cash - Replacement Fund	\$ 634,465	\$ 673,489

NOTE 8. INVESTMENTS

The Association's investments consist of certificates of deposit with original maturities over 90 days. Investment income from these investments is recorded when earned or accrued. The investments are considered to be held to maturity and are carried at cost, which approximates the fair value.

At October 31, 2013 and 2012, the Association's investments are as follows:

	2013	2012
<u>Replacement Funds:</u>		
Mutual of Omaha Bank-3/2/14, .2%	\$ 121,897	\$ 101,437
Mutual of Omaha Bank-12/1/13, .3%	122,914	121,571
Mutual of Omaha Bank-11/02/13.7%	--	122,411
Mutual of Omaha-9/4/14, .25%	101,689	--
Total Cash - Replacement Fund	\$ 346,500	\$ 345,419

NOTE 9. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the 2011 Beginning Operating Fund balance in order to reflect changes necessary to convert the Association's financial statements to a true fund accounting basis. Previous financial statements reflected the Association's replacement fund obligation as an accrued expense; however industry standard for common interest realty associations is typically to report replacement funds based upon funds collected to date, less related replacement fund expenditures. Accordingly, to convert to this basis of accounting, a prior period adjustment of \$606,215 was made to the 2011 Beginning Operating Fund Balance to convert the October 31, 2011 replacement fund accrual to the accumulated fund balance approach.

SPRING VALLEY LAKE ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 OCTOBER 31, 2013

NOTE 10. CONCENTRATION OF RISK

The Association maintains operating accounts at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000; however due to the Association's operating requirements, the account balances periodically may exceed the FDIC limit. Depending upon the timing of cash flows, this condition is often temporary but necessary to meet routine operating requirements. The Board of Directors reviews the financial statements monthly and takes steps to correct this condition whenever it occurs. At October 31, 2013, \$185,731 and \$17,580, was exposed to this risk at two separate financial institutions.

NOTE 11. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for income taxes amounted to \$950 for the year ended October 31, 2013. There were no non-cash investing or financing transactions during the year.

NOTE 12. PROPERTY AND EQUIPMENT

Facilities and equipment (net of fully depreciated assets) consist of the following as of October 31, 2013:

Facilities & Equipment:	
Boats	\$ 59,308
Furniture	54,035
Recreation	15,000
Technology	38,769
Vehicles	271,290
Equipment	<u>25,023</u>
Total	463,425
Less: accumulated depreciation	<u>(163,295)</u>
Net facilities and equipment	<u>\$ 300,130</u>

NOTE 13. REFUNDABLE DEPOSITS

The Association collects deposits from homeowners for architectural review requirements. These deposits are refundable upon compliance with Association architectural guidelines.

NOTE 14. LEGAL CONTINGENCIES

The Association is occasionally involved in litigation arising out of the normal course of business for which the Association consults with outside counsel, as well as tender matters to the Association's insurance carriers for applicable defense. The extent of any future liability is currently unknown. Accordingly, the accompanying financial statements do not include a provision for any such liability.

Additionally, the Association has filed a legal action against the Tamarisk Market Place Project, which is a proposed development on land adjacent to the Association. The Association is seeking restraint of the development regarding various issues. As this matter is pending, the outcome cannot be determined at this time. However, it is possible that the Association may continue to incur legal costs during the year for which it will also seek recovery.

SPRING VALLEY LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

NOTE 15. WATER PURCHASE CONTINGENCIES

Over the past two years, the Board has worked diligently on developing a plan to permanently purchase its supply of water. The purpose of this is to provide a vehicle to ultimately reduce the Association's overall annual cost of purchasing water, as well as to mitigate the difficult task of adequately budgeting for the acquisition cost of water due unknown factors relating to usage, weather, and supply prices. Accordingly, the Association received appropriate approval from the ownership to permanently purchase a certain amount of water through the acquisition of a bank loan. Pacific Western Bank has pre-approved the Association to borrow up to \$3 million for this purpose. It is anticipated that the bank loan will be an interest only loan during an approximate 12-month draw-down period, and then will convert to a full principal and interest loan payable over a 15-year term, with a balloon payment due in 10-years. The Association plans to pay for the bank loan from its normal operating budget in lieu of paying for the annual acquisition cost of water. The permanent acquisition of water will not completely eliminate the possibility that in certain years the Association may still be obligated to pay for water (based upon certain restrictions pertaining to usage); however it is anticipated that the cost of such possible occurrences will be relatively small compared to the current situation. Based upon on-going negotiations, it is anticipated that the purchase will occur in the early part of the 2013/2014 fiscal year.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Our report on our audit of the basic financial statements of Spring Valley Lake Association for the year ended October 31, 2013 appears on pages 3 and 4. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information of operating fund expenses on pages 15-16 is not a required part of the basic financial statements and has been presented for the purpose of additional analysis. We are not aware of any material modifications that should be made to the accompanying supplementary information in order for them to be in conformity with accounting principles generally accepted in the United States.

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on pages 16-18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



SCHONWIT & ASSOCIATES

January 10, 2014

SPRING VALLEY LAKE ASSOCIATION
 SUPPLEMENTARY INFORMATION-OPERATING FUND EXPENSES
 OCTOBER 31, 2013

SALARIES & RELATED

Gross salaries	\$ 1,422,270
Payroll taxes	136,872
Group health insurance	144,681
Workers compensation	212,363
Employer retirement contributions	6,166
HR services	32,970
Other payroll related	1,486
	<hr/>
Total Salaries and Related	<u>\$ 1,956,808</u>

LAKE, MARINA & PARKS

Water assessments	\$ 199,875
Lake stock/fishery	18,828
Pumping watermaster	11,131
Fishing maintenance/supplies	9,298
Lake maintenance/supplies	136,797
Water monitoring	3,412
Marina and lake improvements	5,771
Parks	18
	<hr/>
Total Lake, Marina, and Parks	<u>\$ 385,130</u>

OTHER PROFESSIONAL SERVICES

Consulting	\$ 15,150
Technology	7,824
Website maintenance	5,579
Service contracts	51,397
Management fees	46,100
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Total Other Professional Services	<u>\$ 126,050</u>

ADMINISTRATIVE SUPPORT:

Professional certification	\$ 4,822
Licenses/permits	12,012
Uniforms	23,758
Safety equipment & supplies	702
Training	7,077
Travel	10,815
Office supplies	33,299
Postage & printing	47,969
Board meetings	9,017
Bank and credit card fees	3,425
Advertising	1,942
Other administrative	20,311
	<hr/>
Total Administrative Support	<u>\$ 175,149</u>

SPRING VALLEY LAKE ASSOCIATION
 SUPPLEMENTARY INFORMATION-OPERATING FUND EXPENSES-CONTINUED
 OCTOBER 31, 2013

VEHICLES, EQUIPMENT, & TECHNOLOGY

Vehicle fuel/oil	\$ 67,375
Marina fuel/oil	37,206
Vehicle repairs	24,729
Software licenses	7,921
Computer equipment/maintenance	5,620
Property taxes	1,326
Small tools	10,989
Other expenses	<u>17,644</u>
 Total Vehicle, Equipment, & Technology	 <u>\$ 172,810</u>

UTILITIES

Electricity	\$ 38,312
Lake electricity	60,321
Natural gas	4,751
Water/sewer	71,911
Trash collection	19,652
Telephone	35,570
Internet service	<u>3,532</u>
 Total Utilities	 <u>\$ 234,049</u>

GROUNDS AND BUILDING

Weed/lot maintenance	\$ 46,525
Building maintenance	57,779
Grounds maintenance	145,064
Equipment rental	11,282
Janitorial supplies	7,191
Capital improvements	<u>20,555</u>
 Total Grounds and Building	 <u>\$ 288,396</u>

SPRING VALLEY LAKE ASSOCIATION
 SUPPLEMENTARY INFORMATION
 ON FUTURE MAJOR REPAIRS & REPLACEMENTS
 AS OF OCTOBER 31, 2013
 (UNAUDITED)

A study was conducted in June 2012 to estimate the remaining useful lives and the replacement costs of the components of common property. The studies were based upon representations by the Board of Directors and the experience and knowledge of the independent reserve analyst. The estimates were based on current replacement costs. These estimates are used as a foundation in arriving at recommended funding requirements, based upon cash and investments which have been allocated for future repairs and replacements. The following table is based on the studies and presents significant information about the components of common property.

Common Area Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2012/2013 Recommended Funding Requirement	Study's Recommended Fund Balance
Administration & Maintenance Building:				
HVAC system replacement	10-14 years	\$ 14,075	\$ 973	\$ 2,692
Lighting	15 years	5,900	245	2,360
Telephone system	6 years	11,025	1,143	4,410
Carpet	4 years	7,750	1,339	2,583
Overhead doors	16 years	5,400	280	1,080
Restroom renovation	0-21 years	18,500	767	12,290
Tile roof replacement	21-23 years	54,200	1,873	14,429
Signs	13 years	18,000	746	8,640
Building repairs	6 years	25,000	1,296	17,500
Community Building:				
HVAC replacement	2 years	31,800	2,197	27,560
Interior lighting	6 years	15,000	622	11,400
Fence replacement	12 years	19,350	669	11,610
Patio replacement	5 years	13,950	723	10,463
Floor replacement	4 years	39,000	2,695	28,600
Tile replacement	13 years	15,000	622	7,200
Door repairs	14 years	19,800	821	8,712
Kitchen renovation	7-17 years	37,000	2,025	9,933
Restroom renovation	15 years	27,500	1,140	11,000
Security office renovation	8 years	12,150	840	5,670
Roof replacement	7 years	39,650	1,757	27,782
Antenna tower replacement	10-14 years	31,500	2,177	4,500
Fire system replacement	5-13 years	22,000	1,140	12,500
Sound system	7 years	7,100	491	3,787
Equestrian Center:				
HVAC replacement	1-14 years	15,000	1,036	9,125
Gazebo replacement	2 years	5,000	173	4,667
Bridge replacement	4 years	46,200	1,596	40,040
Sand	4 years	9,200	954	5,520
Mental hay barn	29 years	5,000	148	857
Pipe rail replacement	8-10 years	91,300	3,154	65,120
Fence replacement	1-23 years	72,575	2,900	24,897
Door repairs	4 years	22,525	934	18,921
Tile roof replacement	22 years	99,550	3,440	26,546
Walkway poles	11 years	11,000	380	6,967
Propane tank	7 years	5,000	130	4,125
Asphalt repairs	0-3 years	311,250	21,717	291,038

SPRING VALLEY LAKE ASSOCIATION
 SUPPLEMENTARY INFORMATION
 ON FUTURE MAJOR REPAIRS & REPLACEMENTS
 AS OF OCTOBER 31, 2013
 (UNAUDITED)

Common Area Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2012/2013 Recommended Funding Requirement	Study's Recommended Fund Balance
Lake and Marina:				
Boat ramp	12 years	8,725	362	4,537
Gangways replacement	10 years	16,975	352	13,580
Fuel tank	9 years	75,575	2,732	51,849
Fence/wall repairs	5-6 years	18,850	1,203	12,760
Signs	9 years	6,750	466	2,700
Dock replacement	1-16 years	489,925	11,108	361,313
Fish clean structure	15 years	5,275	219	2,110
Dam	15 years	52,525	1,210	35,017
Aerators	12 years	25,500	1,762	5,100
Water meter devices	2-11 years	35,050	2,120	20,430
Well/pump replacement	0-24 years	1,150,500	54,416	320,700
Beach Parks:				
Beach sand	8 years	14,850	770	8,910
Wrought iron replacement	13 years	78,875	3,270	37,860
Restroom renovation	24 years	11,100	460	444
Metal roof replacement	30 years	8,675	257	1,239
Basketball court	0 years	15,850	1,643	15,850
Meadow Lark Park:				
Fence replacement	10 years	22,800	945	13,680
Restroom renovation	2 years	11,000	456	10,120
Tile roof replacement	19 years	2,700	93	990
Basketball court	0 years	15,850	1,643	15,850
Bocce ball courts	9 years	11,400	788	4,560
General Common Area:				
Light replacement	11 years	18,525	768	10,374
Flag pole	9 years	5,950	154	4,611
Signs	29 years	3,250	112	108
Drain repairs	7 years	11,000	285	9,075
Vehicles:				
Patrol car	2 years	123,075	20,437	81,254
Community vehicles	3 years	26,000	2,695	15,600
Maintenance truck	0-10 years	348,675	20,961	276,329
Boats:				
Maintenance vessel	2-6 years	72,000	2,985	60,480
Security vessel	14-19 years	48,000	2,109	12,210
Outboard motor replacement	1-3 years	42,300	7,307	29,434
Furniture:				
Furniture replacement	1-5 years	25,950	3,623	19,375
Window coverings	4 years	9,900	1,026	5,940
Stage	3 years	9,200	636	7,360

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Common Area Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2012/2013 Recommended Funding Requirement	Study's Recommended Fund Balance
Office Equipment				
Defibrillators	7 years	5,100	529	1,530
Mobile radios	8 years	6,300	652	1,260
Security system	2-9 years	63,500	6,581	12,050
Computer/printers	2 years	12,300	2,550	7,380
Maintenance Equipment:				
Tractor replacement	25 years	72,500	2,505	38,667
Riding mower	1-3 years	47,000	2,695	41,400
Chipper replacement	7 years	6,125	317	3,981
Recreation Equipment:				
Picnic tables	1 year	6,000	1,555	4,500
Play equipment	2-5 years	132,450	8,961	101,167
Bleachers	12 years	13,000	539	6,760
Total		<u>\$ 4,371,100</u>	<u>\$ 239,400</u>	<u>\$ 2,434,968</u>
Replacement Fund balance at 10/31/13:				<u>\$ 988,367</u>

Accordingly, the study recommended a contribution to the replacement fund of approximately \$239,400 for the 2012/2013 fiscal year. For the year ended October 31, 2013, the Association provided a contribution (from assessments) to the replacement fund of \$240,000.