ELDORADO PROPERTY OWNERS ASSOCIATION

INDIAN WELLS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT, FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

ELDORADO PROPERTY OWNERS ASSOCIATION

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JUNE 30, 2019 AND 2018

LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS
36917 COOK STREET • SUITE 102 • PALM DESERT, CALIFORNIA 92211
Telephone (760) 568-2242 • Fax (760) 346-8891
www.lundandguttry.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statement of Eldorado Property Owners Association (a California nonprofit corporation) (the Association), which comprise of the balance sheet as of June 30, 2019, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2019, and the results of its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Eldorado Property Owners Association the June 30, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent in all material respects, with the audited financial statement from which is has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements on page 13 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.

Lund & Guttry

September 12, 2019

ELDORADO PROPERTY OWNERS ASSOCIATION
BALANCE SHEET
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

ASSETS

	2019			2018
				Restated
	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
CURRENT ASSETS				
Cash	$ 323,050	$ 11,036	$ 334,086	$ 1,204,097
Investments	720,240	1,739,348	2,459,588	1,482,167
Accounts receivable (net of allowance for doubtful accounts of $385,000 and $184,000 for 2019 and 2018 respectively)	(2,619)	-	(2,619)	275,728
Due from related parties	470	-	470	6,715
Prepaid expenses	9,381	-	9,381	8,438
Prepaid income tax	-	49,781	49,781	25,930
Total current assets	1,050,522	1,800,165	2,850,687	3,003,075
Property and equipment				
Operating equipment	278,330	-	278,330	278,330
Security equipment	73,470	-	73,470	73,470
Street lights	266,601	-	266,601	266,601
	618,401	-	618,401	618,401
Less accumulated depreciation	(445,415)	-	(445,415)	(353,029)
Total property and equipment	172,986	-	172,986	265,372
TOTAL ASSETS	$ 1,223,508	$ 1,800,165	$ 3,023,673	$ 3,268,447

LIABILITIES AND FUND BALANCES

	Operating Fund	Replacement Fund	Total	2018 Total
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 2,868	$ -	$ 2,868	$ 1,906
Due to related party - ECC	69,940	-	69,940	27,146
Deferred dues and maintenance	262,264	-	262,264	434,821
Deferred cable charges	65,273	-	65,273	64,100
Refundable construction deposits	10,000	-	10,000	40,000
Total current liabilities	410,345	-	410,345	567,973
Commitments (Note 6)				
FUND BALANCES	813,163	1,800,165	2,613,328	2,700,474
TOTAL LIABILITIES AND FUND BALANCE	$ 1,223,508	$ 1,800,165	$ 3,023,673	$ 3,268,447

(The accompanying notes are an integral part of these financial statements)

ELDORADO PROPERTY OWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	*Restated* (Memorandum Only) Total
REVENUES				
Annual lot dues	$ 414,304	$ -	$ 414,304	$ 414,304
Rental income and commission income	-	164,663	164,663	186,657
Escrow transfer fees	-	10,500	10,500	4,500
Construction, permit, and plan check fees	201,000	4,240	205,240	151,318
Lot maintenance	8,819	-	8,819	13,769
Investment income	6,466	44,113	50,579	11,072
Miscellaneous income (expense)	(1,611)	-	(1,611)	209
Security dues	521,572	-	521,572	546,194
Cable television fees	128,472	-	128,472	140,855
ECC shared maintenance costs	103,543	-	103,543	112,720
ECOA shared maintenance costs	13,806	-	13,806	15,029
Total revenues	1,396,371	223,516	1,619,887	1,596,627
EXPENSES				
Maintenance				
ECC gardening services	194,065	-	194,065	215,929
Equipment	-	156,105	156,105	-
Repairs and maintenance - landscaping	56,127	-	56,127	50,129
Repairs and maintenance - other	8,850	9,037	17,887	-
Repairs and maintenance - streets	15,486	8,147	23,633	20,957
Repairs and mintenance - street lights	-	-	-	25,458
Repairs and maintenance - storm channel	-	-	-	412
Storm damage	7,678	-	7,678	22,451
Services				
ECC accounting and payroll	56,016	-	56,016	53,863
ECC management service	37,332	-	37,332	35,895
Professional fees	36,236	-	36,236	37,274
Insurance	13,159	-	13,159	18,166
Contract services	13,149	-	13,149	12,157
Other				
Utilitites	52,845	-	52,845	47,246
Maintenance facility rental	11,628	-	11,628	12,393
Office supplies cable television fees	9,784	-	9,784	5,306
Supplies and small tools	2,059	-	2,059	2,944
Equipment rental	1,089	-	1,089	2,086
Uniforms	2,423	-	2,423	1,888
Total expenses	517,926	173,289	691,215	564,554
OTHER EXPENSES				
Depreciation	92,386	-	92,386	97,661
Loss on disposal of assets	-	-	-	15,388
Provision for doubtful accounts	201,000	-	201,000	129,000
Security services	521,572	-	521,572	546,194
Cable television expense	125,289	-	125,289	141,474
Administrative bonus	11,488	-	11,488	-
Income taxes	-	66,018	66,018	72,962
Total other expenses	951,735	66,018	1,017,753	1,002,679
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSE!	(73,290)	(15,791)	(89,081)	29,394
FUND BALANCES BEGINNING OF THE YEAR, as previously stated	951,818	1,748,656	2,700,474	2,621,688
PRIOR YEAR RESTATMENT	1,935	-	1,935	49,392
FUND BALANCES BEGINNING OF THE YEAR, restated	953,753	1,748,656	2,702,409	2,671,080
Interfund transfer - income tax reimbursment	(67,300)	67,300	-	-
FUND BALANCE END OF YEAR	$ 813,163	$ 1,800,165	$ 2,613,328	$ 2,700,474

(The accompanying notes are an integral part of these financial statements)

ELDORADO PROPERTY OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
				Restated
CASH FLOWS FROM OPERATING ACTIVITIES	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
(Deficiency) excess of revenues over expenses	$ (73,290)	$ (15,791)	$ (89,081)	$ 29,394
Adjustments to reconcile (deficiency) excess of revenues over expenses to net cash provided by (used) in operating activities:				
Depreciation	92,386	-	92,386	97,661
Loss on disposal of assets	-	-	-	15,388
Unrealized (gain) loss on investments	(420)	(9,229)	(9,649)	23,387
Decrease (increase) in assets				
Accounts receivable	278,347	-	278,347	38,532
Due from related parties	6,245	-	6,245	(4,303)
Prepaid expenses	(943)	-	(943)	23,890
Prepaid income tax	-	(23,851)	(23,851)	23,461
Interfund receivable (payable)	16,102	(16,102)	-	-
Increase (decrease) in assets				
Accounts payable and accrued expenses	962	-	962	(40,195)
Due to related parties - ECC	42,794	-	42,794	(276,420)
Deferred income	(171,384)	-	(171,384)	131,054
Refundable construction deposits	(30,000)	-	(30,000)	(60,000)
Net cash flows provided (used) by operating activities	160,799	(64,973)	95,826	1,849
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments activity, net	(717,885)	(247,952)	(965,837)	140,549
Purchase of property and equipment	-	-	-	(45,655)
Net cash flows (used) provided by investing activities	(717,885)	(247,952)	(965,837)	94,894
CASH FLOWS FROM FINANCING ACTIVITIES				
Inter-fund transfers	(67,300)	67,300	-	-
Net cash flows (used) provided by financing activities	(67,300)	67,300	-	-
NET (DECREASE) INCREASE IN CASH	(624,386)	(245,625)	(870,011)	96,743
CASH AT BEGINNING OF YEAR	947,436	256,661	1,204,097	1,107,354
CASH AT END OF YEAR	$ 323,050	$ 11,036	334,086	$ 1,204,097

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for income taxes			$ 89,720	$ 69,000

(The accompanying notes are an integral part of these financial statements)

1. ORGANIZATION AND NATURE OF ACTIVITIES

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 232 homes and ten 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 the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Replacement Fund: This fund is used to accumulate financial resources designated for future major street repairs and other capital replacements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

As of June 30, 2019, and 2018, short-term investments consist of investments in certificates of deposit. The Association reports the investments at fair value. Unrealized gains and losses and interest income earned from certificates of deposit is included as investment income on the statements of revenues and expenses. No capital gain or loss was recognized at the time of redemption of any certificates of deposit.

Accounts Receivable

The Association uses the allowance method to estimate uncollectible accounts. For the year ended June 30, 2019 and 2018 the Association deemed certain accounts to be uncollectible and recorded an appropriate allowance for doubtful accounts.

Interest Income

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

Property and Equipment

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.

Revenue Recognition

Annual lot dues and lot maintenance revenues billed in advance are recorded as deferred revenue and are recognized as revenues in the periods to which they apply. Related party reimbursement revenues are recognized at the time related expenses are incurred. Real estate rental and construction permit fee revenues are recognized in the period incurred. Percentage rent and escrow transfer fees revenues are recognized when the related homes are sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Memorandum Totals

The financial statements include certain prior-year summarized comparative information in total but no net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year, from which the summarized information was derived.

Prior year restatement and reclassifications

During the year ending June 30, 2019, it was determined that a restatement was needed in order to properly reflect the Association's fund balances, actual tax expenses and establish a prepaid tax asset. This correction results in a prior years restatements increasing fund balances by a net amount of $51,327 ($1,935 and $49,392) and establishes a prepaid tax asset with a balance of for $49,781 and $25,930 the year ending June 30, 2019 and 2018, respectively.

3. INVESTMENTS

The Association invests funds, in certificates of deposit, based on an approved investment policy instituted by the Board of Directors. The general policy is to purchase certificates of deposits with varying terms and maturity dates. The maturity dates will coincide with projected future cash requirements to fund capital improvements. At June 30, 2019 and 2018 the Association's investments consisted of certificates of deposit totaling $2,459,588 and $1,482,167, respectively. The investments are stated at fair value, using level I inputs, based on quoted market prices. The cost basis of the investments at June 30, 2019 and 2018 were $2,460,000 and $1,497,000, respectively, resulting in an unrealized gain (loss) of ($412) and ($14,833), respectively, which is included in the statement of activities in investment income.

4. 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 (the Club).

The Association maintains its cash and cash equivalents with two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures interest bearing and non-interest-bearing accounts up to $250,000. On a regular basis, the Association's policy is to review the financial strength of the financial institution to ensure financial stability and credit quality. The Association has not experienced any losses on any deposits and does not anticipate any losses as a result of the excess balance.

5. RENTAL AND COMMISSION INCOME

On March 29, 1984, the Association acquired (at a cost of $75,000) all the rights, title, and interest of a lease between the 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 the 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 January 16, 2014, the Association renewed the lease on a subsequent month-to-month provision. In September 2018 this agreement was terminated.

On October 1, 2018, the Association entered into a sub-lease agreement with Bennion Deville Homes/Encore Premier Group for a term of 3 years which shall automatically renew for one term following the initial term of the lease.

Each sub-lease agreement provides for base rent of $2,000 per month with a month-to-month provision. 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 the Club.

Total rental and commission income, for the years ended June 30, 2019 and 2018 was $164,863 and $186,657, respectively.

6. COMMITMENTS

In 2014, the Association entered into an Installation and Service Agreement (the Agreement) with Time Warner Cable for bundled multi-channel video service (cable television) and high-speed data service, effective October 1, 2014. In March 2017 the Agreement was extended to October 1, 2020. Under the terms of the extended Agreement, effective October 1, 2017, each homeowner will be charged at a rate of $45 per month per unit. Annual increases are limited to 5% per year beginning January 1, 2018. The Agreement covers 211 units.

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

Year Ending June 30,	
2020	$128,759
2021	32,975
	$161,734

7. RELATED PARTY TRANSACTIONS

Effective April 1, 2010, the Association, ECC, and ECOA entered into a comprehensive Master Agreement (the Agreement) which clarified many of the operational and financial arrangements between the three entities. The Agreement has a five-year term with an automatic renewal for an additional five years. Pursuant to the Agreement, ECC bills each association for their share of security expenses. Pursuant to the Agreement, representatives from the Association, ECC, and ECOA review, modify, and approve the annual operating and capital budgets for security. For the fiscal years ended June 30, 2019 and 2018, total operating costs related to security services provided ECC were $521,572 and $546,194 respectively.

The three parties also share in the costs of maintaining the streets, streetlights, and common areas based on the following cost allocation breakdown:

EPOA	66%
ECC	30%
ECOA	4%

The Association supervises the maintenance of streets, streetlights and common area landscaping within the Eldorado community. The Association is paid (by ECC and ECOA) for these costs in accordance with the terms of the Agreement for ECC's and ECOA's portion of these costs.

Total fees (income to the Association) related to shared maintenance for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Shared maintenance - ECC	$ 103,543	$ 112,720
Shared maintenance - ECOA	13,806	15,059
	$ 117,349	$ 127,779

As of June 30, 2019 and 2018, the Association had amounts receivable from ECOA for shared costs of $470 and $6,715, respectively.

The Association is charged a monthly fee for accounting and management services provided by ECC. These services are subject to annual increases based on the Consumer Price Index, limited to 5% per year.

Total fees paid by the Association to ECC related to accounting, management services and golf course maintenance building usage for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Accounting fees	$ 56,016	$ 53,863
Management fees	37,332	35,895
Golf course maintenance building usage fee	11,628	12,393
	$ 104,976	$ 102,151

7. RELATED PARTY TRANSACTIONS (continued)

ECC is the legal employer for the Association, paying all salaries and benefit costs on behalf of the Association. Each month the Association reimburses ECC for payroll and benefit expenses incurred by the Association. Total amounts reported for employee costs were $194,065 and $215,929, respectively.

Related party payables at June 30 are comprised of the following:

	2019	2018
Payroll, benefit, administrative costs–ECC	$ 69,940	$ 27,146

8. INCOME TAXES

The Association may elect to file its federal income tax return as either a regular corporation under Internal Revenue Code Section 277 or as a homeowners association under Internal Revenue Code Section 528.

For the year ended June 30, 2019, the Association elected to file as a homeowners association, where generally the association is taxed only on income unrelated to membership dues and assessments such as interest income less related expenses. For California purposes, the Association also qualifies for tax exempt status as a homeowners association and pays a tax of 8.84% on income not related to membership dues and assessments. For the year ended June 30, 2019, the federal and California income tax expense was $40,394 and $25,624. For the year ended June 30, 2018, the federal and California income tax expense was $36,683, and $36,279.

For the year ended June 30, 2019 and 2018, the Association's prepaid income taxes of $49,781 and $25,930, respectively.

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

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

9. FUTURE MAJOR REPAIRS AND IMPROVEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for expenditures for normal operations. The Board of Directors had a study conducted in May 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from reserve study consultants. Actual expenditures, however, may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements.

10. SUBSEQUENT EVENTS

The Association has evaluated all potential subsequent events as of September 12, 2019, when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2019 or as of September 12, 2019 that require disclosure to the financial statements.

SUPPLEMENTAL INFORMATION

ELDORADO PROPERTY OWNERS ASSOCIATION

FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

JUNE 30, 2019

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 enables 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 5) to the Replacement Fund. Homeowners who undertake to construct or remodel their homes are charged an amount equal to 100% of any construction permit fees charged the homeowner by the City of Indian Wells. For the year ending June 30, 2019, the Association budgeted base and percentage rent, transfer fees and construction permit fees of $207,000. Such revenues and fees collected by the Association will be allocated to the Replacement Fund.

The Association contracted for and obtained a reserve study, including site inspection, in May 2019. The reserves are approximately 55% funded. The unfunded reserves represent a deficit in reserves of approximately $1,082,822. 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*	Estimate of Required Reserves at June 30, 2019**
Landscaping Equipment	8-30	3-10	$ 216,546	$ 114,400
Streets	4-30	0-16	2,031,000	1,313,160
Security	8-25	0-7	623,139	419,327
Street Lights	5-25	0-20	342,632	102,645
Landscaping	10-20	0-20	751,942	672,802
Flood Channel	5-25	2-9	249,810	149,858
Vehicles	5-7	3-5	56,760	20,743
Real Estate Office	10-25	3-16	213,246	79,752
Contingency (5%)			-	10,300
Total Required Reserves			$ 4,485,075	2,882,987
Reserve fund balance				1,800,165
Reserves Deficit				$ (1,082,822)

* Estimated Current Replacement Cost – Total cost to replace or repair component in today's dollars.

** Estimate of Required Reserves – The amount that should have been saved during the life of the component as of the end of the fiscal year.