



SCT RESERVE CONSULTANTS, INC.

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November 17, 2018

Job 2016-097-03 L3

Sunrise Racquet Club Homeowners Association
c/o The Gaffney Group, Inc.
1111 E. Tahquitz Canyon Way, Suite 107
Palm Springs, CA 92262
Attn: Ms. Bobbie Gaffney, CCAM, PCAM

Subject: Year 2019 Level III Reserve Study

Dear Ms. Gaffney,


SCT Reserve Consultants, Inc. is pleased to submit this **2019 Level III Reserve Study**.

There are two summary sections (starting at pages 4 and 6) that are required to be included in the Association's year-end mailing to the membership. They are the "**Reserve Summary**" and the "**Assessment and Reserve Funding Disclosure Summary**". They are to be mailed 30 to 90 days prior to the Association's year-end. These pages will satisfy the current California Civil Code requirements for homeowner disclosure.

The 'Year 2019 Reserve Budget' table of this report is AICPA approved; this may be included in the mailing but is generally not required. Check with legal counsel for greater clarification.

We appreciate the opportunity to provide our professional services. Should you have any need for clarification please contact me at (951) 296-3520.

Sincerely,



Michael C. Graves, R.S. #00039

SCT Reserve Consultants, Inc. are affiliated with



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YEAR 2019
LEVEL III
RESERVE STUDY
(FINANCIAL UPDATE REPORT)
FOR
SUNRISE RACQUET CLUB
HOMEOWNERS ASSOCIATION
VERSION 1

C/O THE GAFFNEY GROUP, INC.
1111 E. TAHQUITZ CANYON WAY, SUITE 107
PALM SPRINGS, CA 92262
ATTN: MS. BOBBIE GAFFNEY, CCAM, PCAM

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TEMECULA, CALIFORNIA 92589-0129
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Reserve Summary

(As required by California Civil Code Section 5565)

SUNRISE RACQUET CLUB HOMEOWNERS ASSOCIATION

SCT Reserve Consultants, Inc. is pleased to provide this Level III Reserve Study (Financial Update Report). In order to comply with the California Civil Code, specifically the Davis-Stirling Common Interest Development Act, Section 5565, we are providing the following information to the Homeowners within SUNRISE RACQUET CLUB HOMEOWNERS ASSOCIATION.

The following study has been prepared with several assumed factors taken into account: a 3.00% inflation rate; a 1.00% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

As of December 31, 2018, the estimated ending reserve fund balance is \$470,750 and the estimated current replacement cost is \$2,112,220 for the portfolio of reserve components. The projected future replacement cost of the portfolio is \$2,901,646, calculated at an annually compounded inflation rate of 3.00%. The Association's level of funding which is based upon the estimated ending reserve fund balance divided by the reserve components' fully funded amount is 39.82%. This is referred to as Percent Funded. The Association would be 100.00% funded if there were \$1,182,198.00 in the reserve fund.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$3,629.84. This is calculated by subtracting the ending balance (\$470,750) from the 100% funded figure (\$1,182,198.00), then divided by the number of ownership interests (196). There is currently no requirement to be fully funded.

Our original analysis of the cash flow for this association indicated future inadequate funding if there were no annual increases to the Reserves. It is our understanding the Board of Directors will allocate a total of \$35,417 per month starting in 2019 (\$180.70 per unit per month for each of the 196 ownership interests) towards the reserve fund. To offset the future cash shortfall we recommend and have included an increase of 0.17% starting in 2020 for 29 years. The increase is scheduled to take effect in the year 2020. The Board of Directors may change the amount; however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding. This report includes \$160,932 for BANK LOAN PAYMENT in 2019 for 8 years.

The following table represents additionally required information pursuant to the Davis-Stirling Common Interest Development Act, Section 5565.

Fiscal Year: January 1, 2019 through December 31, 2019

Category	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	Fund Balance on Dec 31, 2018	Estimated Reserve Allocation	Estimated Special Assessment Allocation	Estimated Interest
Access System	1 to 14	\$31,600	\$4,592	\$4,145.52	\$0.00	\$18.33
Asphalt/Concrete/Pavers	0 to 38	\$699,906	\$77,212	\$69,708.09	\$0.00	\$308.24
Buildings, Doors	0 to 0	\$1,000	\$715	\$645.27	\$0.00	\$2.85
Buildings, Roofs	0 to 22	\$368,500	\$95,866	\$86,549.45	\$0.00	\$382.71
Clubhouse	18 to 22	\$24,500	\$1,355	\$1,223.21	\$0.00	\$5.41
Electrical/Lights	4 to 4	\$49,719	\$3,784	\$3,416.68	\$0.00	\$15.11
Fence & Gates	11 to 13	\$71,320	\$8,519	\$7,691.12	\$0.00	\$34.01
Lakes	0 to 24	\$103,400	\$6,659	\$6,011.92	\$0.00	\$26.58
Landscape	0 to 0	\$30,000	\$16,875	\$15,234.88	\$0.00	\$67.37



Reserve Summary

(As required by California Civil Code Section 5565)

SUNRISE RACQUET CLUB HOMEOWNERS ASSOCIATION

Category	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	Fund Balance on Dec 31, 2018	Estimated Reserve Allocation	Estimated Special Assessment Allocation	Estimated Interest
Mailboxes	18 to 18	\$30,380	\$867	\$782.89	\$0.00	\$3.46
Paint	0 to 4	\$322,975	\$79,062	\$71,378.58	\$0.00	\$315.63
Pool & Spa 1	1 to 17	\$49,236	\$5,367	\$4,845.12	\$0.00	\$21.42
Pool & Spa 2	0 to 16	\$51,598	\$14,264	\$12,878.07	\$0.00	\$56.95
Pool & Spa 3	0 to 16	\$52,270	\$8,581	\$7,747.21	\$0.00	\$34.26
Pool & Spa 4	1 to 17	\$53,343	\$4,872	\$4,398.25	\$0.00	\$19.45
Pool & Spa 5	0 to 10	\$52,921	\$15,683	\$14,158.70	\$0.00	\$62.61
Pool & Spa 6	0 to 10	\$49,251	\$15,264	\$13,780.94	\$0.00	\$60.94
Pool Furniture	0 to 0	\$32,591	\$18,016	\$16,265.26	\$0.00	\$71.92
Tennis Courts	0 to 6	\$37,710	\$8,797	\$7,942.49	\$0.00	\$35.12
BANK LOAN PAYMENT			\$84,399	\$76,196.38	\$0.00	\$336.92
Totals:		\$2,112,220	\$470,750	\$425,000	\$0	\$1,879

The complete reserve study is available by request from the Association.



Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending December 31, 2019

(As illustrated by California Civil Code Section 5570(a))

(1) The regular assessment per ownership interest is \$ _____ per month, of which approximately \$180.70 is allocated to reserves per month.

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. **NOT APPLICABLE***

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members: **SEE ANSWER BELOW TO QUESTION #4 WHICH SUGGESTS THERE WILL BE INCREASES IN REGULAR ASSESSMENTS FOR RESERVE FUNDING.**

Date assessment will be due:	Amount per ownership interest per month or year:	Purpose of the assessment:
<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. **NOT APPLICABLE***

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account 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 X No X

Yes, if the Association follows the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

No, if the Association does not follow the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

**Note: The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information provided by and supplied to the Association's Board of Directors and/or management. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the data of this disclosure summary. Therefore, the actual replacement cost and remaining life may vary from the reserve study and the variation may be significant. Additionally, inflation and other economic events may impact the reserve study, particularly over a thirty (30) year period of time which could impact the accuracy of the reserve study and the funds available to meet the association's obligation for repair and/or replacement of major components during the next thirty (30) years. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing life expectancy of the components. The reserve study only includes items that the Association has a clear and express responsibility to maintain, pursuant to the Association's CC&Rs.*

(4) If the answer to (3) is No, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the Board or the members?

Approximate date assessment(s) will be due:	Amount per ownership interest per month:
0.17% starting in 2020 for 29 years	(Current amount) X (the increases)

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$1,047,644.11**, as of **December 31, 2019**, based in whole or in part on the last reserve study or update prepared by **SCT RESERVE CONSULTANTS, INC.** The projected reserve fund cash balance at the end of the current fiscal year is **\$380,139.99**, resulting in reserves being **36.29%** percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is **\$517,489**. (See explanation below).

Explanation: *Cash Flow Methodology - a method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.*



Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending December 31, 2019

(As illustrated by California Civil Code Section 5570(a))

(continued)

7) See below: **30-Year Reserve Funding Plan Table**...Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$(see **"100% Funded" column below**), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$(see **"Cash Flow Balance with Funding Plan" column below**), leaving the reserve at (see **"Percent Funded" column below**) percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$(see **"Cash Flow Balance with Funding Plan" column below**), leaving the reserve at (see **"Percent Funded" column below**) percent funding. 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. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was **1.00%** per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was **3.00%** per year.

30-Year Reserve Funding Plan Table

Fiscal Year: January 01, 2019 - December 31, 2019							
Year	End of Year			Revenue			Expenditures
	100% Funded	Cash Flow (Balance with Funding Plan)	Percent Funded (EOY)	Contribution, Interest, Spec Assess	Contribution Unit/Month	Contribution %Change	Components, Taxes, Deferred Exp
2018	\$1,182,198	\$470,750	39.82%				
2019	\$1,047,644	\$380,140	36.29%	\$426,879	\$180.70		\$517,489
2020	\$1,077,323	\$446,973	41.49%	\$428,198	\$181.00	0.17%	\$361,365
2021	\$1,145,960	\$550,058	48.00%	\$429,929	\$181.31	0.17%	\$326,844
2022	\$1,250,763	\$689,321	55.11%	\$432,021	\$181.62	0.17%	\$292,759
2023	\$1,066,554	\$490,154	45.96%	\$430,903	\$181.93	0.17%	\$630,070
2024	\$1,030,686	\$446,417	43.31%	\$431,128	\$182.24	0.17%	\$474,865
2025	\$1,162,711	\$592,748	50.98%	\$433,230	\$182.55	0.17%	\$286,899
2026	\$1,298,175	\$744,585	57.36%	\$435,465	\$182.86	0.17%	\$283,628
2027	\$1,405,204	\$1,016,896	72.37%	\$438,852	\$183.17	0.17%	\$166,541
2028	\$1,386,090	\$1,137,129	82.04%	\$440,841	\$183.48	0.17%	\$320,608
2029	\$1,465,212	\$1,361,059	92.89%	\$443,756	\$183.79	0.17%	\$219,826
2030	\$1,557,341	\$1,597,581	102.58%	\$446,836	\$184.11	0.17%	\$210,314
2031	\$1,615,275	\$1,776,603	109.99%	\$449,374	\$184.42	0.17%	\$270,352
2032	\$1,690,425	\$1,966,618	116.34%	\$451,994	\$184.73	0.17%	\$261,979
2033	\$1,279,554	\$1,462,941	114.33%	\$448,006	\$185.05	0.17%	\$951,684
2034	\$1,254,095	\$1,465,269	116.84%	\$448,555	\$185.36	0.17%	\$446,227
2035	\$1,327,698	\$1,606,091	120.97%	\$450,636	\$185.68	0.17%	\$309,815
2036	\$1,334,554	\$1,637,132	122.67%	\$451,730	\$185.99	0.17%	\$420,688
2037	\$1,257,061	\$1,439,142	114.48%	\$450,596	\$186.31	0.17%	\$648,586
2038	\$1,289,819	\$1,527,900	118.46%	\$452,101	\$186.62	0.17%	\$363,342
2039	\$1,403,869	\$1,691,257	120.47%	\$454,438	\$186.94	0.17%	\$291,082
2040	\$1,552,926	\$1,890,185	121.72%	\$457,147	\$187.26	0.17%	\$258,219
2041	\$1,761,127	\$2,156,089	122.43%	\$460,510	\$187.58	0.17%	\$194,605
2042	\$1,998,493	\$2,466,247	123.41%	\$464,324	\$187.90	0.17%	\$154,167
2043	\$1,600,297	\$1,861,668	116.33%	\$459,437	\$188.22	0.17%	\$1,064,016
2044	\$1,679,155	\$1,912,754	113.91%	\$460,422	\$188.54	0.17%	\$409,336
2045	\$1,826,104	\$2,028,661	111.09%	\$462,298	\$188.86	0.17%	\$346,392
2046	\$2,016,157	\$2,208,509	109.54%	\$464,813	\$189.18	0.17%	\$284,965
2047	\$2,191,775	\$2,350,229	107.23%	\$466,992	\$189.50	0.17%	\$325,272
2048	\$1,990,470	\$1,994,062	100.18%	\$464,410	\$189.82	0.17%	\$820,577
30-Year Sum:				\$13,435,821			\$11,912,509



Summary

In accordance with our proposal, 2016-097, SCT Reserve Consultants, Inc. is pleased to provide this **Level III Reserve Study Financial Update Report for SUNRISE RACQUET CLUB HOMEOWNERS ASSOCIATION**. Our study was performed in accordance with the Davis-Stirling Common Interest Development Act, specifically §5550, of the California Civil Code. This report included a site inspection on October 7, 2016. This *condominium* common interest development (CID) is located at 1200 N. Sunrise Way, Palm Springs, California. We are using an inception date for the components of January 1, 1979. ***This study is for January 1, 2019 through December 31, 2019, the Association's fiscal year.***

In general, reserve funds are funds set aside from collected association fees paid by owners of a common interest development. These funds earn interest and are disbursed when deemed necessary by the Board of Directors. The purpose of a reserve study is to determine how much money should exist in a reserve fund at a given point in time or to project required future contributions and expenditure amounts so that sufficient reserve funds are available when needed. Our reserve study is generated using proprietary SCT software and a combination of local industry standards and national average replacement costs.

A 30-year “Cash Flow and Percent Funded Projection” analysis and “Graph” are produced to verify and define the relationship of the Cash Flow (annual beginning balance) with respect to the 100% funded amount. Ideally, the Cash Flow line of the graph should run parallel to and below the “Percent Funded” line of the graph, see funding goals.

The following study has been prepared with several assumed factors taken into account: 3.00% inflation rate; a 1.00% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

Typically, any component that has a life cycle (full life) of less than two years should be budgeted and paid for through normal operating or property maintenance funds and is not included as part of this study.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$3,629.84. This is calculated by subtracting the ending balance (\$470,750) from the 100% funded figure (\$1,182,198.00), then divided by the number of ownership interests (196). There is currently no requirement to be fully funded.

The Davis-Stirling Common Interest Development Act requires the disclosure of the *current reserve fund balance divided by the current replacement cost* (this is not *Percent Funded*). As of January 1, 2019, the estimated reserve fund balance is \$470,750 and the estimated current replacement cost is \$2,112,220 of the portfolio of reserve components. The projected future replacement cost of the portfolio is \$2,901,646, calculated at an annually compounded inflation rate of 3.00%. Currently, *this factor for SUNRISE RACQUET CLUB HOMEOWNERS ASSOCIATION is 22.29%* (this is not *Percent Funded*).

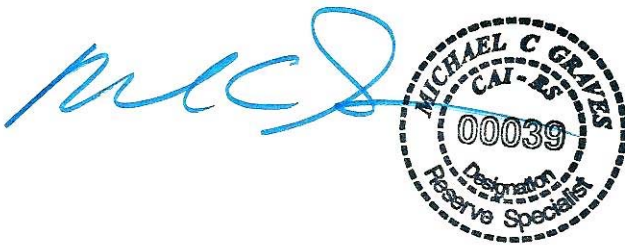


Summary (continued)

The Association's level of funding for the fiscal year (January 1, 2019 through December 31, 2019) which is based upon the estimated reserve fund balance divided by the reserve components' fully funded amount is **36.29%**, and is referred to as **Percent Funded**. The Association would be 100.00% funded if there were \$1,047,644.11 in the reserve fund.

Our original analysis of the cash flow for this association indicated future inadequate funding (see the graph, the "square box and/or pink line"). This line represents the cash flow if there were no annual increases to the Reserves. ***It is our understanding the Board of Directors will allocate a total of \$35,417 per month starting in 2019 (\$180.70 per unit per month for each of the 196 ownership interests) towards the reserve fund. To offset the future cash shortfall we recommend and have included an increase of 0.17% starting in 2020 for 29 years. The increase is scheduled to take effect in the year 2020.*** The Board of Directors may raise or lower this amount, however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding. **This report includes \$160,932 for BANK LOAN PAYMENT in 2019 for 8 years.**

Sincerely,



The image shows a handwritten signature in blue ink that reads "mcd". To the right of the signature is a circular professional seal. The seal contains the text "MICHAEL C. GRAVES" at the top, "CAI-ES" in the center, and "00039" below that. At the bottom of the seal, it says "Designation Reserve Specialist".

Michael C. Graves, R.S. #00039
SCT Reserve Consultants, Inc.



Year 2019 Reserve Budget (AICPA Approved)

Categories	100% Funded Dec 31, 2019	Percent Funded Dec 31, 2019	Beginning Balance Jan 01, 2019	Annual Reserve Allocation	Monthly Reserve Allocation	Special Assessment Allocation	Annual Interest Allocation	Expenditure	Ending Balance Dec 31, 2019
Access System	\$24,130	36.29%	\$4,591.77	\$4,145.52	\$345.46	\$0.00	\$18.33	\$0.00	\$8,755.62
Asphalt/Concrete/Pavers	\$317,718	36.29%	\$77,211.96	\$69,708.09	\$5,809.01	\$0.00	\$308.24	\$31,943.52	\$115,284.77
Buildings, Doors	\$1,000	36.29%	\$714.73	\$645.27	\$53.77	\$0.00	\$2.85	\$1,000.00	\$362.85
Buildings, Roofs	\$276,417	36.29%	\$95,866.24	\$86,549.45	\$7,212.45	\$0.00	\$382.71	\$82,500.00	\$100,298.40
Clubhouse	\$7,120	36.29%	\$1,354.89	\$1,223.21	\$101.93	\$0.00	\$5.41	\$0.00	\$2,583.51
Electrical/Lights	\$19,888	36.29%	\$3,784.47	\$3,416.68	\$284.72	\$0.00	\$15.11	\$0.00	\$7,216.26
Fence & Gates	\$44,768	36.29%	\$8,519.04	\$7,691.12	\$640.93	\$0.00	\$34.01	\$0.00	\$16,244.17
Lakes	\$34,994	36.29%	\$6,659.09	\$6,011.92	\$500.99	\$0.00	\$26.58	\$0.00	\$12,697.60
Landscape	\$6,000	36.29%	\$16,874.87	\$15,234.88	\$1,269.57	\$0.00	\$67.37	\$30,000.00	\$2,177.11
Mailboxes	\$4,557	36.29%	\$867.17	\$782.89	\$65.24	\$0.00	\$3.46	\$0.00	\$1,653.52
Paint	\$137,291	36.29%	\$79,062.26	\$71,378.58	\$5,948.21	\$0.00	\$315.63	\$100,940.00	\$49,816.46
Pool & Spa 1	\$28,202	36.29%	\$5,366.68	\$4,845.12	\$403.76	\$0.00	\$21.42	\$0.00	\$10,233.23
Pool & Spa 2	\$22,017	36.29%	\$14,264.36	\$12,878.07	\$1,073.17	\$0.00	\$56.95	\$19,210.38	\$7,988.99
Pool & Spa 3	\$33,520	36.29%	\$8,581.18	\$7,747.21	\$645.60	\$0.00	\$34.26	\$4,200.00	\$12,162.65
Pool & Spa 4	\$25,601	36.29%	\$4,871.71	\$4,398.25	\$366.52	\$0.00	\$19.45	\$0.00	\$9,289.41
Pool & Spa 5	\$24,053	36.29%	\$15,682.84	\$14,158.70	\$1,179.89	\$0.00	\$62.61	\$21,176.38	\$8,727.78
Pool & Spa 6	\$16,040	36.29%	\$15,264.42	\$13,780.94	\$1,148.41	\$0.00	\$60.94	\$23,286.04	\$5,820.25
Pool Furniture	\$4,857	36.29%	\$18,016.16	\$16,265.26	\$1,355.44	\$0.00	\$71.92	\$32,591.02	\$1,762.33
Tennis Courts	\$19,471	36.29%	\$8,797.48	\$7,942.49	\$661.87	\$0.00	\$35.12	\$9,710.00	\$7,065.10
BANK LOAN PAYMENT	\$0		\$84,398.68	\$76,196.38	\$6,349.69	\$0.00	\$336.92	\$160,932.00	\$0.00
Totals:	\$1,047,644	36.29%	\$470,749.99	\$425,000.04	\$35,416.66	\$0.00	\$1,879.28	\$517,489.34	\$380,139.99



Component Identification Report

The building paint, urethane and tile roofs, lake liners, and pavers should be quantified and included in their entirety, we are concerned there is not enough replacement cost to repair and replace as well as the corresponding necessary funding.

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (3% inflation)	Straight Line Allocation (Annual)	100% Funded Jan 01, 2019
Access System									
Card reader	1	Each	15	13	\$900.00	\$900	\$1,322	\$60	\$120
Gate operators	3	Each	10	1	\$4,000.00	\$12,000	\$12,360	\$1,200	\$10,800
Loop systems w/pavers	3	Each	16	4	\$2,000.00	\$6,000	\$6,753	\$375	\$4,500
Loop systems w/pavers	1	Each	16	13	\$2,000.00	\$2,000	\$2,937	\$125	\$375
Loop systems w/pavers	2	Each	16	14	\$2,000.00	\$4,000	\$6,050	\$250	\$500
Phone directory	1	Each	15	1	\$4,200.00	\$4,200	\$4,326	\$280	\$3,920
Spike strips	1	Each	20	8	\$2,500.00	\$2,500	\$3,167	\$125	\$1,500
<i>Subtotal:</i>						\$31,600	\$36,915	\$2,415	\$21,715
Asphalt/Concrete/Pavers									
Asphalt, repair/overlay/R&R	89,084	Square Feet	28	14	\$2.75	\$244,981	\$370,556	\$8,749	\$122,490
Asphalt, repair/overlay/R&R	89,084	Square Feet	28	18	\$2.75	\$244,981	\$417,064	\$8,749	\$87,493
Asphalt, seal/stripe/repair/crack fill	178,168	Square Feet	4	0	\$0.14	\$24,944	\$24,944	\$6,236	\$24,944
Concrete, driveways/repairs	1	Lump Sum	2	1	\$20,000.00	\$20,000	\$20,600	\$10,000	\$10,000
Pavers, cul-de-sac conversions	1	Lump Sum	40	0	\$7,000.00	\$7,000	\$7,000	\$175	\$7,000
Pavers, cul-de-sac conversions	1	Lump Sum	40	1	\$7,000.00	\$7,000	\$7,210	\$175	\$6,825
Pavers, cul-de-sac conversions	1	Lump Sum	40	2	\$7,000.00	\$7,000	\$7,426	\$175	\$6,650
Pavers, cul-de-sac conversions	1	Lump Sum	40	3	\$7,000.00	\$7,000	\$7,649	\$175	\$6,475
Pavers, cul-de-sac conversions	1	Lump Sum	40	4	\$7,000.00	\$7,000	\$7,879	\$175	\$6,300
Pavers, cul-de-sac conversions	1	Lump Sum	40	5	\$7,000.00	\$7,000	\$8,115	\$175	\$6,125
Pavers, cul-de-sac conversions	1	Lump Sum	40	6	\$7,000.00	\$7,000	\$8,358	\$175	\$5,950
Pavers, cul-de-sac conversions	1	Lump Sum	40	7	\$7,000.00	\$7,000	\$8,609	\$175	\$5,775
Pavers, cul-de-sac conversions	1	Lump Sum	40	8	\$7,000.00	\$7,000	\$8,867	\$175	\$5,600
Pavers, cul-de-sac conversions	1	Lump Sum	40	9	\$7,000.00	\$7,000	\$9,133	\$175	\$5,425
Pavers, Entry & Clubhouse (quantity TBD)	1	Lump Sum	40	38	\$95,000.00	\$95,000	\$292,104	\$2,375	\$4,750
<i>Subtotal:</i>						\$699,906	\$1,205,514	\$37,859	\$311,802



Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (3% inflation)	Straight Line Allocation (Annual)	100% Funded Jan 01, 2019
Buildings, Doors									
Doors	1	Lump Sum	1	0	\$1,000.00	\$1,000	\$1,000	\$1,000	\$1,000
<i>Subtotal:</i>						\$1,000	\$1,000	\$1,000	\$1,000
Buildings, Roofs									
Flat, elastomeric coating (quantity TBD)	5	Each	12	0	\$6,500.00	\$32,500	\$32,500	\$2,708	\$32,500
Flat, elastomeric coating (quantity TBD)	7	Each	12	1	\$6,500.00	\$45,500	\$46,865	\$3,792	\$41,708
Flat, elastomeric coating (quantity TBD)	6	Each	12	2	\$6,500.00	\$39,000	\$41,375	\$3,250	\$32,500
Flat, elastomeric coating (quantity TBD)	5	Each	12	3	\$6,500.00	\$32,500	\$35,514	\$2,708	\$24,375
Flat, elastomeric coating (quantity TBD)	5	Each	12	4	\$6,500.00	\$32,500	\$36,579	\$2,708	\$21,667
Flat, elastomeric coating (quantity TBD)	21	Each	12	5	\$6,500.00	\$136,500	\$158,241	\$11,375	\$79,625
Flat, polyurethane foam (quantity TBD)	0	Square	48	22	\$450.00	\$0	\$0	\$0	\$0
Slope, tile/underlayment (quantity TBD)	1	Lump Sum	1	0	\$50,000.00	\$50,000	\$50,000	\$50,000	\$50,000
<i>Subtotal:</i>						\$368,500	\$401,074	\$76,541	\$282,375
Clubhouse									
Cabinet doors	1	Lump Sum	25	22	\$4,500.00	\$4,500	\$8,622	\$180	\$540
Refurbish	1	Lump Sum	25	18	\$20,000.00	\$20,000	\$34,049	\$800	\$5,600
<i>Subtotal:</i>						\$24,500	\$42,671	\$980	\$6,140
Electrical/Lights									
Electrical & lighting	1	Lump Sum	5	4	\$49,719.00	\$49,719	\$55,959	\$9,944	\$9,944
<i>Subtotal:</i>						\$49,719	\$55,959	\$9,944	\$9,944
Fence & Gates									
Fence/gates, metal	741	Linear Feet	30	11	\$40.00	\$29,640	\$41,029	\$988	\$18,772
Fence/gates, metal	742	Linear Feet	30	13	\$40.00	\$29,680	\$43,586	\$989	\$16,819
Gates, metal, vehicle	3	Each	30	13	\$4,000.00	\$12,000	\$17,622	\$400	\$6,800
<i>Subtotal:</i>						\$71,320	\$102,237	\$2,377	\$42,391
Lakes									
Gazebo R&R	1	Each	26	24	\$75,000.00	\$75,000	\$152,460	\$2,885	\$5,769



Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (3% inflation)	Straight Line Allocation (Annual)	100% Funded Jan 01, 2019
Liners, replace (cost TBD)	0	Square Feet	40	0	\$0.00	\$0	\$0	\$0	\$0
Pump, circulation	1	Each	10	1	\$7,800.00	\$7,800	\$8,034	\$780	\$7,020
Pump, circulation	1	Each	10	2	\$7,800.00	\$7,800	\$8,275	\$780	\$6,240
Pumps, aeration	2	Each	5	1	\$3,200.00	\$6,400	\$6,592	\$1,280	\$5,120
Pumps, aeration	2	Each	5	2	\$3,200.00	\$6,400	\$6,790	\$1,280	\$3,840
<i>Subtotal:</i>						\$103,400	\$182,151	\$7,005	\$27,989
Landscape									
Landscape renovations	1	Lump Sum	5	0	\$30,000.00	\$30,000	\$30,000	\$6,000	\$30,000
<i>Subtotal:</i>						\$30,000	\$30,000	\$6,000	\$30,000
Mailboxes									
Mailboxes	196	Each	20	18	\$155.00	\$30,380	\$51,720	\$1,519	\$3,038
<i>Subtotal:</i>						\$30,380	\$51,720	\$1,519	\$3,038
Paint									
Buildings, stucco	196	Per Unit	10	4	\$710.00	\$139,160	\$156,626	\$13,916	\$83,496
Buildings, trim/wood	196	Per Unit	5	4	\$385.00	\$75,460	\$84,931	\$15,092	\$15,092
Buildings, wood repairs	196	Per Unit	15	0	\$515.00	\$100,940	\$100,940	\$6,729	\$100,940
Fence/gates, metal	1,483	Linear Feet	5	4	\$5.00	\$7,415	\$8,346	\$1,483	\$1,483
<i>Subtotal:</i>						\$322,975	\$350,843	\$37,220	\$201,011
Pool & Spa 1									
Deck coating, color seal	2,887	Square Feet	5	2	\$2.00	\$5,774	\$6,126	\$1,155	\$3,464
Deck coating, texture	2,887	Square Feet	20	17	\$2.33	\$6,727	\$11,118	\$336	\$1,009
Deck skimmers	3	Each	16	8	\$1,600.00	\$4,800	\$6,080	\$300	\$2,400
Pool filter	1	Each	12	3	\$1,225.00	\$1,225	\$1,339	\$102	\$919
Pool heater	1	Each	10	3	\$3,500.00	\$3,500	\$3,825	\$350	\$2,450
Pool pumpset, variable speed	1	Each	8	4	\$1,500.00	\$1,500	\$1,688	\$188	\$750
Pool resurface/tile	1,463	Square Feet	12	8	\$10.26	\$15,010	\$19,015	\$1,251	\$5,003
Spa filter	1	Each	12	1	\$1,000.00	\$1,000	\$1,030	\$83	\$917



Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (3% inflation)	Straight Line Allocation (Annual)	100% Funded Jan 01, 2019
Spa heater	1	Each	10	6	\$3,200.00	\$3,200	\$3,821	\$320	\$1,280
Spa pumpset, circulation, variable speed	1	Each	8	3	\$1,500.00	\$1,500	\$1,639	\$188	\$938
Spa pumpset, jet	1	Each	12	4	\$800.00	\$800	\$900	\$67	\$533
Spa resurface/tile	1	Each	8	1	\$4,200.00	\$4,200	\$4,326	\$525	\$3,675
Subtotal:						\$49,236	\$60,907	\$4,865	\$23,338
Pool & Spa 2									
Deck coating, color seal	2,831	Square Feet	5	1	\$2.00	\$5,662	\$5,832	\$1,132	\$4,530
Deck coating, texture	2,831	Square Feet	20	16	\$3.25	\$9,201	\$14,765	\$460	\$1,840
Deck skimmers	3	Each	16	8	\$1,600.00	\$4,800	\$6,080	\$300	\$2,400
Pool filter	1	Each	12	1	\$1,225.00	\$1,225	\$1,262	\$102	\$1,123
Pool heater	1	Each	10	1	\$3,500.00	\$3,500	\$3,605	\$350	\$3,150
Pool pumpset, variable speed	1	Each	8	7	\$1,500.00	\$1,500	\$1,845	\$188	\$188
Pool resurface/tile	1,463	Square Feet	12	0	\$10.26	\$15,010	\$15,010	\$1,251	\$15,010
Spa filter	1	Each	12	3	\$1,000.00	\$1,000	\$1,093	\$83	\$750
Spa heater	1	Each	10	6	\$3,200.00	\$3,200	\$3,821	\$320	\$1,280
Spa pumpset, circulation, variable speed	1	Each	8	2	\$1,500.00	\$1,500	\$1,591	\$188	\$1,125
Spa pumpset, jet	1	Each	12	2	\$800.00	\$800	\$849	\$67	\$667
Spa resurface/tile	1	Each	8	0	\$4,200.00	\$4,200	\$4,200	\$525	\$4,200
Subtotal:						\$51,598	\$59,953	\$4,966	\$36,263
Pool & Spa 3									
Deck coating, color seal	2,959	Square Feet	5	1	\$2.00	\$5,918	\$6,096	\$1,184	\$4,734
Deck coating, texture	2,959	Square Feet	20	16	\$3.25	\$9,617	\$15,432	\$481	\$1,923
Deck skimmers	3	Each	16	9	\$1,600.00	\$4,800	\$6,263	\$300	\$2,100
Pool filter	1	Each	12	2	\$1,225.00	\$1,225	\$1,300	\$102	\$1,021
Pool heater	1	Each	10	2	\$3,500.00	\$3,500	\$3,713	\$350	\$2,800
Pool pumpset, variable speed	1	Each	8	6	\$1,500.00	\$1,500	\$1,791	\$188	\$375



Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (3% inflation)	Straight Line Allocation (Annual)	100% Funded Jan 01, 2019
Pool resurface/tile	1,463	Square Feet	12	4	\$10.26	\$15,010	\$16,894	\$1,251	\$10,007
Spa filter	1	Each	12	1	\$1,000.00	\$1,000	\$1,030	\$83	\$917
Spa heater	1	Each	10	1	\$3,200.00	\$3,200	\$3,296	\$320	\$2,880
Spa pumpset, circulation, variable speed	1	Each	8	2	\$1,500.00	\$1,500	\$1,591	\$188	\$1,125
Spa pumpset, jet	1	Each	12	3	\$800.00	\$800	\$874	\$67	\$600
Spa resurface/tile	1	Each	8	0	\$4,200.00	\$4,200	\$4,200	\$525	\$4,200
Subtotal:						\$52,270	\$62,480	\$5,039	\$32,682
Pool & Spa 4									
Deck coating, color seal	2,987	Square Feet	5	2	\$2.00	\$5,974	\$6,338	\$1,195	\$3,584
Deck coating, texture	2,987	Square Feet	20	17	\$3.56	\$10,634	\$17,576	\$532	\$1,595
Deck skimmers	3	Each	16	9	\$1,600.00	\$4,800	\$6,263	\$300	\$2,100
Pool filter	1	Each	12	1	\$1,225.00	\$1,225	\$1,262	\$102	\$1,123
Pool heater	1	Each	10	6	\$3,500.00	\$3,500	\$4,179	\$350	\$1,400
Pool pumpset, variable speed	1	Each	8	2	\$1,500.00	\$1,500	\$1,591	\$188	\$1,125
Pool resurface/tile	1,463	Square Feet	12	9	\$10.26	\$15,010	\$19,585	\$1,251	\$3,753
Spa filter	1	Each	12	5	\$1,000.00	\$1,000	\$1,159	\$83	\$583
Spa heater	1	Each	10	6	\$3,200.00	\$3,200	\$3,821	\$320	\$1,280
Spa pumpset, circulation, variable speed	1	Each	8	2	\$1,500.00	\$1,500	\$1,591	\$188	\$1,125
Spa pumpset, jet	1	Each	12	1	\$800.00	\$800	\$824	\$67	\$733
Spa resurface/tile	1	Each	8	4	\$4,200.00	\$4,200	\$4,727	\$525	\$2,100
Subtotal:						\$53,343	\$68,916	\$5,101	\$20,501
Pool & Spa 5									
Deck coating, color seal	3,083	Square Feet	5	0	\$2.00	\$6,166	\$6,166	\$1,233	\$6,166
Deck coating, texture	3,083	Square Feet	20	10	\$3.25	\$10,020	\$13,466	\$501	\$5,010
Deck skimmers	3	Each	16	10	\$1,600.00	\$4,800	\$6,451	\$300	\$1,800
Pool filter	1	Each	12	1	\$1,225.00	\$1,225	\$1,262	\$102	\$1,123



Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (3% inflation)	Straight Line Allocation (Annual)	100% Funded Jan 01, 2019
Pool heater	1	Each	10	5	\$3,500.00	\$3,500	\$4,057	\$350	\$1,750
Pool pumpset, variable speed	1	Each	8	5	\$1,500.00	\$1,500	\$1,739	\$188	\$562
Pool resurface/tile	1,463	Square Feet	12	0	\$10.26	\$15,010	\$15,010	\$1,251	\$15,010
Spa filter	1	Each	12	1	\$1,000.00	\$1,000	\$1,030	\$83	\$917
Spa heater	1	Each	10	1	\$3,200.00	\$3,200	\$3,296	\$320	\$2,880
Spa pumpset, circulation, variable speed	1	Each	8	5	\$1,500.00	\$1,500	\$1,739	\$188	\$562
Spa pumpset, jet	1	Each	12	2	\$800.00	\$800	\$849	\$67	\$667
Spa resurface/tile	1	Each	8	1	\$4,200.00	\$4,200	\$4,326	\$525	\$3,675
Subtotal:						\$52,921	\$59,391	\$5,108	\$40,122
Pool & Spa 6									
Deck coating, color seal	2,597	Square Feet	5	0	\$2.00	\$5,194	\$5,194	\$1,039	\$5,194
Deck coating, texture	2,597	Square Feet	20	10	\$3.25	\$8,440	\$11,343	\$422	\$4,220
Deck skimmers	3	Each	16	10	\$1,600.00	\$4,800	\$6,451	\$300	\$1,800
Pool filter	1	Each	12	1	\$1,225.00	\$1,225	\$1,262	\$102	\$1,123
Pool heater	1	Each	10	8	\$3,500.00	\$3,500	\$4,434	\$350	\$700
Pool pumpset, variable speed	1	Each	8	2	\$1,500.00	\$1,500	\$1,591	\$188	\$1,125
Pool resurface/tile	1,354	Square Feet	12	0	\$10.26	\$13,892	\$13,892	\$1,158	\$13,892
Spa filter	1	Each	12	10	\$1,000.00	\$1,000	\$1,344	\$83	\$167
Spa heater	1	Each	10	8	\$3,200.00	\$3,200	\$4,054	\$320	\$640
Spa pumpset, circulation, variable speed	1	Each	8	2	\$1,500.00	\$1,500	\$1,591	\$188	\$1,125
Spa pumpset, jet	1	Each	12	6	\$800.00	\$800	\$955	\$67	\$400
Spa resurface/tile	1	Each	8	0	\$4,200.00	\$4,200	\$4,200	\$525	\$4,200
Subtotal:						\$49,251	\$56,311	\$4,742	\$34,586
Pool Furniture									
Chairs, replace	58	Each	15	0	\$175.00	\$10,150	\$10,150	\$677	\$10,150
Chairs, restrap (20%)	12	Each	1	0	\$70.00	\$840	\$840	\$840	\$840



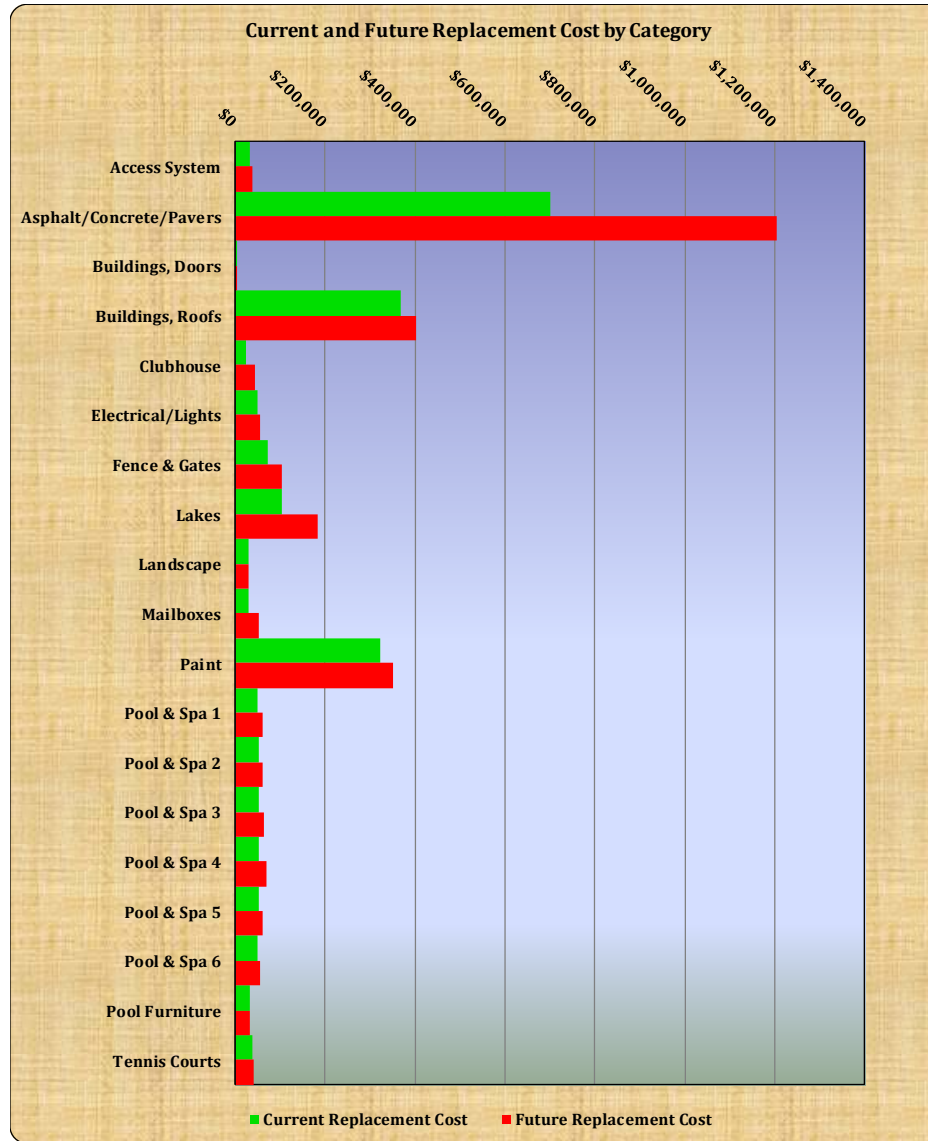
Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (3% inflation)	Straight Line Allocation (Annual)	100% Funded Jan 01, 2019
Loungers, replace	75	Each	15	0	\$200.00	\$15,000	\$15,000	\$1,000	\$15,000
Loungers, restrap (20%)	15	Each	1	0	\$85.00	\$1,275	\$1,275	\$1,275	\$1,275
Umbrellas	6	Each	5	0	\$887.67	\$5,326	\$5,326	\$1,065	\$5,326
<i>Subtotal:</i>						\$32,591	\$32,591	\$4,857	\$32,591
Tennis Courts									
Courts resurface	4	Each	8	2	\$4,000.00	\$16,000	\$16,974	\$2,000	\$12,000
Courts resurface	3	Each	8	6	\$4,000.00	\$12,000	\$14,329	\$1,500	\$3,000
Windscreen	9,710	Square Feet	10	0	\$1.00	\$9,710	\$9,710	\$971	\$9,710
<i>Subtotal:</i>						\$37,710	\$41,013	\$4,471	\$24,710
Totals:						\$2,112,220	\$2,901,646	\$222,009	\$1,182,198



Component Replacement Cost Chart (by category)



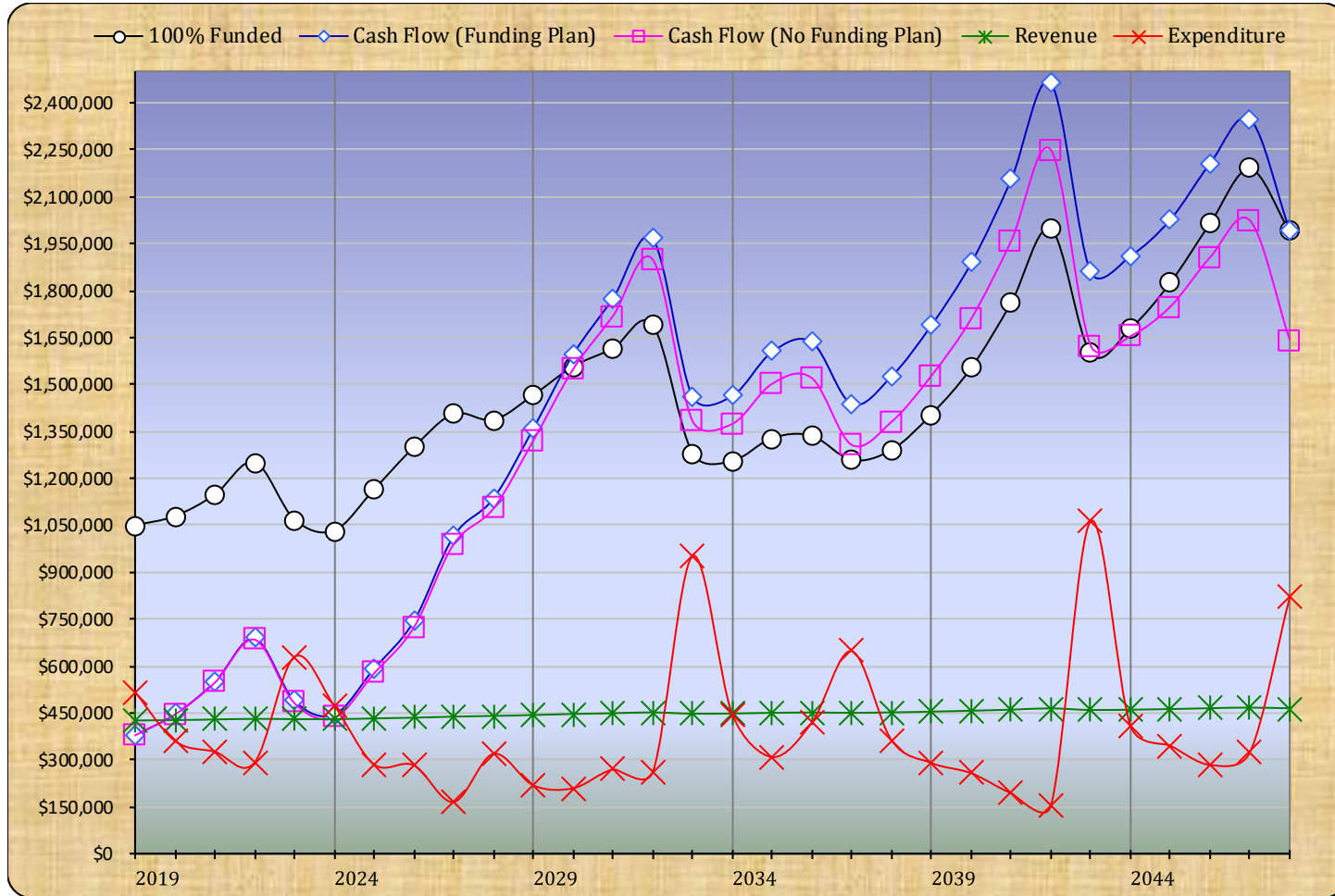
Cash Flow and Percent Funded Projections

Fiscal Year: January 01, 2019 - December 31, 2019												
Year	End of Year			Revenue					Expenditures			
	100% Funded	Cash Flow (Balance with Funding Plan)	Percent Funded (EOY)	Cash Flow (Balance without Funding Plan)	Contribution Annual	Contribution Unit/Month	Contribution % Change	Special Assessment, Bank & Litigation	Interest	Components	Deferred & Non- Recurring	Taxes
2018	\$1,182,198	\$470,750	39.82%									
2019	\$1,047,644	\$380,140	36.29%	\$380,140	\$425,000	\$180.70		\$0	\$1,879	\$356,557	\$160,932	\$0
2020	\$1,077,323	\$446,973	41.49%	\$446,247	\$425,723	\$181.00	0.17%	\$0	\$2,475	\$200,433	\$160,932	\$0
2021	\$1,145,960	\$550,058	48.00%	\$547,871	\$426,446	\$181.31	0.17%	\$0	\$3,483	\$165,912	\$160,932	\$0
2022	\$1,250,763	\$689,321	55.11%	\$684,929	\$427,171	\$181.62	0.17%	\$0	\$4,850	\$131,827	\$160,932	\$0
2023	\$1,066,554	\$490,154	45.96%	\$482,806	\$427,897	\$181.93	0.17%	\$0	\$3,006	\$469,138	\$160,932	\$0
2024	\$1,030,686	\$446,417	43.31%	\$435,352	\$428,625	\$182.24	0.17%	\$0	\$2,503	\$313,933	\$160,932	\$0
2025	\$1,162,711	\$592,748	50.98%	\$577,196	\$429,354	\$182.55	0.17%	\$0	\$3,876	\$125,967	\$160,932	\$0
2026	\$1,298,175	\$744,585	57.36%	\$723,768	\$430,083	\$182.86	0.17%	\$0	\$5,381	\$122,696	\$160,932	\$0
2027	\$1,405,204	\$1,016,896	72.37%	\$990,026	\$430,815	\$183.17	0.17%	\$0	\$8,037	\$166,541	\$0	\$0
2028	\$1,386,090	\$1,137,129	82.04%	\$1,103,409	\$431,547	\$183.48	0.17%	\$0	\$9,294	\$320,608	\$0	\$0
2029	\$1,465,212	\$1,361,059	92.89%	\$1,319,683	\$432,281	\$183.79	0.17%	\$0	\$11,475	\$219,826	\$0	\$0
2030	\$1,557,341	\$1,597,581	102.58%	\$1,547,733	\$433,015	\$184.11	0.17%	\$0	\$13,820	\$210,314	\$0	\$0
2031	\$1,615,275	\$1,776,603	109.99%	\$1,717,458	\$433,752	\$184.42	0.17%	\$0	\$15,622	\$270,352	\$0	\$0
2032	\$1,690,425	\$1,966,618	116.34%	\$1,897,342	\$434,489	\$184.73	0.17%	\$0	\$17,505	\$261,979	\$0	\$0
2033	\$1,279,554	\$1,462,941	114.33%	\$1,382,690	\$435,228	\$185.05	0.17%	\$0	\$12,779	\$951,684	\$0	\$0
2034	\$1,254,095	\$1,465,269	116.84%	\$1,373,190	\$435,967	\$185.36	0.17%	\$0	\$12,588	\$446,227	\$0	\$0
2035	\$1,327,698	\$1,606,091	120.97%	\$1,501,319	\$436,709	\$185.68	0.17%	\$0	\$13,928	\$309,815	\$0	\$0
2036	\$1,334,554	\$1,637,132	122.67%	\$1,518,795	\$437,451	\$185.99	0.17%	\$0	\$14,279	\$420,688	\$0	\$0
2037	\$1,257,061	\$1,439,142	114.48%	\$1,306,355	\$438,195	\$186.31	0.17%	\$0	\$12,401	\$648,586	\$0	\$0
2038	\$1,289,819	\$1,527,900	118.46%	\$1,379,771	\$438,940	\$186.62	0.17%	\$0	\$13,161	\$363,342	\$0	\$0
2039	\$1,403,869	\$1,691,257	120.47%	\$1,526,880	\$439,686	\$186.94	0.17%	\$0	\$14,752	\$291,082	\$0	\$0
2040	\$1,552,926	\$1,890,185	121.72%	\$1,708,646	\$440,433	\$187.26	0.17%	\$0	\$16,713	\$258,219	\$0	\$0
2041	\$1,761,127	\$2,156,089	122.43%	\$1,956,464	\$441,182	\$187.58	0.17%	\$0	\$19,328	\$194,605	\$0	\$0
2042	\$1,998,493	\$2,466,247	123.41%	\$2,247,599	\$441,932	\$187.90	0.17%	\$0	\$22,392	\$154,167	\$0	\$0
2043	\$1,600,297	\$1,861,668	116.33%	\$1,623,052	\$442,683	\$188.22	0.17%	\$0	\$16,754	\$1,064,016	\$0	\$0
2044	\$1,679,155	\$1,912,754	113.91%	\$1,653,212	\$443,436	\$188.54	0.17%	\$0	\$16,986	\$409,336	\$0	\$0
2045	\$1,826,104	\$2,028,661	111.09%	\$1,747,225	\$444,190	\$188.86	0.17%	\$0	\$18,109	\$346,392	\$0	\$0
2046	\$2,016,157	\$2,208,509	109.54%	\$1,904,201	\$444,945	\$189.18	0.17%	\$0	\$19,868	\$284,965	\$0	\$0
2047	\$2,191,775	\$2,350,229	107.23%	\$2,022,059	\$445,701	\$189.50	0.17%	\$0	\$21,291	\$325,272	\$0	\$0
2048	\$1,990,470	\$1,994,062	100.18%	\$1,641,028	\$446,459	\$189.82	0.17%	\$0	\$17,951	\$820,577	\$0	\$0
Totals:					\$13,069,333			\$0	\$366,488	\$10,625,053	\$1,287,456	\$0



Cash Flow and Percent Funded Chart

(December 31, 2019)



10-Year Expenditure and Cash Flow Projection

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Beginning Balance	\$470,750	\$380,140	\$446,973	\$550,058	\$689,321	\$490,154	\$446,417	\$592,748	\$744,585	\$1,016,896
Contribution (+)	\$425,000	\$425,723	\$426,446	\$427,171	\$427,897	\$428,625	\$429,354	\$430,083	\$430,815	\$431,547
<i>Average/Month/Unit</i>	\$180.70	\$181.00	\$181.31	\$181.62	\$181.93	\$182.24	\$182.55	\$182.86	\$183.17	\$183.48
<i>Percent Change</i>		0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
Special Assessments (+)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earned (+)	\$1,879	\$2,475	\$3,483	\$4,850	\$3,006	\$2,503	\$3,876	\$5,381	\$8,037	\$9,294
Tax on Interest (-)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Interest	\$1,879	\$2,475	\$3,483	\$4,850	\$3,006	\$2,503	\$3,876	\$5,381	\$8,037	\$9,294
Access System										
Card reader										
Gate operators		\$12,360								
Loop systems w/pavers					\$6,753					
Phone directory		\$4,326								
Spike strips									\$3,167	
Asphalt/Concrete/Pavers										
Asphalt, repair/overlay/R&R										
Asphalt, seal/stripe/repair/crack fill	\$24,944				\$28,074				\$31,598	
Concrete, driveways/repairs		\$20,600		\$21,855		\$23,185		\$24,597		\$26,095
Pavers, cul-de-sac conversions	\$7,000	\$7,210	\$7,426	\$7,649	\$7,879	\$8,115	\$8,358	\$8,609	\$8,867	\$9,133
Pavers, Entry & Clubhouse (quantity TBD)										
Buildings, Doors										
Doors	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	\$1,159	\$1,194	\$1,230	\$1,267	\$1,305
Buildings, Roofs										
Flat, elastomeric coating (quantity TBD)	\$32,500	\$46,865	\$41,375	\$35,514	\$36,579	\$158,241				
Flat, polyurethane foam (quantity TBD)										
Slope, tile/underlayment (quantity TBD)	\$50,000	\$51,500	\$53,045	\$54,636	\$56,275	\$57,964	\$59,703	\$61,494	\$63,339	\$65,239
Clubhouse										
Cabinet doors										
Refurbish										
Electrical/Lights										
Electrical & lighting					\$55,959					\$64,872
Fence & Gates										



10-Year Expenditure and Cash Flow Projection

(continued)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fence/gates, metal										
Gates, metal, vehicle										
Lakes										
Gazebo R&R										
Liners, replace (cost TBD)										
Pump, circulation		\$8,034	\$8,275							
Pumps, aeration		\$6,592	\$6,790				\$7,642	\$7,871		
Landscape										
Landscape renovations	\$30,000					\$34,778				
Mailboxes										
Mailboxes										
Paint										
Buildings, stucco					\$156,626					
Buildings, trim/wood					\$84,931					\$98,458
Buildings, wood repairs	\$100,940									
Fence/gates, metal					\$8,346					\$9,675
Pool & Spa 1										
Deck coating, color seal			\$6,126					\$7,101		
Deck coating, texture										
Deck skimmers									\$6,081	
Pool filter				\$1,339						
Pool heater				\$3,825						
Pool pumpset, variable speed					\$1,688					
Pool resurface/tile									\$19,015	
Spa filter		\$1,030								
Spa heater							\$3,821			
Spa pumpset, circulation, variable speed				\$1,639						
Spa pumpset, jet					\$900					
Spa resurface/tile		\$4,326								\$5,480
Pool & Spa 2										
Deck coating, color seal		\$5,832					\$6,761			
Deck coating, texture										



10-Year Expenditure and Cash Flow Projection

(continued)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Deck skimmers									\$6,081	
Pool filter		\$1,262								
Pool heater		\$3,605								
Pool pumpset, variable speed								\$1,845		
Pool resurface/tile	\$15,010									
Spa filter				\$1,093						
Spa heater							\$3,821			
Spa pumpset, circulation, variable speed			\$1,591							
Spa pumpset, jet			\$849							
Spa resurface/tile	\$4,200								\$5,320	
Pool & Spa 3										
Deck coating, color seal		\$6,096					\$7,066			
Deck coating, texture										
Deck skimmers										\$6,263
Pool filter			\$1,300							
Pool heater			\$3,713							
Pool pumpset, variable speed							\$1,791			
Pool resurface/tile					\$16,894					
Spa filter		\$1,030								
Spa heater		\$3,296								
Spa pumpset, circulation, variable speed			\$1,591							
Spa pumpset, jet				\$874						
Spa resurface/tile	\$4,200								\$5,320	
Pool & Spa 4										
Deck coating, color seal			\$6,338					\$7,347		
Deck coating, texture										
Deck skimmers										\$6,263
Pool filter		\$1,262								
Pool heater							\$4,179			
Pool pumpset, variable speed			\$1,591							
Pool resurface/tile										\$19,585
Spa filter						\$1,159				



10-Year Expenditure and Cash Flow Projection

(continued)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Spa heater							\$3,821			
Spa pumpset, circulation, variable speed			\$1,591							
Spa pumpset, jet		\$824								
Spa resurface/tile					\$4,727					
Pool & Spa 5										
Deck coating, color seal	\$6,166					\$7,148				
Deck coating, texture										
Deck skimmers										
Pool filter		\$1,262								
Pool heater						\$4,057				
Pool pumpset, variable speed						\$1,739				
Pool resurface/tile	\$15,010									
Spa filter		\$1,030								
Spa heater		\$3,296								
Spa pumpset, circulation, variable speed						\$1,739				
Spa pumpset, jet			\$849							
Spa resurface/tile		\$4,326								\$5,480
Pool & Spa 6										
Deck coating, color seal	\$5,194					\$6,021				
Deck coating, texture										
Deck skimmers										
Pool filter		\$1,262								
Pool heater									\$4,434	
Pool pumpset, variable speed			\$1,591							
Pool resurface/tile	\$13,892									
Spa filter										
Spa heater									\$4,054	
Spa pumpset, circulation, variable speed			\$1,591							
Spa pumpset, jet							\$955			
Spa resurface/tile	\$4,200								\$5,320	
Pool Furniture										



10-Year Expenditure and Cash Flow Projection

(continued)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Chairs, replace	\$10,150									
Chairs, restrap (20%)	\$840	\$865	\$891	\$918	\$945	\$974	\$1,003	\$1,033	\$1,064	\$1,096
Loungers, replace	\$15,000									
Loungers, restrap (20%)	\$1,275	\$1,313	\$1,353	\$1,393	\$1,435	\$1,478	\$1,522	\$1,568	\$1,615	\$1,664
Umbrellas	\$5,326					\$6,174				
Tennis Courts										
Courts resurface			\$16,974				\$14,329			
Windscreen	\$9,710									
Component Exp (-)	\$356,557	\$200,433	\$165,912	\$131,827	\$469,138	\$313,933	\$125,967	\$122,696	\$166,541	\$320,608
BANK LOAN PAYMENT (-)	\$160,932	\$160,932	\$160,932	\$160,932	\$160,932	\$160,932	\$160,932	\$160,932	\$0	\$0
Ending Balance	\$380,140	\$446,973	\$550,058	\$689,321	\$490,154	\$446,417	\$592,748	\$744,585	\$1,016,896	\$1,137,129





Personal Credentials

Michael C. Graves R.S.
Reserve Funding Specialist

Designations

- ◆ R.S., 2000, Community Association Institute

Distinctions

- ◆ 2013 Educated Business Partner, Community Association Institute

Degrees

- ◆ B.A., Economics, 1983, San Diego State University
- ◆ A.S., Business Administration, 1980 Citrus College

Associations

- ◆ Community Associations Institute (CAI), Affiliate Member:
 - Coachella Valley Chapter (CV)
 - Greater Inland Empire Chapter (GRIE)
 - Past President,
 - Orange County Regional Chapter (OCRC)
 - Past Board Treasurer
 - San Diego Chapter (SD)
 - Past Board Treasurer

Publications

- ◆ "Ask The Experts", O.C. View, May/June 2004.
- ◆ "Fiduciary Responsibility Forum", CondoManagement, December 2003.
- ◆ "Does Our Association Have Money Or Not", Quorum, June 2001.
- ◆ "How Do You Use Your Reserve Study To Finance Remodeling Work", Quorum, April 2000.
- ◆ Numerous Speaking and Panel Engagements

Awards

- ◆ Community Associations Institute, GRIE, 2012 Hall of Fame
2000 *Committee Member of the Year*
- ◆ Community Associations Institute, OCRC, 2009 Committee Member of the Year
2006 *Ellen Elish Award*
2006 *Presidents Award*
- ◆ California Association of Community Managers, 2001, Vision Award, *Excellence in Service*

Professional Responsibilities

As Reserve Fund Specialist for SCT Reserve Consultants, Inc. Mr. Graves:

- ◆ Manages reserve study site inspections and funding analyses
- ◆ Prepares reserve study reports and proposals
- ◆ Markets reserve study services through professional contacts and trade associations' meetings and shows

Professional Experience

Mr. Graves' reserve study experience includes:

- ◆ Numerous Levels I, II, and III reserve studies throughout San Diego, Los Angeles, Orange, Riverside, San Bernardino, and Imperial Counties.
- ◆ Familiar with components that go into a reserve study.
- ◆ Able to assist Associations in determining a well-suited funding plan that fits their reserve goals.
- ◆ Utilizing Property Reserve Analysis (PRA) System software to generate Component definition files.
- ◆ Developing SCT Reserve Analysis System software to calculate elements used in the Rough Draft and Final Reports.
- ◆ Meet with Association's Board of Directors to review the draft of the reserve study.
- ◆ Consideration of Board's input with respect to incorporate component replacement and funding policies.



Disclosure Statements

SCT Reserve Consultants, Inc. endeavors to provide the most accurate reserve study possible. However, the current replacement costs of the listed components are based on estimates utilizing; local trades, contractor interviews, and national cost databases. Regular maintenance of reserve components is required to realize the full useful life of each component. Changes in fees for labor and materials, acts of God, extraordinary weather conditions, vandalism and unusual wear of the reserve components may have an adverse impact on the useful life and the cost to replace a particular reserve component. SCT Reserve Consultants, Inc. did not identify, nor did it purport to expound on, any possible construction defects on the project. All dollar figures are subject to rounding errors.

The completeness of this reserve study relies heavily on information provided to us by the Association's representative(s). Incomplete or missing information may cause a distortion of the Association's financial condition. The reserve balance presented in this reserve study is based on information provided and was not audited. SCT Reserve Consultants, Inc. assumes that the information provided to us by the Association's representative(s) is both reliable and accurate and for a Level II study (update with-site-visit) and Level III study (update with no-site-visit) the Association is to have considered previously developed component quantities and/or lump sum expenditures as accurate and reliable. Information provided about reserve projects is also understood to be reliable. Any on-site inspection should not be considered a project audit or quality inspection.

In the event we have performed an on-site inspection of the community, the data compiled has been used with financial, physical, quantity, and historical information provided by the Association's representative(s). Our physical inspection would consist primarily of visual inspection, measurement, drawing take-offs, and photographic documentation. No destructive testing methods were used.

SCT Reserve Consultants, Inc. has prepared this reserve study in conformance with the requirements laid out by the California Civil Code (§5550) and the Community Association Institute (CAI). We have no other current involvement with SUNRISE RACQUET CLUB HOMEOWNERS ASSOCIATION and have no actual or perceived conflicts of interest with SUNRISE RACQUET CLUB HOMEOWNERS ASSOCIATION.

This reserve study is a reflection of the information provided to us by the Association's representative(s) and is assembled for the budgeting and planning purposes of the Board of Directors only. Information provided about reserve projects will be considered reliable. The reserve study is not to be used for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.



Definition of Terms

100% Funded – from the “Component Identification Report”, see Fully Funded Balance (FFB).

Basis Cost - the estimated unit (of measurement basis) replacement cost.

Cash Flow Method - a method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Contingency Fund – typically 3.0% to 5.0% of annual reserve allocation may be established to pay for incidental and miscellaneous reserve expenditures (optional).

Current Replacement Cost (estimated) - the total estimated cost of a component’s replacement or long-term maintenance action at the time of the study. This amount is calculated by multiplying the measurement basis quantity times the basis cost.

Davis-Stirling Common Interest Development Act - the name for the sections of the California Civil Code (4000 through 6150) that are the framework for the operation and management of common interest developments in California.

Fully Funded Balance (FFB) - total accrued depreciation. This number is calculated for each reserve component, then summed together for a total dollar value.

Expressed as $FFB = (Estimated\ Used\ Life) / (Estimated\ Full\ Life) \times (Current\ Replacement\ Cost)$

Full Life (estimated) - the original estimate of a period of time that a component will last before major long-term maintenance or replacement is required.

Funding Goals – there are four basic categories of funding plan goals:

- ⇒ **Baseline Funding** – establishing a reserve-funding goal of keeping the reserve cash balance above zero.
- ⇒ **Full Funding** – setting a reserve-funding goal of attaining and maintaining reserves at or near 100% funded.
- ⇒ **Statutory Funding** – establishing a reserve-funding goal of setting aside the specific minimum amount of reserves required by local statutes.
- ⇒ **Threshold Funding** – establishing a reserve-funding goal of keeping the reserve balance above a specified dollar or percent funded amount.

Future Replacement Cost (estimated) – the current replacement cost multiplied by an inflation factor (compounded annually).

Level I Reserve Study - is considered a full study, it consists of:

- ⇒ **Component Inventory** - quantification and verification of the reserve components.
- ⇒ **Condition Assessment** – the task of evaluating the current condition of the component based on observed or reported conditions.
- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.
- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association’s plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Level II Reserve Study - is considered an update (on-site) study, it consists of:

- ⇒ **Component Inventory** - verification of the reserve components only, no quantification.
- ⇒ **Condition Assessment** – the task of evaluating the current condition of the component based on observed or reported conditions.
- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.

Definition of Terms (continued)

- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association’s plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Level III Reserve Study - is considered a financial update, it consists of:

- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.
- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association’s plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Measurement Basis - the unit of measurement, i.e.: each, linear feet, square feet, squares (100 sf).

Percent Funded – the ratio, at a particular point of time, of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Life (estimated) - an educated evaluation of the amount of time before the component will need replacement.

Reserve Allocation - money that is collected and applied to particular components (see Year 2019 Reserve Budget).

Reserve Component - is defined as any major component that needs major maintenance or replacement at a frequency exceeding two years but typically not more than 30 years.

Reserve Fund Balance (estimated) - the estimated amount of money in the reserve account(s) as of the study date, typically calculated by adding the prior year’s current reserve balance, remaining reserve allocations, and interest, and then subtracting any known reserve expenditures through the same prior year.

Reserve Study - is a budget-planning tool that identifies the current status of the reserve fund and offers a stable and equitable funding plan to offset the anticipated future major common area expenditures. It consists of two parts:

- ⇒ **Financial Analysis** - the portion of the reserve study where the current status of the reserves (Fund Status) are measured as cash or percent funded and a recommended reserve contribution rate (Funding Plan) are derived, and the projected reserve income and expense over time is presented.
- ⇒ **Physical Analysis** - the portion of the reserve study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed.

Straight Line Allocation (Annual) – from the “Component Identification Report” is a single year’s 100% funded amount, often referred to as the ideal or recommended allocation level.

Expressed as $SLA = (I) / (Estimated\ Full\ Life) \times (Current\ Replacement\ Cost)$

Weighted Average Life (WAL) - is calculated by multiplying the cost of each component by the number of months until replacement, creating a weighted average life factor. The total of the factors is divided by the total replacement cost, producing the WAL.



2014 California Civil Code (Selected Sections)

PART 5. COMMON INTEREST DEVELOPMENTS

CHAPTER 6. ASSOCIATION GOVERNANCE

ARTICLE 7. ANNUAL REPORTS

§5300. Annual Budget, Reserves and Other Required Disclosures

(a) Notwithstanding a contrary provision in the governing documents, an association shall distribute an annual budget report 30 to 90 days before the end of its fiscal year.

(b) Unless the governing documents impose more stringent standards, the annual budget report shall include all of the following information:

(1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.

(2) A summary of the association's reserves, prepared pursuant to Section 5565.

(3) A summary of the reserve funding plan adopted by the board, as specified in paragraph (5) of subdivision (b) of Section 5550. The summary shall include notice to members that the full reserve study plan is available upon request, and the association shall provide the full reserve plan to any member upon request.

(4) A statement as to whether the board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(5) A statement as to whether the board, consistent with the reserve funding plan adopted pursuant to Section 5560, has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

(6) A statement as to the mechanism or mechanisms by which the board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

(7) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Section 5570, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

(8) A statement as to whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(9) A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report. The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the following statement:

"This summary of the association's policies of insurance provides only certain information, as required by Section 5300 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

2014 California Civil Code (Selected Sections) (continued)

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 broker or agent for appropriate additional coverage."

- (c) The annual budget report shall be made available to the members pursuant to Section 5320.
- (d) The summary of the association's reserves disclosed pursuant to paragraph (2) of subdivision (b) shall not be admissible in evidence to show improper financial management of an association, provided that other relevant and competent evidence of the financial condition of the association is not made inadmissible by this provision.
- (e) The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to Section 5570, shall accompany each annual budget report or summary of the annual budget report that is delivered pursuant to this article. [2012 - Based on former §§1365 & 1365.2.5(b)(2)]

CHAPTER 7. FINANCES

ARTICLE 1. ACCOUNTING

§5500. Board's Duty to Review Financial Statements and Accounts

Unless the governing documents impose more stringent standards, the board shall do all of the following:

- (a) Review a current reconciliation of the association's operating accounts on at least a quarterly basis.
- (b) Review a current reconciliation of the association's reserve accounts on at least a quarterly basis.
- (c) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.
- (d) Review the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.
- (e) Review an income and expense statement for the association's operating and reserve accounts on at least a quarterly basis. [2012 - Based on former §1365.5(a)]

ARTICLE 2. USE OF RESERVE FUNDS

§5510. Signatures on and Limitation on Use of Reserve Funds

- (a) The signatures of at least two persons, who shall be directors, or one officer who is not a director and one who is a director, shall be required for the withdrawal of moneys from the association's reserve accounts.
- (b) The board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. [2012 - Based on former §1365.5(b & (c)(1)]

§5515. Transfer or Borrowing from Reserve Funds

- (a) Notwithstanding Section 5510, the board may authorize the temporary transfer of moneys from a reserve fund to the association's general operating fund to meet short-term cashflow requirements or other expenses, if the board has provided notice of the intent to consider the transfer in a board meeting notice provided pursuant to Section 4920.
- (b) The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered.



2014 California Civil Code (Selected Sections) (continued)

(c) If the board authorizes the transfer, the board shall issue a written finding, recorded in the board's minutes, explaining the reasons that the transfer is needed, and describing when and how the moneys will be repaid to the reserve fund.

(d) The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the board may, after giving the same notice required for considering a transfer, and, upon making a finding supported by documentation that a temporary delay would be in the best interests of the common interest development, temporarily delay the restoration.

(e) The board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this section. This special assessment is subject to the limitation imposed by Section 5605. The board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the board from pursuing any legal remedy to enforce the collection of an unpaid special assessment. [2012 - Based on former §1365.5(c)(2)]

§5520. Using Reserve Funds for Litigation; Notice; Accounting

(a) When the decision is made to use reserve funds or to temporarily transfer moneys from the reserve fund to pay for litigation pursuant to subdivision (b) of Section 5510, the association shall provide general notice pursuant to Section 4045 of that decision, and of the availability of an accounting of those expenses.

(b) Unless the governing documents impose more stringent standards, the association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by members of the association at the association's office. [2012- Based on former §1365.5(d)]

ARTICLE 3. RESERVE PLANNING

§5550. Reserve Study Inspection Frequency; Contents; Funding Plan

(a) At least once every three years, the board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association, excluding the association's reserve account for that period. The board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that review.

(b) The study required by this section shall at a minimum include:

(1) Identification of the major components that the association is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years.

(2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

(5) A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those



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components that the board has determined will not be replaced or repaired. [2012 - Based on former §1365.5(e)]

§5560. Reserve Funding Plan Adoption; Assessments Needed for Adequate Funding

- (a) The reserve funding plan required by Section 5550 shall include a schedule of the date and amount of any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan.
- (b) The plan shall be adopted by the board at an open meeting before the membership of the association as described in Article 2 (commencing with Section 4900) of Chapter 6.
- (c) If the board determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in Section 5605. [2012 - Based on former §1365.5(e)]

§5565. Contents of Association's Reserve Summary

The summary of the association's reserves required by paragraph (2) of subdivision (b) of Section 5300 shall be based on the most recent review or study conducted pursuant to Section 5550, shall be based only on assets held in cash or cash equivalents, shall be printed in boldface type, and shall include all of the following:

- (a) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.
- (b) As of the end of the fiscal year for which the study is prepared:
 - (1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.
 - (2) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components.
 - (3) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to paragraph (2). Instead of complying with the requirements set forth in this paragraph, an association that is obligated to issue a review of its financial statement pursuant to Section 5305 may include in the review a statement containing all of the information required by this paragraph.
- (c) The percentage that the amount determined for purposes of paragraph (2) of subdivision (b) equals the amount determined for purposes of paragraph (1) of subdivision (b).
- (d) The current deficiency in reserve funding expressed on a per unit basis. The figure shall be calculated by subtracting the amount determined for purposes of paragraph (2) of subdivision (b) from the amount determined for purposes of paragraph (1) of subdivision (b) and then dividing the result by the number of separate interests within the association, except that if assessments vary by the size or type of ownership interest, then the association shall calculate the current deficiency in a manner that reflects the variation. [2012 - Based on former §1365(a)(2)]

§5570. Required Assessment and Reserve Funding Disclosure Summary

- (a) The disclosures required by this article with regard to an association or a property shall be summarized on the following form:

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY (typically pages 5 and 6, maybe 7, of report)



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- (b) For the purposes of preparing a summary pursuant to this section:
- (1) “Estimated remaining useful life” means the time reasonably calculated to remain before a major component will require replacement.
 - (2) “Major component” has the meaning used in Section 5550. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.
 - (3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.
 - (4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation. [2012 - Based on former §1365.2.5]

§5580. Community Service Association Disclosure Requirements

- (a) Unless the governing documents impose more stringent standards, any community service organization whose funding from the association or its members exceeds 10 percent of the organization’s annual budget shall prepare and distribute to the association a report that meets the requirements of Section 5012 of the Corporations Code, and that describes in detail administrative costs and identifies the payees of those costs in a manner consistent with the provisions of Article 5 (commencing with Section 5200) of Chapter 6.
- (b) If the community service organization does not comply with the standards, the report shall disclose the noncompliance in detail. If a community service organization is responsible for the maintenance of major components for which an association would otherwise be responsible, the community service organization shall supply to the association the information regarding those components that the association would use to complete disclosures and reserve reports required under this article and Section 5300. An association may rely upon information received from a community service organization, and shall provide access to the information pursuant to the provisions of Article 5 (commencing with Section 5200) of Chapter 6. [2012 - Based on former §1365.3]

