

# Eldorado Property Owners Association (A California Nonprofit Corporation)

Financial Report

June 30, 2013 and 2012

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members  
Eldorado Property Owners Association  
Indian Wells, California

We have audited the accompanying financial statements of Eldorado Property Owners Association (a California nonprofit corporation) (the Association), which comprise the balance sheets as of June 30, 2013, and the related statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of the Association as of June 30, 2012 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated August 21, 2012.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Disclaimer of Opinion on Required Supplementary Information**

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.

*Hutchinson and Bloodgood LLP*

October 8, 2013

**ELDORADO PROPERTY OWNERS ASSOCIATION**

(A California Nonprofit Corporation)

## Balance Sheet

June 30, 2013

(with Comparative Totals as of June 30, 2012)

	Unrestricted (Operating Fund)	Temporarily Restricted (Replacement Fund)	2013	2012
<b>ASSETS</b>				
Current Assets				
Cash (Notes 1 and 3)	\$ 613,655	293,650	\$ 907,305	\$ 980,622
Certificates of deposit (Note 2)	--	893,906	893,906	729,136
Total cash and certificates of deposit	613,655	1,187,556	1,801,211	1,709,758
Accounts receivable (Note 1)	64,798	--	64,798	5,423
Prepaid expenses	10,068	--	10,068	7,628
Construction in progress	--	--	--	3,325
Interfund receivable (payable)	42,671	(42,671)	--	--
Total current assets	731,192	1,144,885	1,876,077	1,726,134
Property (Note 1)				
Operating equipment	--	135,491	135,491	91,435
Pump and irrigation equipment	--	96,730	96,730	96,730
Leasehold improvements	--	65,840	65,840	65,840
Street lights	--	127,338	127,338	79,520
	--	425,399	425,399	333,525
Less accumulated depreciation	--	(128,795)	(128,795)	(188,491)
Total property	--	296,604	296,604	145,034
Total assets	\$ 731,192	\$ 1,441,489	\$ 2,172,681	\$ 1,871,168
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 1,721	\$ --	\$ 1,721	\$ 28,338
Deferred dues and maintenance	264,947	--	264,947	265,986
Deferred cable charges	59,512	--	59,512	56,573
Refundable construction deposits	--	60,000	60,000	20,000
Income tax payable	22,281	--	22,281	54,799
Total current liabilities	348,461	60,000	408,461	425,696
Fund Balances				
Unrestricted	382,731	--	382,731	289,018
Temporarily restricted	--	1,381,489	1,381,489	1,156,454
Total fund balances	382,731	1,381,489	1,764,220	1,445,472
Total liabilities and fund balances	\$ 731,192	\$ 1,441,489	\$ 2,172,681	\$ 1,871,168

**ELDORADO PROPERTY OWNERS ASSOCIATION**

(A California Nonprofit Corporation)

## Statement of Revenues and Expenses

Year Ended June 30, 2013

(with Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted (Operating Fund)	Temporarily Restricted (Replacement Fund)	2013	2012
<b>REVENUES</b>				
Annual lot dues	\$ 514,250	\$ --	\$ 514,250	\$ 514,250
Rental income (Note 4)	--	167,992	167,992	216,087
Escrow transfer fees	--	6,000	6,000	6,500
Construction permit fees	--	52,838	52,838	--
Lot maintenance	18,994	--	18,994	19,354
Plan check fees	--	--	--	--
ECC reimbursements	99,535	--	99,535	125,845
ECOA reimbursements	13,271	--	13,271	16,779
Total revenues	646,050	226,830	872,880	898,815
<b>EXPENSES</b>				
Maintenance				
ECC gardening services	195,117	--	195,117	185,868
Repairs and maintenance- landscaping	69,780	--	69,780	63,398
Repairs and maintenance- streets	6,664	--	6,664	116,845
Repairs and maintenance- street lights	2,385	--	2,385	6,960
Services				
ECC accounting and payroll (Note 6)	50,068	--	50,068	48,211
ECC management service (Note 6)	33,164	--	33,164	32,482
Professional fees - accounting	16,695	--	16,695	16,265
Insurance	11,442	--	11,442	11,755
Contract services	8,610	--	8,610	8,753
Legal	8,906	--	8,906	839
Other				
Utilities	30,521	--	30,521	30,383
Waste disposal	17,644	--	17,644	13,557
Maintenance facility rental (Note 6)	11,628	--	11,628	11,628
Office supplies cable television fees (Note 5)	8,804	300	9,104	9,569
Supplies and small tools	2,138	--	2,138	3,611
Equipment rental	2,106	--	2,106	2,582
Uniforms	1,288	--	1,288	1,118
Telephone	1,141	--	1,141	1,020
Property tax	--	--	--	254
Total expenses	478,101	300	478,401	565,098
<b>OTHER INCOME AND EXPENSES</b>				
Interest income	8,087	--	8,087	11,926
Depreciation (Note 1)	(19,823)	--	(19,823)	(19,165)
Miscellaneous expense	--	--	--	(215)
Income taxes (Note 7)	(62,500)	--	(62,500)	(72,399)
Total other income and expenses	(74,236)	--	(74,236)	(79,853)
Excess of revenues over expenses	\$ 93,713	\$ 226,530	\$ 320,243	\$ 253,864

**ELDORADO PROPERTY OWNERS ASSOCIATION**

(A California Nonprofit Corporation)

## Statement of Changes in Fund Balances

Year Ended June 30, 2013

(with Comparative Totals for the Year Ended June 30, 2012)

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	Unrestricted (Operating Fund)	Temporarily Restricted (Replacement Fund)	2013	2012
<b>FUND BALANCE - July 1</b>	\$ 289,018	\$ 1,156,454	<b>\$ 1,445,472</b>	\$ 1,191,160
Excess of Revenues over Expenses	93,713	226,530	<b>320,243</b>	253,864
Other comprehensive income:				
Change on Unrealized Loss on Marketable Securities	<u>--</u>	<u>(1,495)</u>	<u><b>(1,495)</b></u>	<u>448</u>
<b>FUND BALANCE - June 30</b>	<u><u>\$ 382,731</u></u>	<u><u>\$ 1,381,489</u></u>	<u><u><b>\$ 1,764,220</b></u></u>	<u><u>\$ 1,445,472</u></u>

**ELDORADO PROPERTY OWNERS ASSOCIATION**

(A California Nonprofit Corporation)

## Statement of Cash Flows

Year Ended June 30, 2013

(with Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted (Operating Fund)	Temporarily Restricted (Replacement Fund)	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess of revenues over expenses	\$ 93,713	\$ 226,530	\$ 320,243	\$ 253,864
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation	--	19,823	19,823	19,165
Unrealized Gain (Loss) on Investments	--	(1,495)	(1,495)	(173)
(Increase) decrease in :				
Accounts receivable	(59,375)	--	(59,375)	34,858
Prepaid expenses	(2,440)	--	(2,440)	123
Construction in progress	--	--	--	(3,325)
Prepaid income taxes	--	--	--	16,726
Interfund Receivable (Payable)	103,669	(103,669)	--	--
Increase (decrease) in :				
Accounts payable	(26,617)	--	(26,617)	25,690
Accrued other expenses	1,900	--	1,900	(3,116)
Income tax payable	(32,518)	--	(32,518)	54,799
Refundable construction deposits	--	40,000	40,000	(30,000)
Net cash flows provided by operating activities	78,332	181,189	259,521	368,611
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the sale of certificates of deposit	--	482,000	482,000	547,000
Purchase of certificates of deposit	--	(646,770)	(646,770)	(497,000)
Purchase of fixed assets	--	(168,068)	(168,068)	(30,494)
Net cash flows used by investing activities	--	(332,838)	(332,838)	19,506
Net increase (decrease) in cash	78,332	(151,649)	(73,317)	388,117
Cash, beginning of the year	535,323	445,299	980,622	592,505
Cash, end of year	\$ 613,655	\$ 293,650	\$ 907,305	\$ 980,622
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>				
Cash Paid for Income Taxes			\$ 67,618	\$ 17,600



## ELDORADO PROPERTY OWNERS ASSOCIATION

(A California Nonprofit Corporation)

Notes to Financial Statements

June 30, 2013 and 2012

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### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

**Organization:** Eldorado Property Owners Association (a California nonprofit corporation) (the Association) was incorporated in the state of California on February 14, 1958 as a homeowners' association. The Association provides certain maintenance and security services for 215 homes and 27 vacant lots and common areas associated with those units, located on 220 acres within Eldorado Country Club ("the Club") in Indian Wells, California.

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 a proportionate share of such assets based upon the number of lots that such member owns.

Under Amended and Restated Declaration of Conditions and Restrictions (CC&R's) recorded May 10, 2010 and expiring on April 17, 2030, no person(s) shall purchase a Lot within the Project until and unless each such person has been accepted for membership in the Eldorado Country Club, unless the Association fails to exercise its rights of first refusal to purchase the Lot as outlined in the CC&R's. Specifically, if a prospective purchaser of a Lot within the Project is not accepted for membership in the Club, the Seller of such Lot shall, by written notice to the Association, offer its Lot for sale to the Association on the same terms and conditions which Seller had agreed to accept from the prospective purchaser.

**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.

# ELDORADO PROPERTY OWNERS ASSOCIATION

(A California Nonprofit Corporation)

Notes to Financial Statements

June 30, 2013 and 2012

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## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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 for the years ended June 30, 2013 and 2012 was \$19,823 and \$19,165, respectively.

**Accounting Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 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)	2013 Fair Value	2012 Fair Value
Held to Maturity:				
Certificates of Deposit	<u>\$ 898,000</u>	<u>\$ (4,094)</u>	<u>\$ 893,906</u>	<u>\$ 729,136</u>

As of June 30, 2013 investments in debt securities mature as follows:

	Within 1 year	1-5 years	5-10 years	Total
Certificates of Deposit	<u>\$ 400,000</u>	<u>\$ 498,000</u>	<u>\$ --</u>	<u>\$ 898,000</u>

## **ELDORADO PROPERTY OWNERS ASSOCIATION**

(A California Nonprofit Corporation)

Notes to Financial Statements

June 30, 2013 and 2012

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### **NOTE 2. CERTIFICATES OF DEPOSIT (Continued)**

During the years ended June 30, 2013 and 2012, the Association redeemed certificates of deposits for a total of \$482,000 and \$547,000, respectively. Interest earned from these securities is included as interest income on the statement of revenues and expenses. No capital gain or loss was recognized at the time of redemption.

The Association acquired certificates of deposits in the amounts of \$648,000 and \$497,000 during the years ended June 30, 2013 and 2012, respectively. These securities are now included in the balance sheet totals of \$893,906 and \$729,136 at June 30, 2013 and 2012, respectively.

### **NOTE 3. CONCENTRATION OF CREDIT RISK**

As discussed in Note 1, the primary activity of the Association is the management of common areas within the Eldorado community, which creates a condition of economic dependency based on the continued viability of Eldorado 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 and cash equivalents with high credit quality financial institutions. Effective January 1, 2013, all interest bearing and non-interest bearing deposits are insured up to \$250,000. As of June 30, 2013 and during the fiscal year the Association periodically maintained deposits in excess of insured limits. The Association regularly monitors the financial stability and credit worthiness of its financial institutions.

### **NOTE 4. RENTAL INCOME**

On March 29, 1984, the 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 relating to real estate office occupancy and usage. The annual ground lease payment from the Association to Eldorado Country Club is \$10.

On May 10, 2010, the Association entered into a sub-lease agreement with Morton & Murphy, Premier Real Estate Brokers, Inc. (a California S Corporation) for a term of 3 years. On May 14, 2013, the term of the sub-lease agreement was extended through January 31, 2014.

The sub-lease agreement provides for a Base Rent of \$1,200 per month for the first year and \$1,500 per month for the ensuing years of the sub-lease. In addition to the Base Rent, the sub-lessee is required to pay the Association a Percentage Rent which is based upon a percentage of gross receipts attributable to property sold by the sub-lessee from the real estate office located on the premises of Eldorado Country Club.

Total rental income for the years ended June 30, 2013 and 2012 was \$167,992 and \$216,087, respectively.

## ELDORADO PROPERTY OWNERS ASSOCIATION

(A California Nonprofit Corporation)

Notes to Financial Statements

June 30, 2013 and 2012

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### NOTE 5. LONG-TERM CONTRACT

The 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 homeowner. Annual increases are limited to \$1 per unit per month per year.

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

Years Ending June 30,	
2014	\$ 123,525
2015	<u>31,050</u>
Total	<u>\$ 154,575</u>

### NOTE 6. RELATED PARTY TRANSACTIONS

**Services Provided and Cost Sharing:** The Association, Eldorado Cottage Owners Association and Eldorado Country Club (the Club) have a comprehensive Master Agreement which outlines operational and financial arrangements between the three entities. The Master agreement was effective April 1, 2010 and has a term of five years, with automatic renewal for an additional five years. Services provided by the Club include: gardening services, security services, and management, accounting and payroll services. The Association utilizes the gardening staff provided by the Club, and other resources to maintain all common areas within the community. As costs are incurred for these services, the Club and the Association bill the other entities for their portion of these costs.

**ECC Gardening Services:** Eldorado Country Club is the legal employer of all employees used by the Association, Eldorado Cottage Owners Association and the Club. Based on this arrangement, Eldorado Country Club pays all wages, payroll taxes and other benefits on behalf of the Eldorado Property Owners Association. On a semimonthly basis, Eldorado Property Owners Association reimburses Eldorado Country Club for these costs.

**ECC Security Services:** The Association provides security services on a 24-hour, seven days a week basis, for all property owners via the Club's security department. On a semi-annual basis, the Club bills the Association for the estimated cost of security. The Association, in turn, bills each lot owner for their respective share of their prorated cost of security. These costs include the Association's share of the security department's salaries, wages, payroll taxes, prorated security asset charges and other operating expenses.

**ECC Management and Accounting Services:** The Association pays a monthly fee for management services of \$2,643 and accounting and payroll services of \$3,966. These fees are subject to possible increases based on the Consumer Price Index with a limit of 5% per year.

**ELDORADO PROPERTY OWNERS ASSOCIATION**

(A California Nonprofit Corporation)

Notes to Financial Statements

June 30, 2013 and 2012

**NOTE 6. RELATED PARTY TRANSACTIONS (Continued)**

**ECC Golf Course Maintenance Building Usage:** The Association pays a monthly fee for space usage/equipment storage of \$969 at the Club's golf course maintenance building.

**Services Provided by the Association:** The Association utilizes the gardening staff provided by the Club and other resources to maintain all common areas within the Eldorado community. These areas include: streets, street lights, common landscaped areas, the dog park area and street medians. Pursuant to the Master Agreement, the parties share these maintenance costs based on the following percentages: EPOA 66%, ECOA 4%, and the Club 30%.

	2013	2012
Eldorado Country Club – shared maintenance	\$ 99,535	\$ 125,845
Eldorado Cottage Owners Association – shared maintenance	<u>13,271</u>	<u>16,779</u>
	<u>\$ 112,806</u>	<u>\$ 142,624</u>
As of June 30, the Association had receivables due from ECOA in the amounts of:		
ECOA Shared Costs	\$ 1,040	\$ 1,681
Plan Check Fees	--	--
EPOA Common Area	<u>9,791</u>	<u>133</u>
	<u>\$ 10,831</u>	<u>\$ 1,814</u>

**Services Provided by the Club:**

	2013	2012
Annual Security Services	<u>\$ 536,030</u>	<u>\$ 497,713</u>
Annual Management Services	<u>\$ 33,164</u>	<u>\$ 32,482</u>
Annual Accounting services	<u>\$ 50,068</u>	<u>\$ 48,211</u>
Annual Golf Course Maintenance Building Usage	<u>\$ 11,628</u>	<u>\$ 11,628</u>

As of June 30, the Association had payables due to (owed from) the Club in the amounts of:

ECC Security	\$ --	\$ --
ECC Management	6,971	5,473
ECC Accounting Payroll	8,791	8,035
ECC Golf Course Maintenance Building Usage	969	1,938
EPOA Common Area (Gardening Labor and Other)	<u>(60,624)</u>	<u>11,724</u>
	<u>\$ (43,893)</u>	<u>\$ 27,170</u>

## ELDORADO PROPERTY OWNERS ASSOCIATION

(A California Nonprofit Corporation)

### Notes to Financial Statements

June 30, 2013 and 2012

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#### NOTE 7. INCOME TAXES

Homeowners' associations may be taxed either as a homeowners' association or as a regular corporation. 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 made this annual election, to be taxed as a regular corporation, in order to minimize its tax obligation. All income taxes are considered current expenses.

For the years ended June 30, 2013 and 2012, the Association was taxed as a regular corporation. Income tax expense consists of the following:

	Operating Fund	Replacement Fund	Totals	
			2013	2012
Federal	\$ 48,000	\$ --	\$ 48,000	\$ 54,647
State	<u>14,500</u>	<u>--</u>	<u>14,500</u>	<u>17,752</u>
	<u>\$ 62,500</u>	<u>\$ --</u>	<u>\$ 62,500</u>	<u>\$ 72,399</u>

The Association tax returns are subject to examination by the taxing authorities as far back as period ending June 30, 2010.

#### NOTE 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.

#### NOTE 9. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 8, 2013, the date that the financial statements were available to be issued.

## Supplementary Information

# ELDORADO PROPERTY OWNERS ASSOCIATION

(A California Nonprofit Corporation)

Board of Directors/Committees

June 30, 2013 and 2012

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## BOARD OF DIRECTORS

Bob Bowers.....	President
Pete Douglas.....	Vice President
Jerry Schissler .....	Treasurer
Gail Peterson .....	Secretary
Paul VonGontard .....	Ex-Officio
Kay Williams .....	Director
Kevin Knee .....	Director
Cynthia "CeCe" Baise.....	Director
David Ryerse .....	Director
Emily Summers.....	Director

## ARCHITECTURAL COMMITTEE

Emily Summers .....	Chairperson
Pete Douglas	

## BEAUTIFICATION COMMITTEE

Gail Peterson .....	Chairperson
Kay Williams	

## FINANCE COMMITTEE

Jerry Schissler .....	Chairman
Kevin Knee	

## SECURITY COMMITTEE

Cynthia "CeCe" Baise.....	Chairperson
Jerry Schissler	

## REAL ESTATE COMMITTEE

Pete Douglas.....	Chairman
David Ryerse	



## **ELDORADO PROPERTY OWNERS ASSOCIATION**

(A California Nonprofit Corporation)

Future Major Repairs and Replacements (Unaudited)

June 30, 2013

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### **RESERVE REPLACEMENT FUND**

#### **RESERVE FUNDING**

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 buttresses the Association's ability to execute its various responsibilities.

As of July 1, 2008, the Association, in order to make its operations less dependent on non-member income, made the decision to allocate 100% of dues income to the Operating Fund while allocating 100% of the Percentage Rent received under the sub-lease agreement with Morton & Murphy (see Note 4) to the Replacement Fund. Home owners who undertake to construct or remodel their homes are charged an amount equal to 100% of any construction permit fees charged the home owner by the City of Indian Wells. Such fees collected by the Association are allocated to the Reserve Fund.

The Replacement Fund as of June 30, 2013 and June 30, 2012 had accumulated cash and marketable securities in the amount of \$1,187,556 and \$1,174,435, respectively. These funds are held in separate investment accounts and are not available for operating purposes. The fund balances as of June 30, 2013 and 2012 were \$1,381,489 and \$1,156,454, respectively.

#### **RESERVE STUDY**

The Association contracted for and obtained a reserve study in 2012. The study identified a perceived deficit in reserves of approximately \$604,000. The company conducting the reserve study issued a recommendation that the Association contribute an average of \$189,000 per year to the Reserve Fund commencing with the 2013 tax year.

**ELDORADO PROPERTY OWNERS ASSOCIATION**

(A California Nonprofit Corporation)

## Future Major Repairs and Replacements (Unaudited)

June 30, 2013

**RESERVE FUND - CAPITAL EXPENDITURES AND FUTURE RESERVE NEEDS**

The Association incurred the following capital improvements expenditures:

During the year ended June 30, 2013, the Association acquired operating and landscaping equipment with a total cost of \$44,056 and made street light improvements with a total cost of \$127,338. During the year ended June 30, 2012, the Association acquired a new riding mower with a total cost of \$30,494.

The estimate for replacement reserves has been prepared using the same sharing percentages as outlined in the Master Agreement.

	Average Estimated Useful Lives (Years)	Average Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Proposed Contribution Requirements	Current Estimate of Needed Reserves
Landscaping Equipment	4-25	1-9	\$ 129,387	\$ 13,021	\$ 106,581
Streets	25	15	1,132,767	45,311	498,418
Security	5-25	5-10	813,252	66,993	363,630
Street Lights	15-25	15-25	282,038	12,615	294,653
Landscaping	10-30	7-15	692,264	28,734	418,871
Real Estate Office	10-25	8-13	323,100	13,634	208,930
Contingency (5%)				9,016	94,554
Total Required Reserves			<u>\$ 3,372,808</u>	<u>\$ 189,324</u>	1,985,637
Current Reserves					<u>1,381,489</u>
Reserve Deficit					<u>\$ (604,148)</u>

NOTE: Eldorado Country Club holds title to the Real Estate office. Per contract, any future major improvements to the real estate office must be pre-approved by the Club.