



FINANCIAL STATEMENT
OF
ELDORADO PROPERTY OWNERS
ASSOCIATION
AS OF
JUNE 30, 2011 AND JUNE 30, 2010

INDEPENDENT AUDITORS' REPORT



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Board of Directors
Eldorado Property Owners Association
(A California Corporation)
46000 Fairway Drive
Indian Wells, California 92210

We have audited the accompanying balance sheets of Eldorado Property Owners Association, a California Corporation, as of June 30, 2011 and June 30, 2010, and the related statements of revenues and expenses, changes in fund balances and cash flows for years then ended. These financial statements are the responsibility of Eldorado Property Owners Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eldorado Property Owners Association as of June 30, 2011 and June 30, 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements on pages 15 and 16 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 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, or 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.

GODECKE CLARK

Certified Public Accountant

July 25, 2011
Palm Desert, California 92260

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ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
BALANCE SHEETS
JUNE 30, 2011 AND JUNE 30, 2010



ASSETS

	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2011	2010
CURRENT ASSETS				
Cash (Notes 1 and 3)	\$ 470,204	\$ 122,301	\$ 592,505	\$ 649,968
Certificates of Deposit (Note 2)	-	778,515	778,515	598,628
Total Cash and Certificates of Deposit	470,204	900,816	1,371,020	1,248,596
Accounts Receivable (Note 1)	40,281	-	40,281	2,708
Prepaid Expenses	7,751	-	7,751	7,594
Prepaid Income Taxes	16,726	-	16,726	-
Interfund Receivable (Payable)	42,574	(42,574)	-	-
Total Current Assets	577,536	858,242	1,435,778	1,258,898
PROPERTY (Note 1)				
Operating Equipment	-	60,941	60,941	60,941
Pump and Irrigation Equipment	-	96,730	96,730	77,918
Leasehold Improvements	-	65,840	65,840	65,841
Street Lights	-	79,520	79,520	79,520
	-	303,031	303,031	284,220
Less: Accumulated Depreciation	-	(169,326)	(169,326)	(154,136)
Total Property	-	133,705	133,705	130,084
TOTAL ASSETS	<u>\$ 577,536</u>	<u>\$ 991,947</u>	<u>\$ 1,569,483</u>	<u>\$ 1,388,982</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES				
Accounts Payable	\$ 2,648	\$ -	\$ 2,648	\$ 15,534
Deferred Dues and Maintenance	267,385	-	267,385	222,337
Deferred Cable Charges	55,040	-	55,040	53,582
Accrued Other Expenses	3,250	-	3,250	1,589
Refundable Construction Deposits	-	50,000	50,000	50,000
Income Tax Payable	-	-	-	10,822
Total Current Liabilities	328,323	50,000	378,323	353,864
FUND BALANCES				
Unrestricted	249,213	-	249,213	170,831
Temporarily Restricted	-	941,947	941,947	864,287
Total Fund Balances	249,213	941,947	1,191,160	1,035,118
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 577,536</u>	<u>\$ 991,947</u>	<u>\$ 1,569,483</u>	<u>\$ 1,388,982</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2011	2010
REVENUES				
Membership Dues	\$ 469,202	\$ -	\$ 469,202	\$ 395,100
Rental Income (Note 4)	-	73,610	73,610	148,237
Transfer Fees	-	2,000	2,000	3,000
Construction Fees	-	5,176	5,176	10,027
Cable Television Fees (Note 5)	-	-	-	747
Lot Maintenance	20,520	-	20,520	16,550
Plan Check Fees	-	3,600	3,600	1,075
Security Service Fees (Note 6)	530,996	-	530,996	-
ECC Reimbursements	115,681	-	115,681	95,770
ECOA Reimbursements	15,424	-	15,424	12,769
Total Revenues	1,151,823	84,386	1,236,209	683,275
EXPENSES				
Employee Costs	1,930	-	1,930	2,439
Repairs and Maintenance	155,812	1,350	157,162	137,879
Supplies and Small Tools	1,598	-	1,598	1,734
Equipment Rental	2,089	-	2,089	1,870
Office Expense	4,710	300	5,010	17,717
Cable Television Fees (Note 5)	5,290	-	5,290	-
ECC Management Service (Note 6)	31,922	-	31,922	31,716
Utilities	26,656	-	26,656	25,861
Telephone	1,190	-	1,190	2,020
Waste Disposal	15,590	-	15,590	15,004
Contract Services	8,631	-	8,631	9,386
ECC Accounting and Payroll (Note 6)	47,901	-	47,901	47,592
ECC Gardening	177,786	-	177,786	160,572
Security Service (Note 6)	530,996	-	530,996	-
Legal and Accounting	19,359	-	19,359	45,763
Grounds Maintenance Facilities (Note 6)	11,628	-	11,628	11,628
Insurance - General	11,470	-	11,470	11,861
Property Tax	-	-	-	707
Depreciation (Note 1)	-	15,190	15,190	12,855
Total Expenses	1,054,558	16,840	1,071,398	536,604
OTHER INCOME AND EXPENSES				
Interest	991	12,461	13,452	9,558
Miscellaneous Income	-	-	-	-
Income Taxes (Note 7)	(19,874)	-	(19,874)	(49,222)
Total Other Income and Expenses	(18,883)	12,461	(6,422)	(39,664)
EXCESS OF REVENUES OVER EXPENSES				
	<u>\$ 78,382</u>	<u>\$ 80,007</u>	<u>\$ 158,389</u>	<u>\$ 107,007</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2011	2010
FUND BALANCE - July 1	\$ 170,831	\$ 864,287	\$ 1,035,118	\$ 930,223
Excess of Revenues Over Expenses	78,382	80,007	158,389	107,007
Other Comprehensive Income				
Change on Unrealized Loss on Marketable Securities	-	(2,347)	(2,347)	(2,112)
FUND BALANCE - June 30	<u>\$ 249,213</u>	<u>\$ 941,947</u>	<u>\$ 1,191,160</u>	<u>\$ 1,035,118</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of Revenues Over Expenses	\$ 78,382	\$ 80,007	\$ 158,389	\$ 107,007
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	15,190	15,190	12,855
Unrealized Gain (Loss)	-	(234)	(234)	-
(Increase) Decrease In:				
Accounts Receivable	(37,573)	-	(37,573)	14,928
Prepaid Expenses	(157)	-	(157)	(309)
Construction in Progress	-	-	-	-
Prepaid Income Taxes	(16,726)	-	(16,726)	54,993
Interfund Receivable (Payable)	7,526	(7,526)	-	-
Increase (Decrease) In:				
Accounts Payable	(12,886)	-	(12,886)	(405)
Accrued Other Expenses	48,167	-	48,167	27,889
Income Tax Payable	(10,822)	-	(10,822)	10,822
Refundable Construction Deposits	-	-	-	(10,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	55,911	87,437	143,348	217,780
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale of Certificates of Deposit	-	300,000	300,000	384,000
Purchase of Certificates of Deposit	-	(482,000)	(482,000)	(600,000)
Purchase of Fixed Assets	-	(18,811)	(18,811)	(13,471)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(200,811)	(200,811)	(229,471)
NET INCREASE (DECREASE) IN CASH	55,911	(113,374)	(57,463)	(11,691)
CASH, July 1	414,293	235,675	649,968	661,659
CASH, June 30	\$ 470,204	\$ 122,301	\$ 592,505	\$ 649,968

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



Supplemental Disclosures of Cash Flow Information:
Cash Paid During the Years for:

	<u>2011</u>	<u>2010</u>
Interest	\$ -	\$ -
Taxes	<u>\$ 47,422</u>	<u>\$ 37,600</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



1. SIGNIFICANT ACCOUNTING POLICIES

Organization

Eldorado Property Owners Association (the Association) was incorporated in the State of California on February 14, 1958 as a homeowners' association. The Association supervises and enforces quality maintenance control of 224 homes and 18 vacant lots and common areas associated with those units, located on 220 acres within Eldorado Country Club in Indian Wells, California.

Under Declaration of Conditions and Restrictions recorded April 2000 and expiring on April 17, 2030, the Association was authorized to and withholds the right to purchase and resell property from owners desiring to sell their property to individuals who had not been approved for membership in Eldorado Country Club.

Membership in the Association does not entitle the member to any individual interest, participation, share or property right in the assets of the Association. All properties owned by the Association and such funds as are accumulated, if any, are the indivisible property of the Association as a whole, to be used only for corporate purposes. Upon dissolution or winding-up of the Association, after paying or adequately providing for the debts and obligations of the Association, the directors or persons in charge of the liquidation shall assign, transfer or convey any remaining assets to the members of the Association. Such assets are to be divided into a number equal to the number of lots owned of record by all members, and each member is to receive an amount of such portion equal to the number of lots such member owns.

Financial Statement Presentation - Fund Accounting

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

Operating Fund

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

Replacement Fund

This fund is used to accumulate financial resources designated for future major street repairs and other capital replacements. The Association considers this fund temporarily restricted until funds are released from temporary restriction as costs are incurred for such expenditures.

Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Association has not designated any other assets as cash equivalents in determining the net increase in cash in the statement of cash flows.

Accounts Receivable

Accounts receivables are stated at full value and are considered fully collectible. Bad debts are recorded using the direct write-off method when management believes an account is uncollectible.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Property

The Association capitalizes all property and equipment to which it has title or other evidence of ownership. Property is recorded at cost. The cost of maintenance and repairs are charged to expense and significant renewals and betterments are capitalized.

Depreciation

Capitalized common property is depreciated over estimated useful lives of 3 to 15 years using straight-line and accelerated methods. Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Depreciation expense at June 30, 2011 and June 30, 2010 were \$15,190 and \$12,855, respectively.

Accounting 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CERTIFICATES OF DEPOSIT

The Association invested funds based on an approved investment policy instituted by the Board of Directors.

Security investments that the Association has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and recorded at fair value in investments and other assets. Net change in unrealized gains or losses for the period is reflected as other comprehensive income.

	Amortized Cost	Net Unrealized Gains (Losses)	2011 Fair Value	2010 Fair Value
Held to Maturity:				
Fixed Income Securities	\$ 782,000	\$ (3,485)	\$ 778,515	\$ 598,628

As of June 30, 2011 investments in debt securities classified as available for sale mature as follows:

	Within 1 year	1-5 Years	5-10 years	Total
Corporate Obligations	\$ 300,618	\$ 477,897	\$ -	\$ 778,515

ELDORADO PROPERTY OWNERS ASSOCIATION
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



2. CERTIFICATES OF DEPOSIT (Continued)

During the year ended June 30, 2011, the Association redeemed corporate obligations for a total of \$300,000. Interest obtained from these securities is included in the statement of revenues and expenses as other income. No capital gain or loss was recognized at the time of redemption.

The Association acquired corporate obligations in the amount of \$482,000 during the period ended June 30, 2011. These securities are now included in the balance sheet total of \$778,515.

3. CONCENTRATION OF CREDIT RISK

As discussed in Note 1, the sole activity of the Association is the management of common areas of Eldorado Country Club, which creates a condition of economic dependency based on the continued existence of the Country Club.

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash, and cash equivalents.

The Association maintains its cash deposits and cash equivalents with high credit quality financial institutions. All non-interest bearing deposit accounts at an FDIC-insured institution that do not earn interest are fully insured through December 31, 2012. Interest bearing accounts are insured up to \$250,000. As of June 30, 2011, the Association periodically maintained balances in excess of insured limits. The Association has not experienced any losses on any deposits and regularly monitors the financial stability and credit worthiness of its financial institution.

At June 30, 2010 the Association had \$153,782 of funds in excess of the insured limits. As of June 30, 2011 the amount of funds in excess of insured limits were \$252,023.

4. RENTAL INCOME

On March 29, 1984, Eldorado Property Owners Association acquired (at a cost of \$75,000) all of the rights, title and interest of a lease between Eldorado Country Club and the Estate of Robert P. McCulloch. The annual ground lease payments to Eldorado Country Club are \$10 per year.

On May 10, 2010 the Association entered into a sub-lease agreement with Morton & Murphy, Premier Real Estate Brokers, LLC for a term of 3 years. Rental income from the sub-lease to Eldorado Properties is based on a percentage of gross receipts attributable to property sold from the real estate office located on the premises of Eldorado Country Club.

The terms of this new sub-lease agreement called for a base rent of \$1,200 per month for the first year and \$1,500 for the second and third years. In addition to the base rent, sub-lessee is to pay a percentage of gross receipts attributable to property sales.

Rental income for the years ended June 30, 2011 and June 30, 2010 was \$73,610 and \$148,237, respectively.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



5. LONG-TERM CONTRACT

Eldorado Property Owners Association entered into a cable television contract with Time Warner Cable on May 5, 2009 with service beginning October 1, 2009. The contract is for a term of five years and is renewable in one-year increments at the end of the term. Cable services are charged at a rate of \$42 per month per unit. Time Warner Cable bills the Eldorado Property Owners Association in one master billing each month. This billing covers all 225 current Association residents only. Time Warner Cable requires that the monthly invoice be paid within 30 days or a 1% service charge per month will be added to the bill. Annual increases are limited to \$1 per unit per month per year.

Future annual payments over the life of the contract are as follows:

June 30,	
2012	\$ 118,125
2013	120,825
2014	123,525
2015	31,050
Total	<u>\$ 393,525</u>

6. RELATED PARTY TRANSACTIONS

Eldorado Country Club is the legal employer for the Association, Eldorado Cottage Owners Association and the Club, thus, Eldorado Country Club pays all salaries and other administrative expenses on behalf of Eldorado Property Owners Association. On a monthly basis, Eldorado Property Owners Association reimburses Eldorado Country Club for payroll and related expenses.

Eldorado Property Owners Association had balances owed to Eldorado Country Club in the amounts of \$1,310 and \$13,275 as of June 30, 2011 and June 30, 2010, respectively.

Eldorado Property Owners Association had receivables due from Eldorado Cottage Owners Association in the amounts of \$2,939 and \$1,119 as of June 30, 2011 and June 30, 2010, respectively.

Security Services Income and Expenses

The Association provides security services on a 24-hour, seven days a week basis, for all property owners via the security department maintained by the Club. The security services revenue represents the income derived from the billing to property owners. This income offsets the prorated cost of security services provided. These costs include the Association's share of the security department's salaries, wages, payroll taxes and other operating expenses.

Joint Sharing (Cost) Agreements

The Association, Eldorado Cottage Owners Association and Eldorado Country Club entered into a comprehensive Master Agreement which clarified many of the operational and financial arrangements between the three companies. The agreement was effective April 1, 2010 and has a term of five years, with automatic renewal for an additional five years. Pursuant to this agreement, Eldorado Country Club (ECC) now bills each association for their share of security expenses.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



6. RELATED PARTY TRANSACTIONS (Continued)

A joint organization sharing agreement with Eldorado Country Club (ECC) and Eldorado Cottage Owners Association (ECO) was formed, whose purpose is to review the annual operating and capital budgets for security and maintenance of the streets and common areas surrounding the streets. As a result of this agreement, it was decided that the three parties would share in the cost of maintaining the streets, streetlights and common area landscaping as follows:

EPOA 66%

ECO 4%

ECC 30%

The sharing percentage was determined not to apply to capital budgets unless the parties agreed that it should. If the committee chose not to apply the sharing percentage they would determine an alternative proper percentage for sharing the capital expenditures. The replacement of current estimate of needed reserves has been prepared using the same percentages as those used for the joint organization sharing agreement.

As of June 30, 2011 the amount of costs reimbursed by Eldorado Country Club and Eldorado Property Owners Association were \$115,681 and \$15,424 respectively. As of June 30, 2010 the reimbursements by Eldorado Country Club and Eldorado Property Owners Association were \$95,770 and \$12,769, respectively.

The Association agreed to a monthly fee for management services of \$2,643 and accounting services of \$3,966 with annual increases based in the Consumer Price Index with a limit of 5% per year. For years ending June 30, 2011 and June 30, 2010 the total management fee paid was \$31,922 and \$31,716, respectively. As for the accounting services, the total paid for the same periods was \$47,901 and \$47,592, respectively.

The Association also agreed to a monthly fee for usage of the golf course maintenance building of \$969. For years ending June 30, 2011 and June 30, 2010 the total amount paid for rent was \$11,628 each year.

Employee Costs

The Association entered into an agreement with Eldorado Country Club for all of the landscaping services. Under the terms of this agreement, all landscaping employee costs are to be passed through to the Association.

7. INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non membership income, such as interest earnings and rental income, at regular federal and state corporate rates. The Association has chosen this election in order to minimize its tax obligation. All income taxes are considered current expenses.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



7. INCOME TAXES (Continued)

For the years ended June 30, 2011 and June 30, 2010, the Association was taxed as a regular corporation. Income tax expense consists of the following:

	Operating Fund	Replacement Fund	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
Federal	\$ 12,922	\$ -	\$ 12,922	\$ 36,120
State	<u>6,952</u>	<u>-</u>	<u>6,952</u>	<u>13,102</u>
	<u>\$ 19,874</u>	<u>\$ -</u>	<u>\$ 19,874</u>	<u>\$ 49,222</u>

8. RECLASSIFICATIONS

Certain reclassifications not affecting fund balances have been made to the prior year presentation in order to conform to the current year presentation.

9. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 25, 2011, the date that the financial statements were available to be issued.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010



BOARD OF DIRECTORS

Barry Williams	President
Paul VonGontard	Vice President
Pat Collins	Treasurer
Lucy McBain	Secretary
Richard Morgan	Ex-Officio
Din Bolin	Director
Roger Burpee	Director
Kevin Knee	Director
Cynthia "CeCe" Baise	Director
Robert Bowers	Director

ARCHITECTURAL COMMITTEE

Roger Burpee	Chairman
Robert Bowers	

BEAUTIFICATION COMMITTEE

Din Bolin	Chairperson
Cynthia "CeCe" Baise	

FINANCE COMMITTEE

Pat Collins	Chairman
Kevin Knee	

SECURITY COMMITTEE

Din Bolin	Chairman
Paul VonGontard	

REAL ESTATE COMMITTEE

Lucy McBain	Chairman
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NOMINATING COMMITTEE

Richard Morgan	Chairman
Barry Williams	
James Harrington	



SUPPLEMENTARY INFORMATION

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
SUPPLEMENTARY INFORMATION FOR FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
JUNE 30, 2011



RESERVE REPLACEMENT FUND ANALYSIS

Replacement reserves are estimated amounts for replacement of major assets of the Association. Reserving provides a secure, planned financial base to address major cost emergencies and to provide replacement of capital assets. A reserve fund acts to stabilize the assets of the community and member assessments, and reflects the Association's ability to execute their fiduciary responsibilities and provide governance over the Association.

As of July 1, 2008, the Association, in order to make the operations less dependent on non member income, made the decision to apply all the dues to the operations fund while allocating 100% of the Percentage Rent income to the Future Repairs and Replacements Fund. Home owners who elected to construct or remodel their homes were also charged an amount equal to 100% of any building fees charged by the city. These fees were collected and placed in a separate account to be used exclusively for capital expenditures (asset purchases) over \$5,000 in value and with a useful life of five years or more.

The Replacement Fund as of June 30, 2011 and June 30, 2010 had accumulated cash and marketable securities in the amount of \$900,816 and \$834,303, respectively. These funds are held in separate bank accounts and are generally not available for operating purposes. The fund (equity) had a balance as of June 30, 2011 and June 30, 2010 in the amounts of \$941,947 and \$864,287, respectively.

In June 2011, the Association contracted McCaffery Reserve Consulting to update their formal Reserve Fund study for the year ending June 30, 2011. The result of the study reflected a deficit in reserves of approximately \$160,229. Given the increase in percentage rent, this deficit was reduced to \$98,233 as of the year end. The consulting company's recommendation was for the Association to contribute \$84,000 per year, on average, commencing with the 2012 tax year.

The Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. Given the current slowdown in real estate activity during the current year and based on the lack of immediate need for major capital replacements, the Board has not approved any major repairs or capital replacements.

The Association incurred the following capital improvements expenditures:

During the period ended June 30, 2010, the Real Estate office's roof was replaced for a total cost of \$13,471.

During the period ended June 30, 2011, the Association installed fiber optic lines with a total cost of \$18,812. This was a shared cost with Eldorado Country Club and Eldorado Cottage Owners Association.

The current estimate needed for replacement reserves has been prepared using the same percentages as those used for the joint organization sharing agreement (see Note 8).

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
SUPPLEMENTARY INFORMATION FOR FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
JUNE 30, 2011



	<u>Average Estimated Useful Lives (Years)</u>	<u>Average Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Proposed Budgeting Requirements</u>	<u>Current Estimate of Needed Reserves</u>
Landscaping Equipment	Various	Various	\$ 99,257	\$ 10,328	\$ 75,339
Streets	Various	Various	612,619	24,505	343,066
Street Lights	Various	Various	299,943	12,264	257,030
Landscaping	Various	Various	358,989	14,291	263,968
Real Estate Office	Various	Various	117,100	6,243	51,243
Contingency (5%)			-	3,382	49,534
Total Required Reserves			<u>\$ 1,487,908</u>	<u>\$ 71,013</u>	<u>\$ 1,040,180</u>
Current Reserves					<u>941,947</u>
Reserve Deficit					<u>\$ (98,233)</u>

NOTE: Original Reserve Study included a separate line item for Security department as well as full replacement of the Real Estate office building.

Since Eldorado Country Club holds title to the Real Estate office, future major improvements must be pre-approved by the Club.