



Spring Valley Lake Association
13325 Spring Valley Parkway
7001 SVL Box
Spring Valley Lake, CA 92395-5107

September 20, 2010

Dear Member:

The Board of Directors and management are pleased to announce the adoption of the annual budget, reserve and personal property replacement schedules, and the respective funding plans. The annual assessments for fiscal year 2010/11 will be \$900, which represents a reduction of 3.22%. The assessments will be payable quarterly at a rate of \$225 with the following due dates: November 1, 2010; February 1, 2011; May 1, 2011; August 1, 2011. You may also sign up for free automatic electronic funds transfer (EFT) from a checking account.

Within this mailing is the required annual disclosure package which includes: The compiled financial forecast (annual budget), reserve and personal property schedules, the funding schedules, insurance information, collection and delinquency policies, and the California required elements.

This budget contains several significant community enhancements that are planned: Renovation of the beach restrooms – including handicapped accessibility; the first phase of the Multi-use park improvement at Meadowlark Park, improvements at the two Equestrian Estates parks, beautiful xeriscaping of the Parkway median and the Community Building grounds, continued work on the lake improvement plan and the community security camera systems. We also plan to replace four of the lake wells to improve efficiency and allow the Association to refuse the fish hatchery water, which continues to damage the health of our lake. We will be replacing the Public Safety patrol vehicles and two of the boats (maintenance and patrol). These items are beyond their useful life and require tremendous upkeep and expense.

One significant change for the upcoming year – Membership ID Cards will be changed to photo plastic cards. These are similar to the cards issued by Costco and the Country Club. The purpose is to eliminate the counterfeiting of cards as well as eliminating the need to carry second identification. The Association will mail out, under separate cover, the Member ID Request form and members will need to come into the Association Office or Public Safety to have their photos taken. **Please retain your current Pink Membership cards until further notice.**

Management will continue to look for ways to increase the efficiency of our operations to improve service and reduce costs. We also will continue to build relationships within county government in order to preserve and enhance the support our community receives from San Bernardino County and CSA 64. We shall continue our efforts toward making Spring Valley Lake the community of choice and the Jewel of the High Desert.

Respectfully,

Jon D. Sabo, AMS, CMCA
General Manager

Association Office – 760.245.9756
Fax – 760.245.3076

Public Safety – 760.245.6400
Community Enhancement – 760.245.9756

Website – www.svla.com (Governing documents available for no cost)



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www.svla.com

Effective November 1, 2010 the Association's annual assessment will be \$900.00 per year which will be payable in \$225.00 quarterly installments. The change represents a 3.22% decrease over the current year. This represents a \$29.00 decrease in the annual assessment amount or \$7.25 per quarter.

If you are enrolled in our EFT Electronic Funds Transfer program we will debit your bank account for the new quarterly assessment rate.



COMPILED
FINANCIAL FORECAST
and
SUPPLEMENTAL INFORMATION

For the Years Ending
October 31, 2011 and 2010

Prepared by



Certified Public Accountants

Spring Valley Lake Association
Compiled Financial Forecasts
For the Years Ending
October 31, 2011 and 2010

INDEX

Page

Financial Statements

Accountant's Compilation Report	1
Balance Sheets	2
Cash Flow Statements	3
Revenue and Expense Statements	4
Expense Schedules	5
Notes	7
Notes and Significant Assumptions	8
Insurance, Delinquency, ADR, Minutes	9
Assessments & Foreclosure Notice	11

Supplemental Information

Accountant's Supplemental Information Report	S1
Executive Summary	S2
Component Inventory	S3
Forecasted Expenditures	S5
Forecasted Available Cash	S6
Limitations, Assumptions & Component Descriptions	S7
Assessment & Reserve Funding Disclosure	S8

ACCOUNTANT'S COMPILATION REPORT
Financial Forecast

Board of Directors
Spring Valley Lake Association
13325 Spring Valley Parkway
Spring Valley Lake, CA 92395

We have compiled the accompanying forecasted Balance Sheets, Cash Flow Statements and the related Revenue and Expense Statements for **SPRING VALLEY LAKE ASSOCIATION** for the years ending **October 31, 2011 and 2010** in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We are not independent with respect to the above association.

Haney Accountants

Roseville, California
September 15, 2010

		October 31	
		2011	2010
ASSETS			
CURRENT ASSETS			
Cash		\$ 154,417	\$ 212,026
Assessments Receivable		398,916	398,916
Other Current Assets		70,628	70,628
	TOTAL CURRENT ASSETS	623,961	681,570
INVESTMENTS -Designated for			
Future Major Repairs & Property Replacements	(Note 3)	870,121	991,918
PERSONAL PROPERTY (Note 1)			
Boats		125,800	95,800
Furniture		97,798	88,298
Recreation		96,000	96,000
Technology		168,066	168,066
Vehicles		391,579	370,579
Equipment		143,927	71,927
	Total Personal Property Cost	1,023,170	890,670
Less Accumulated Depreciation		(761,484)	(671,040)
	Net Book Value	261,686	219,630
	TOTAL ASSETS	\$ 1,755,768	\$ 1,893,118
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable		\$ 431,732	\$ 431,734
Income Taxes Payable			
Assessments Paid in Advance		179,290	179,290
Unearned Income		4,999	4,999
Other Current Liabilities-Refundable Deposits		12,730	12,730
	TOTAL CURRENT LIABILITIES	628,751	628,753
MAJOR REPAIR AND REPLACEMENT OBLIGATION	(Notes 1 & 2)		
	(Supplemental Information Pages S1 to S8)		
Beginning Balance		1,703,264	1,258,880
Annual Replacement Provision & Adjustments		163,381	624,804
Less Replacement Expenditures (Page S5)		(352,678)	(180,420)
	TOTAL REPLACEMENT OBLIGATION	1,513,967	1,703,264
	TOTAL LIABILITIES	2,142,718	2,332,017
NET ASSETS			
Designated for Equipment Replacement		875,099	875,099
Undesignated-Excess(Shortage) of Revenues over Expenses			
Prior Years'		(1,313,998)	(1,026,102)
Transfer to Designated for Equipment Replacement			(229,815)
Current Years'		51,949	(58,081)
	UNDESIGNATED NET ASSETS(DEFICIT)	(1,262,049)	(1,313,998)
	TOTAL NET ASSETS	(386,950)	(438,899)
	TOTAL LIABILITIES & NET ASSETS	\$ 1,755,768	\$ 1,893,118

	Years Ending October 31	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Shortage) of Revenues over Expenses	\$ 51,949	\$ (58,081)
Adjustments to reconcile net income to net cash provided by operations:		
Replacement Provision	163,381	624,804
Depreciation Provision	90,444	90,444
(Increase) decrease in Current Assets:		
Assessments Receivable		(245,019)
Other Current Assets		53,034
Increase (decrease) in Current Liabilities:		
Accounts Payable	(2)	3,224
Income Taxes Payable		
Assessments Paid in Advance		(106,585)
Unearned Income		4,999
Other Current Liabilities-Refundable Deposits		9,799
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>305,772</u>	<u>376,619</u>
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchases of Property & Equipment	(132,500)	(2,634)
Replacement Expenditures	(352,678)	(180,420)
Equity Transferred to Designated for Equipment Replacement		(294,502)
Equity Transferred from Undesignated to Designated		294,502
Equity Adjustments/Rounding		1
CASH PROVIDED (USED) BY INVESTING & FINANCING ACTIVITIES	<u>(485,178)</u>	<u>(183,053)</u>
CASH & INVESTMENTS		
Net Annual Increase (Decrease)	(179,406)	193,566
Balance at Beginning of Year	1,203,944	1,010,378
CASH & INVESTMENTS AT END OF YEAR	<u>\$ 1,024,538</u>	<u>\$ 1,203,944</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest & income taxes paid in both years will approximate the amount accrued.

See accountant's compilation report, significant assumptions and notes

	Years Ending October 31				Favorable (Unfavorable)	
	2011 Budget		2010 Estimated Actual		Changes	
	Amount	*PUPM	Amount	*PUPM	Amount	*PUPM
REVENUES						
Assessments-Regular	\$ 3,791,700	\$ 75.00	\$ 3,913,877	\$ 77.42	\$ (122,177)	\$ (2.42)
Interest Revenues	12,818	0.25	6,146	0.12	6,672	0.13
Community Service Fees	30,000	0.59	28,958	0.57	1,042	0.02
Marina Fees	68,000	1.35	67,567	1.34	433	0.01
Equestrian Fees	42,000	0.83	41,981	0.83	19	0.00
Owner Fees	74,000	1.46	111,150	2.20	(37,150)	(0.73)
Other Revenue	14,000	0.28	13,209	0.26	791	0.02
TOTAL REVENUES	4,032,518	79.76	4,182,888	82.74	(150,370)	(2.97)
EXPENSES						
Operating						
Compensation	1,804,532	35.69	1,781,357	35.24	(23,175)	(0.46)
Lake, Marina & Equestrian (Sch 1)	622,900	12.32	525,916	10.40	(96,984)	(1.92)
Utilities (Sch 2)	211,260	4.18	204,433	4.04	(6,827)	(0.14)
Vehicles, Equip & Tech (Sch 3)	122,500	2.42	103,687	2.05	(18,813)	(0.37)
Grounds & Building (Sch 4)	291,500	5.77	244,504	4.84	(46,996)	(0.93)
Professional Services (Sch 5)	267,012	5.28	259,549	5.13	(7,463)	(0.15)
Administrative Support (Sch 6)	199,040	3.94	190,479	3.77	(8,561)	(0.17)
Insurance	123,000	2.43	149,499	2.96	26,499	0.52
Total Operating	3,641,744	72.03	3,459,424	68.43	(182,320)	(3.61)
Replacement Provision (Notes 1 & 2)	163,381	3.23	624,804	12.36	461,423	9.13
Depreciation Provision (Notes 4 & 5)	90,444	1.79	90,444	1.79		
Collection & Enforcement	85,000	1.68	65,000	1.29	(20,000)	(0.40)
Income Tax (Note 1)			1,297	0.03	1,297	0.03
TOTAL EXPENSES	3,980,569	78.74	4,240,969	83.89	260,400	5.15
EXCESS(SHORTAGE) OF						
REVENUES OVER EXPENSES	\$ 51,949	\$ 1.03	\$ (58,081)	\$ (1.15)	\$ 110,030	\$ 2.18

* Per Unit Per Month
(Average Outstanding Units)

2011 = 4213

2010 = 4213

See accountant's compilation report, significant assumptions and notes



	Years Ending October 31				Favorable (Unfavorable) Changes	
	2011 Budget		2010 Estimated Actual		Amount	*PUPM
	Amount	*PUPM	Amount	*PUPM		
Sch 1-Lake, Marina & Equestrian						
Water Assessment	\$ 405,000	\$ 8.01	\$ 303,600	\$ 6.01	\$ (101,400)	\$ (2.01)
Lake Fish Stock	22,800	0.45	27,606	0.55	4,806	0.10
Pumping Watermaster	36,000	0.71	35,785	0.71	(215)	(0.00)
Parks Maintenance	7,500	0.15	4,029	0.08	(3,471)	(0.07)
Fishing Supplies	5,000	0.10	3,648	0.07	(1,352)	(0.03)
Lake Supplies	110,000	2.18	120,923	2.39	10,923	0.22
Water Monitoring	10,000	0.20	8,659	0.17	(1,341)	(0.03)
Horse Feed	21,600	0.43	17,104	0.34	(4,496)	(0.09)
Other	5,000	0.10	4,562	0.09	(438)	(0.01)
Total	\$ 622,900	\$ 12.22	\$ 525,916	\$ 10.31	\$ (96,546)	\$ (1.91)
Sch 2-Utilities						
Electricity	\$ 55,000	\$ 1.09	\$ 55,843	\$ 1.10	\$ 843	\$ 0.02
Electricity-Lake	43,000	0.85	42,189	0.83	(811)	(0.02)
Natural Gas	7,500	0.15	7,162	0.14	(338)	(0.01)
Water/Sewer	43,000	0.85	41,527	0.82	(1,473)	(0.03)
Trash Collection	21,720	0.43	19,906	0.39	(1,814)	(0.04)
Telephone	36,000	0.71	35,342	0.70	(658)	(0.01)
Internet Service	3,240	0.06	671	0.01	(2,569)	(0.05)
Other	1,800	0.04	1,793	0.04	(7)	(0.00)
Total	\$ 211,260	\$ 4.18	\$ 204,433	\$ 4.04	\$ (6,827)	\$ (0.14)
Sch 3-Vehicles, Equip & Tech						
Vehicle Fuel	\$ 45,000	\$ 0.89	\$ 46,452	\$ 0.92	\$ 1,452	\$ 0.03
Marina Fuel	28,000	0.55	20,322	0.40	(7,678)	(0.15)
SVLA Fuel			60	0.00	60	0.00
Equipment Repair	20,000	0.40	14,493	0.29	(5,507)	(0.11)
Computer Admin	1,000	0.02	391	0.01	(609)	(0.01)
Software Licenses	5,000	0.10	3,120	0.06	(1,880)	(0.04)
Computer Maint.	10,000	0.20	7,960	0.16	(2,040)	(0.04)
Property Tax	7,500	0.15	7,428	0.15	(72)	(0.00)
Small tools	3,500	0.07	1,209	0.02	(2,291)	(0.05)
Other Maintenance	2,500	0.05	2,252	0.04	(248)	(0.00)
Total	\$ 122,500	\$ 2.42	\$ 103,687	\$ 2.05	\$ (18,813)	\$ (0.37)

* Per Unit Per Month
(Average Outstanding Units)

2011 = 4213

2010 = 4213

	Years Ending October 31				Favorable (Unfavorable) Changes	
	2011 Budget		2010 Estimated Actual		Amount	*PUPM
	Amount	*PUPM	Amount	*PUPM		
Sch 4-Grounds & Building						
Weed/Lot Maintenance	\$	\$	\$	\$	\$	\$
Building Maintenance	15,000	0.30	8,237	0.16	(6,763)	(0.13)
Grounds Maintenance	13,000	0.26	9,399	0.19	(3,601)	(0.07)
Equipment Rental	10,000	0.20	12,180	0.24	2,180	0.04
Janitorial Supplies	6,500	0.13	6,441	0.13	(59)	(0.00)
Surveillance Cameras	175,000	3.46	175,000	3.46		
Park Improvement	50,000	0.99			(50,000)	(0.99)
Other Grounds & Bldg	22,000	0.44	33,247	0.66	11,247	0.22
Total	\$ 291,500	\$ 5.77	\$ 244,504	\$ 4.84	\$ (46,996)	\$ (0.93)
Sch 5-Professional Services						
Accounting	\$ 100,812	\$ 1.99	\$ 94,743	\$ 1.87	\$ (6,069)	\$ (0.12)
Legal	48,000	0.95	49,000	0.97	1,000	0.02
Consulting	15,000	0.30	23,151	0.46	8,151	0.16
Audit	12,000	0.24	11,900	0.24	(100)	(0.00)
HR Services	20,000	0.40	19,300	0.38	(700)	(0.01)
Technology	10,000	0.20	5,293	0.10	(4,707)	(0.09)
Web Site	1,200	0.02	763	0.02	(437)	(0.01)
Fireworks July 4th	15,000	0.30	13,000	0.26	(2,000)	(0.04)
Contracts	8,000	0.16	6,689	0.13	(1,311)	(0.03)
Major Repair Study	1,000	0.02	278	0.01	(722)	(0.01)
Other	36,000	0.71	35,432	0.70	(568)	(0.01)
Total	\$ 267,012	\$ 5.28	\$ 259,549	\$ 5.13	\$ (7,463)	\$ (0.15)
Sch 6-Administrative Support						
Dues/Subscriptions	\$ 2,040	\$ 0.04	\$	\$	\$ (2,040)	\$ (0.04)
Licenses & Permits	10,000	0.20	10,398	0.21	398	0.01
Uniforms	9,000	0.18	10,213	0.20	1,213	0.02
Safety Supplies	11,000	0.22	11,077	0.22	77	0.00
Training	8,000	0.16	5,910	0.12	(2,090)	(0.04)
Travel	5,000	0.10	5,401	0.11	401	0.01
Office Supplies	20,000	0.40	18,862	0.37	(1,138)	(0.02)
Materials & Supplies	6,000	0.12	4,784	0.09	(1,216)	(0.02)
Postage	28,000	0.55	25,589	0.51	(2,411)	(0.05)
Printing	50,000	0.99	53,963	1.07	3,963	0.08
Meals	22,000	0.44	21,933	0.43	(67)	(0.00)
Contributions	1,000	0.02	750	0.01	(250)	(0.00)
Bank Fees	3,000	0.06	2,289	0.05	(711)	(0.01)
Advertising	1,000	0.02	1,989	0.04	989	0.02
COP Program	3,000	0.06	78	0.00	(2,922)	(0.06)
Other	20,000	0.40	17,243	0.34	(2,757)	(0.05)
Total	\$ 199,040	\$ 3.94	\$ 190,479	\$ 3.77	\$ (8,561)	\$ (0.17)

* Per Unit Per Month

(Average Outstanding Units)

2011 = 4213

2010 = 4213

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION-The Association, a California Mutual Benefit Nonprofit Corporation, was organized to maintain and protect the common areas owned by the owners in common including, but not limited to building exteriors, recreation areas and landscaping. It derives its authority and responsibilities from its governing documents (CCRs, By-laws and Articles of Incorporation).

Incorporation Date: August 17, 1973
Number of Units: 4213

The Board of Directors (The Board) makes most policy decisions and directs the operation of the Association in accordance with the rules set forth in the Governing Documents. However, some matters must be approved by the general Association membership.

CAPITALIZATION POLICY AND DEPRECIATION-Common area real property contributed to the Association by the project developer has not been capitalized on the Association's financial statements since they are owned by the unit owners in common rather than the Association. Common area equipment or real property contributed to the Association by the developer or purchased by the Association which has useful lives greater than one year, which the Association has title, which it may sell or exchange in the normal course of business, and has an acquisition cost greater than \$5,000 has been capitalized and depreciated over its useful life using the straight line method.

FUTURE MAJOR REPAIRS & REPLACEMENTS-Routine annual maintenance is charged to expenses in the year incurred. Major replacement expenditures for which the Association is obligated and which do not occur annually are charged to expenses at an estimated annual cost computed upon estimates of expected life and estimated cost to replace. This method results in an accrued replacement liability account. This account is reduced in the year the actual expenditure occurs. NO ASSURANCE can be given that actual expenditures will match the accrued liability at the time the expenditure occurs.

NOTE 1-CONTINUED

ASSESSMENTS-The unit owner assessments are computed such that part of the assessments are to provide for the replacement of capitalized tangible personal property and major nonannual maintenance and replacement expenditures.

INCOME TAXES-The Association is a nonprofit California Corporation. It has a limited tax exemption under Internal Revenue Code Section 501(c) (4) and the related California Section 23701(f). Under these Sections, the Association does not pay taxes on its exempt function activities, but does pay taxes on unrelated business activities with net income.

State income taxes are paid on income from sources which are not related to the nonprofit membership purposes of the Association. Nonmember income on which the Association is subject to California income tax includes interest income earned less related allowable deductions and unrelated business activities.

NOTE 2-FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents (Bylaws-Article VIII, Section 1.1) require it to "...consider the current and future needs of the Association and, in light of those needs..." establish the amount of the annual assessment. Therefore, the Association has adopted the policy that current member assessments will include a provision for future major repairs and replacements. Furthermore, this policy expects these annual provisions will be accumulated and when combined with their related after tax investment income will be sufficient to meet these obligations without the probable need for special assessments.

As more fully disclosed in the accompanying UNAUDITED supplementary information, the Association's current funds designated for this purpose when combined with its future funding plans and estimated obligations appear to meet this goal. However, while the Association accumulates funds based on estimated current and future costs and periodically updates these estimates, actual expenditures may vary from these estimates and these variations may be significant. *Significant differences between estimated and actual expenditures could create a need for additional owner assessments.*

NOTE 3 - INVESTMENTS

The Association's Board of Directors has adopted the policy that a portion of the regular assessments shall be used to accumulate funds for future major repairs and replacements. This account represents the amounts designated for such purposes and are invested in interest bearing deposits in U.S. Government insured financial institutions or instruments. The instruments are generally CD's issued at current market rates with maturities of less than three years.

SIGNIFICANT ASSUMPTIONS:

A. Nature of Forecasted Financial Statements

The accompanying financial forecast for the years presented in comparative form presents, to the best of the Board of Directors' knowledge and belief, the Association's financial position, results of operations, and cash flows for the forecast periods. Accordingly the forecast reflects its judgment as of this forecast's date of the expected conditions and its expected course of action. The assumptions disclosed herein are those that the Board of Directors' believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

B. First Year Forecast

The first year forecasted financial statements were calculated using a combination of historical financial information and forecasted information.

The forecasted cash flow statement was calculated using a beginning of the year balance sheet that was:

Audited by Certified Public Accountants

The forecasted balance sheet and revenue and expense statements were calculated using historical compiled financial statements for part of the year and forecasting the remaining part of the year. This remaining forecast was done by annualizing the historical financial statements and adjusting for seasonal fluctuations, other expected transactions and expense changes.

Number of historical months annualized: 8

C. Second Year Forecast

Revenues: Member assessments are the primary revenue source for the Association and, within some limits, decided upon by the Board of Directors. Interest income was calculated using current interest rates or the rates on the existing instruments held by the Association. Other revenue was based on prior years' history.

Operating Expenses: These predictable expenses are driven by vendor contracts, utility rates, prior years' history and Board of Directors decisions. Known changes in these elements were incorporated in the second year forecast. The differences between the first and second year revenue and expense forecasts are displayed on the revenue and expense statements.

Replacement Provision: See the accompanying supplementary information.

INSURANCE

This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 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 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.

Carrier Name: Philadelphia
 Insurance Companies

Consultant/Agent: ARMAC Insurance Agency
 Victorville, CA

	Amount	Deductible
<u>Insurance Type:</u>		
Umbrella:	\$ 9,000,000	\$
Business Auto:	\$ 1,000,000	\$ 1,000
Directors & Officers:	\$ 1,000,000	\$ 10,000
Commercial Property:	\$ 3,209,759	\$ 1,000
Crime:	\$ 250,000	\$ 2,500
Marine:	\$ 350,000	\$ 5,000
General Liability:	\$ 2,000,000	\$ 2,500

Renewal Dates:

Umbrella: 07/01/11
 Business Auto: 07/01/11
 Directors & Officers: 07/01/11
 Commercial Property: 07/01/11
 Crime: 07/01/11
 Marine: 07/01/11
 General Liability: 07/01/11

DELINQUENCY POLICY

In accordance with California law the Association's assessments become delinquent 15 days after their due date. Delinquent assessments will be assessed a Collection Cost of \$10 or 10% of the delinquent amount whichever is larger plus any other reasonable cost of collection and interest at an annual rate not to exceed 12% on any amounts unpaid 30 days past their due date. While the Association's governing documents allow liens to be filed on amounts unpaid thirty days after their due date, except in unusual cases, the Association has adopted the policy of filing liens on the amount unpaid sixty days after their due date. Foreclosure or other collection action is considered on amounts unpaid ninety days after their due date.

MEMBERS' RIGHT TO ADR

California Civil Code (Sections 1363.810 to 1363.850 and 1369.510 to 1369.590) requires that certain disputes between the association and its owners be submitted to some form of Alternative Dispute resolution (ADR).

If a member has a dispute with the association or any other member regarding enforcement of governing documents or rules and they are unable to resolve using normal methods, the member needs to be aware that:

"Failure by any member of the association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents."

MEMBERS' RIGHT TO MINUTES

California Civil Code Section 1363.05 requires the Association to make available minutes of any Board of Directors meeting, other than an executive session, within 30 days of the meeting. The minutes will be distributed to any member upon request and at their cost. Association members and their agents may obtain these minutes upon request from:

Spring Valley Lake Association
 Board of Directors
 13325 Spring Valley Parkway
 Spring Valley Lake, CA 92395

NOTICE ASSESSMENTS & FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS & FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and cost of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid (Sections 1366, 1367.1 and 1367.4 of the Civil Code).

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for cost to repair common areas damaged by a member or a member's guests, if the governing documents provide for this option (Sections 1366 and 1367.1 of the Civil Code).

The association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association (Section 1367.1 of the Civil Code).

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt (Section 1367.1 of the Civil Code).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard (Section 1367.1 of the Civil Code).

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The Association must inform owners of a mailing address for overnight payments (Sections 1367.1 of the Civil Code).

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 5(commencing with Section 1363.810) of Chapter 4 of Title 6 of Division 2 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time (Section 1367.1 of the Civil Code).

MEETINGS & PAYMENT PLANS

An owner of a separate interest that is not a time-share may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist (Section 1367.1 of the Civil Code).

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 1367.1 of the Civil Code)

SECONDARY ADDRESSES

Owners have the right to submit secondary addresses to the Association for the purposes of collection notices. Upon the receipt of a written request by an owner identifying a secondary address for purposes of collection notices, the Association shall send additional copies of any notices required by Civil Code Section 1367.1 (k) to the secondary address provided. The owner's request shall be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it. The owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or change during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point the Association receives the request.

ACCOUNTANT'S COMPILATION REPORT
ON REQUIRED SUPPLEMENTAL INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)

Board of Directors
Spring Valley Lake Association
13325 Spring Valley Parkway
Spring Valley Lake, CA 92395

We have compiled the accompanying forecasted major repair and replacement expenditure schedule and the related forecasted investment fund balances of the **SPRING VALLEY LAKE ASSOCIATION** (Association) for the twenty year period beginning **November 1, 2010**, in accordance with guidelines established by the American Institute of Certified Public Accountants.

The accompanying forecasted schedules present, to the best of the Association's Board of Directors knowledge and belief, the future major repair and replacement expenditures and the related investments fund balances for the forecast period. It is not intended to be a forecast of financial position, results of operations, or cash flows. Nor is it a required part of the basic financial statements of the Association. The accompanying forecasted statements and this report were prepared for the Association as required by California Civil Code Section 1365(a)(3) and as supplementary information required by the American Institute of Certified Public Accountants. It should not be used for any other purpose.

A compilation is limited to presenting forecasted information that is the representation of the Association's Board of Directors and does not include evaluation of the support for the assumptions underlying such information. We have not examined the forecasted schedules and, accordingly, do not express an opinion or any other form of assurance on the accompanying schedules or assumptions. Furthermore, there will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We are not independent with respect to the above association.

Haney Accountants
Roseville, California
September 15, 2010

EXECUTIVE SUMMARY

NATURE AND SCOPE OF STUDY

The Association's board of directors conducted a study in **2010** to estimate the remaining useful lives and the replacement costs of the major components of common property. Replacement costs were based on the estimated costs to repair or replace the major common property components at the date of the study. Various sources such as contractors, vendors, other professionals and trade literature provided the estimated lives, remaining lives and cost figures. These estimates have not been revised since that date.

FUNDING POLICY

As also described in Financial Statement Notes 1 and 2, the Association accumulates funds for future major repairs and replacements by charging current owners for their share of the wearing out of these components. The estimated funds required were calculated based on future estimated replacement costs, member contributions and related net after tax interest income. The Association's policy is to accumulate funds sufficient to meet these obligations without the need for special assessments. However, actual expenditures and net investment income may vary from the estimated amounts, and the variations may be significant. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

FUNDING ANALYSIS

Based upon the estimates and the assumptions used in the study and the resulting calculations in EXHIBIT C, it appears that the Association will be able to meet its obligations for future major repairs and replacements without the need for SPECIAL ASSESSMENTS. However, the Association can not assure the members that a special assessment will not be required.

INCLUDED MAJOR COMPONENTS

The Association included in the study as major repair and replacement components the exterior and interior surfaces that it is obligated to maintain, that have useful lives of more than one year and that have expected current costs to replace of more than **\$5,000**.

EXCLUDED MAJOR COMPONENTS

The Association excluded from the study major structural components such as **the buildings, underground water systems, the lake infrastructure, the four mile six foot cinder block wall** and any other component not specifically listed in EXHIBIT A. The Association assumes any personal property asset replacements will be funded by the annual depreciation charge to the income statement. It further assumes that the major structural items have indefinite lives and the appropriate funding method for their replacement will be decided by the owners when these items need replacing.

EXHIBIT A-MAJOR COMPONENT INVENTORY

Lists the components, their related estimated typical life, remaining life, current replacement cost, accumulated wear and annual provision. The estimated accumulated wear and annual provision was calculated using the **sinking fund method**.

EXHIBIT B-PROJECTED EXPENDITURES

Displays the amount of money needed each year over the next twenty years to perform the expected major repairs and replacements using the current replacement costs.

EXHIBIT C-PROJECTED INVESTMENT ACTIVITY

Calculates the estimated available cash each year over the next twenty years calculated using the beginning available cash, estimated cash expenditures, estimated cash receipts and related assumptions regarding inflation and after tax investments income.

EXHIBIT A - COMPONENT INVENTORY

See limitations, assumptions and descriptions on page S7

Descriptions (Pg S5)	Life		Unit			Total Cost	Sinking Fund(1)	
	Typical	Left	Cost Per	Scale	Count		Current Obligation	Annual Provision
Asphalt								
Overlay, AO Pkg. Lot	23	2	1.35	sf	39,770	53,690	48,518	2,088
Overlay, East Beach Pkg. Lot	23	2	1.35	sf	17,600	23,760	21,471	924
Overlay, West Beach Pkg. Lot	23	2	1.35	sf	44,300	59,805	54,044	2,326
Overlay, CB, MP, Pkg. Lot	23	2	1.35	sf	70,140	94,689	85,568	3,682
Overlay, EQ Pkg Lot	23	5	1.35	sf	35,410	47,804	36,461	1,859
Basketball	3	2	5,500	ea	3	16,500	5,445	5,445
Equipment								
Antenna Tower	8	2	5,500	ea	2	11,000	8,167	1,328
Water Heater	15	4	1,500	ea	5	7,500	5,389	466
HAVC Equipment, AO	15	10	8,000	ea	1	8,000	2,535	497
HAVC Equipment, AO	15	1	8,000	ea	1	8,000	7,429	497
HAVC, roof mount CB	15	3	8,000	ea	4	32,000	25,212	1,988
HVAC-Managers Unit, EQ	12	1	8,000	ea	2	16,000	14,592	1,262
HVAC-10 Seer, CB	12	3	10,000	ea	2	20,000	14,774	1,577
HVAC, EQ Clubhouse	12	2	8,000	ea.	1	8,000	6,599	631
Make Up Air Cooler, CB hood	15	3	9,000	ea	1	9,000	7,091	559
Outflow Monitoring Device	20	3	10,000	ea	2	20,000	16,740	908
Electrical Panel and/or Box	15	4	1,200	ea	32	38,400	27,593	2,386
Fire Alarm Systems, CB, EQ	20	5	12,000	ea	2	24,000	17,545	1,090
Fire Suppression System, CB	20	5	12,000	ea	1	12,000	8,773	545
Kitchen Hood Fire Suppression	20	15	9,000	ea	1	9,000	2,085	409
Kitchen Equip.Range/Hood	20	15	13,000	ea.	1	13,000	3,012	590
Grounds								
Base-Arena Sand, Replace, 20000sf	5	3	9,500	ea	1	9,500	3,743	1,862
Base-Baseball Infields	5	2	5,000	ea	3	15,000	8,910	2,941
Base-Parking Areas	5	2	2,500	ea	2	5,000	2,970	980
Base-Playgrounds	5	5	5,000	ea	1	5,000	0	980
Fence-guard rails, FA's, AO	20	10	11	lf	312	3,432	1,631	156
Finished Playing Surfaces	5	2	2,500	ea	2	5,000	2,970	980
Tank-Propane Dispenser	40	8	5,000	ea	1	5,000	3,835	102
BOCCE Ball resurface	20	15	50,000	ea	1	50,000	11,583	2,271
Sand, Beach Area	20	10	28	cy	536	15,008	7,131	682
Back Stop Fence	12	3	7,600	ea	3	22,800	16,842	1,798
Trash Enclosures / Gates	15	8	5,800	ea	4	23,200	10,397	1,441
Dugouts	12	2	1,500	ea	6	9,000	7,424	710
Fence, Vinyl 3 Rail, EQ	30	19	13	lf	3334	43,342	14,412	1,246
Backflow Prevention Devices	12	1	1,500	ea	6	9,000	8,208	710
Fence-Pipe Rail, Arena, Stables	7	2	13	lf	2890	37,570	26,567	5,208
Fence, Pipe Rail, Round Pens	10	5	13	lf	1256	16,014	7,808	1,531
Gates-fencing	8	5	500	ea	25	12,500	4,571	1,509
Fence, Wood, 3 Rail	7	2	9	lf	1222	10,998	7,777	1,525
Drainage Culverts,repairs only	40	8	15,000	ea	4	60,000	46,018	1,227
Trail Bridges	40	10	20,000	ea	4	80,000	56,924	1,636
Block Wall, 5-6ft, perimeter, 3.6 miles(Not included)								
Storm Drains	40	9	5,000	ea	5	25,000	18,478	511
Fence, Block & Wrought Iron, CB	25	14	28	lf	1022	28,616	11,720	1,013
Fence, Block & Wrought Iron, Beach	25	14	28	lf	2390	66,920	27,407	2,369

EXHIBIT A - COMPONENT INVENTORY

See limitations, assumptions and descriptions on page S6

Descriptions (Pg S5)	Life		Unit			Total Cost	Sinking Fund(1)	
	Est.	Left	Cost Per	Scale	Count		Current Obligation	Annual Provision
Lake & Marina								
Lake Water Flow Meter:	15	11	1,200	ea	13	15,600	3,935	969
Spillway, Weir Structure, Weir Gate	40	8	50,000	ea	1	50,000	38,348	1,023
Walkways & Slip Repair	15	10	64,000	ea	1	64,000	20,281	3,976
Sea Walls/retaining	40	8	22	lf	1875	41,250	31,637	844
Boat Launch Ramp	20	10	1,320	sf	6	7,920	3,763	360
Fuel Dispensing Equip, Marina	25	10	35,000	ea	1	35,000	19,948	1,239
Fuel Storage Tank, 3000 gal.	20	10	38,000	ea.	1	38,000	18,055	1,726
Swim Beach Dam	40	10	45,000	ea.	1	45,000	32,020	921
Docks and Slips-Boat	25	13	8,280	sf	35	289,800	130,134	10,261
Well #1, 100' depth, 5hp, 4", 1997	25	0	75,000	ea.	1	75,000	75,000	2,656
Well #2, 203' depth, 5hp, 4", 2001	25	16	75,000	ea.	1	75,000	24,878	2,656
Well #3, 103' depth, 5hp, 4", 98/06	25	21	75,000	ea.	1	75,000	10,782	2,656
Well #5, 305' depth, 20hp3ph, 4', 09	25	24	75,000	ea.	1	75,000	2,656	2,656
Well #6, 104" depth, 10hp, 4", 2000	25	15	75,000	ea.	1	75,000	27,782	2,656
Well #7, 100' depth, 5hp, 4", orig	25	24	75,000	ea.	1	75,000	2,656	2,656
Well #9, 100' depth, 10hp3ph, 4"200t	25	21	75,000	ea.	1	75,000	10,782	2,656
Well #10, 100' depth, 10hp,4" 2002	25	0	75,000	ea.	1	75,000	75,000	2,656
Well #11, 200' depth, 10hp, 4", 2001	25	0	75,000	ea.	1	75,000	75,000	2,656
Well #13, 100' depth, 10hp, 4", 2002	25	17	75,000	ea.	1	75,000	22,003	2,656
Well #14, 205' depth, 10hp, 4", orig	25	24	75,000	ea.	1	75,000	2,656	2,656
Well #15, 105' depth, 10hp, 4", 1997	25	12	75,000	ea.	1	75,000	36,671	2,656
Well #16, 100' depth, 15hp, 4", orig	25	0	75,000	ea.	1	75,000	75,000	2,656
Maintenance-Exterior								
Upper Barn Exterior	8	2	6,000	ea	1	6,000	4,455	724
Signage-Directional	11	4	550	ea	12	6,600	4,116	571
Signage/Mounting Panels	8	1	500	ea	14	7,000	6,094	845
Signage-Monument , Entrances	11	4	1,000	ea	3	3,000	1,871	259
Signage-Monument, FA's	11	4	550	ea	15	8,250	5,145	713
Admin, Maint, Ext. Structural	8	3	10,000	ea	1	10,000	6,156	1,207
Light-Pole/Double, AO, CB, EQ	20	13	2,500	Lot	22	55,000	18,018	2,498
Light-Pole/Single, MP,Bch,EQ	15	8	1,500	Lot	13	19,500	8,739	1,211
Light-Meter/Controller	12	2	1,500	Lot	11	16,500	13,611	1,301
Paint, Exterior, AO,CB,EQ,RR's	5	4	18,000	ea	1	18,000	3,529	3,529
Metal Bldg., Hay Barr	20	15	12,000	ea.	1	12,000	2,780	545
Maintenance-Interior								
Doors-Roll Up	4	2	1,500	ea	4	6,000	2,970	1,478
Flooring-Carpet, AO, CB	5	4	15	sy	703	10,545	2,067	2,067
Flooring-Resilient Vinyl Tile, CE	12	5	13	sf	4512	58,656	33,362	4,625
Flooring-Tile, CB Restrooms, Entry	25	14	9	sf	840	7,560	3,096	268
Doors-Standard Entry, storefront	15	14	2,250	ea	13	29,250	1,817	1,817
Paint, Interior, AO,CB, EQ	5	4	9,500	ea	1	9,500	1,862	1,862
Doors-Stable Gates/Doors, Ext	20	5	900	ea	26	23,400	17,106	1,063
Doors-Stable Gates/Doors, Int.	20	5	500	ea	26	13,000	9,504	590
RR Refurb Beach, CB	25	0	50,000	ea	1	50,000	50,000	1,770
Roofs								
Administration Building	30	24	22,800	cost	1	22,800	4,032	655
Clubhouse, EQ	30	22	22,800	cost	1	22,800	5,431	655
Maintenance Building	30	24	22,800	cost	1	22,800	4,032	655
Community Building, Fla	20	10	3	sf	6,920	20,483	9,732	930
Community Building, Tilt	30	10	26	sq	480	12,480	7,900	359
Public Restroom, Beach	20	0	26	sq	103	2,678	2,678	122
Public Restroom, CB Park (Tile)	30	20	60	sq	103	6,180	1,859	178
Contingency								
Major Components Inventory	Totals as of October 31, 2010					3,139,099	1,703,264	153,498

EXHIBIT A - PERSONAL PROPERTY INVENTORY

See limitations, assumptions and descriptions on page S6

Descriptions (Pg S5)	Life		Unit			Total Cost	Sinking Fund(1)		
	Est.	Left	Cost Per	Scale	Count		Current Obligation	Annual Provision	
Boats									
93 SRI 18' Galv Shocker 18170E393	20	5	75,000	ea	1	75,000	54,828	3,406	
05 Triumph 210CC Patrol 0106F405	20	14	42,000	ea	1	42,000	11,735	1,907	
05 Yamaha 60HP Shocker Motor	20	14	7,800	ea	1	7,800	2,179	354	
86 JC Mfg. Pontoon	20	0	30,000	ea	1	30,000	30,000	1,362	
90 Ercoca Pontoon CF3410JZ	20	2	34,000	ea	1	34,000	30,288	1,544	
Furniture									
Concert Stage	10	4	9,200	ea	1	9,200	5,410	879	
Cabinets - Admin	7	3	11,500	ea	1	11,500	6,473	1,594	
C/B Tables & Chairs	5	0	9,500	ea	1	9,500	9,500	1,862	
C/B Great Room Drrape	5	1	12,500	ea	1	12,500	9,950	2,450	
C/B Chair, Racks, Tables	10	2	9,500	ea	1	9,500	7,524	908	
Recreation									
Play Structure Large	12	2	55,000	ea	1	55,000	45,371	4,337	
Play Structure Other	12	2	31,000	ea	1	31,000	25,573	2,444	
Table-Picnic (30 Units)	7	3	17,500	ea	1	17,500	9,851	2,426	
Metal Bleachers	12	3	20,000	ea	1	20,000	14,774	1,577	
Play Structure Standard	12	2	12,500	ea	1	12,500	10,312	986	
Play Structure Other	12	2	12,500	ea	1	12,500	10,312	986	
Technology									
Server-AO	7	6	7,000	ea	1	7,000	970	970	
Computer (14 units)	5	3	600	ea	14	8,400	3,310	1,647	
Computer Laptop, (2) 1 2008	5	3	1,100	ea	2	2,200	867	431	
Telephone System - Cb	5	4	7,800	ea	1	7,800	1,529	1,529	
Telephone System	7	4	11,500	ea	1	11,500	4,831	1,594	
Radio Equipment	7	6	9,500	ea	1	9,500	1,317	1,317	
Lake Lab Equipment-MicroMeters	10	4	12,200	ea	1	12,200	7,174	1,166	
Mobile Radios-PSD	10	9	450	ea	14	6,300	602	602	
Mobile Radios-Maintenance	10	1	450	ea	10	4,500	4,030	430	
Equipment									
Refrigerator and Freezer	15	6	6,500	ea	1	6,500	3,783	404	
21" Toro Walking Mower	5	3	4,000	ea	1	4,000	1,576	784	
Sign Methods Inc. electronic at AO	7	0	21,000	ea	1	21,000	21,000	2,911	
Cameras-PTZ sony chip set (2)	7	4	11,000	ea	2	22,000	9,241	3,050	
Camera System (4)	5	3	2,000	ea	4	8,000	3,152	1,568	
Defibulators (3)	5	3	3,000	ea	3	9,000	3,546	1,764	

Personal Property Inventory (Continued on Next Page)

EXHIBIT A - PERSONAL PROPERTY INVENTORY

See limitations, assumptions and descriptions on page S6

Personal Property Inventory (Continued)

Descriptions (Pg S5)	Life		Unit			Total Cost	Sinking Fund(1)		
	Est.	Left	Cost Per	Scale	Count		Current Obligation	Annual Provision	
Vehicles									
80 Toyota P/U 3/4 ton dump 065178	10	2	29,000	ea	1	29,000	22,967	2,772	
Flatbed Trailer -Tractor	10	3	4,500	ea	1	4,500	3,103	430	
00 Carson Utility Trailer YC021694	5	3	2,000	ea	1	2,000	788	392	
72 Mower Trailer CAL67463	7	3	500	ea	1	500	281	69	
91 EZ Loader 18' trailer Y13PAO844	7	3	4,500	ea	1	4,500	2,533	624	
07 Kabota Tractor3028874249	20	17	36,000	ea	1	36,000	4,954	1,635	
96 Ford F250 Truck XTEA83088	10	1	35,000	ea	1	35,000	31,341	3,345	
00 Chevy 3/4 Ton P/U R4YR167176	10	1	28,000	ea	1	28,000	25,073	2,676	
04 Dodge 1/2 Ton Pick Up S553808	10	2	22,000	ea	1	22,000	17,423	2,103	
80 GMC 2 Ton Dump Truck 34746	10	2	26,500	ea	1	26,500	20,987	2,533	
78 Massey 30B Tractor 6002430	30	2	40,000	ea	1	40,000	36,946	1,150	
89 Massey 253 Tractor R24425	25	3	35,000	ea	1	35,000	30,326	1,239	
85 Kabota B8200 Tractor D62951	20	5	48,000	ea	1	48,000	35,090	2,180	
69 Chevy C-40 2Ton Dump P832408	10	2	26,500	ea	1	26,500	20,987	2,533	
00 Exmark Lazer Z Riding Mower	10	2	9,800	ea	1	9,800	7,761	937	
2 Exmark Turf Tracer Walk Mower	10	2	8,100	ea	1	8,100	6,415	774	
61 GMC 1Ton Stake Bed N2579B	10	1	22,000	ea	1	22,000	19,700	2,103	
88 Turf Blazer Mower D7-1224	5	2	18,000	ea	1	18,000	10,692	3,529	
2 Gearmore Flail Mowers 0050,0101	5	2	20,000	ea	1	20,000	11,880	3,921	
07 Chevy Colorado P/U 8243786	8	4	22,500	ea	1	22,500	11,026	2,716	
07 Chevy Colorado P/U 8222517	8	4	22,000	ea	1	22,000	10,781	2,655	
07 Chevy Colorado P/U 78249812	8	4	22,500	ea	1	22,500	11,026	2,716	
Kia Spectra KNAFE122555151780	8	4	18,000	ea	1	18,000	8,821	2,172	
Kia Spectra KNAFE122255142583	8	4	18,000	ea	1	18,000	8,821	2,172	
Kia Spectra KNAFE122855097892	8	4	18,000	ea	1	18,000	8,821	2,172	
95 E350 Ford Van w/Lift AZZ110	8	3	35,000	ea	1	35,000	21,547	4,224	
91 Ford F-150 P/U N7MLA34746	8	3	30,000	ea	1	30,000	18,469	3,621	
89 Dodge D100 P/U6Y1KS091277	8	1	25,000	ea	1	25,000	21,765	3,017	
82 Toyota P/U RN44E1C0088034	8	1	25,000	ea	1	25,000	21,765	3,017	
05 Ford VicPatrol 71W15X154094	6	0	24,000	ea	1	24,000	24,000	3,901	
05 Ford Vic Patrol 71W75X137624	6	0	24,000	ea	1	24,000	24,000	3,901	
04 Ford Vic Patrol W14X112739	6	0	24,000	ea	1	24,000	24,000	3,901	
Personal Property Inventory	Totals as of October 31, 2010					1,252,800	875,099	124,324	

(1) Assumed after tax yield on Sinking Fund = 1.00%

See accountant's compilation report on supplemental information



EXHIBIT B-FORECASTED EXPENDITURES

See limitations, assumptions and descriptions on page S6

Major Components									
Year		TOTAL	Asphalt	Equipment	Grounds	Lake & Marina	Exterior Maint.	Interior Maint.	Roofs
Count	Actual								
0	2011	352,678				300,000		50,000	2,678
1	2012	40,000		24,000	9,000		7,000		
2	2013	386,012	248,444	19,000	82,568		22,500	13,500	
3	2014	123,300		81,000	32,300		10,000		
4	2015	101,795		45,900			35,850	20,045	
5	2016	228,874	64,304	36,000	33,514			95,056	
6	2017	6,000						6,000	
7	2018	25,000			25,000				
8	2019	224,950	16,500		97,700	91,250	19,500		
9	2020	118,613			73,568		25,000	20,045	
10	2021	357,323		19,000	103,440	189,920	6,000	6,000	32,963
11	2022	42,100	16,500			15,600	10,000		
12	2023	107,500			25,000	75,000		7,500	
13	2024	391,800		16,000	31,000	289,800	55,000		
14	2025	226,391	16,500	8,000	104,536		34,500	62,855	
15	2026	240,664		42,000	93,814	75,000	29,850		
16	2027	131,568		8,000	48,568	75,000			
17	2028	182,156	16,500		25,000	75,000	7,000	58,656	
18	2029	73,500		52,000	9,500		6,000	6,000	
19	2030	137,287		45,900	43,342		28,000	20,045	
Totals		3,497,510	378,747	396,800	837,850	1,186,570	296,200	365,702	35,641

Personal Property Assets									
Year		TOTAL	Boats	Furniture	Recreation	Technology	Equipment	Vehicles	
Count	Actual								
0	2011	132,500	30,000	9,500			21,000	72,000	
1	2012	152,000		12,500		4,500		135,000	
2	2013	354,400	34,000	9,500	111,000			199,900	
3	2014	192,100		11,500	37,500	10,600	21,000	111,500	
4	2015	183,700		9,200		31,500	22,000	121,000	
5	2016	132,500	75,000	9,500				48,000	
6	2017	107,500		12,500		16,500	6,500	72,000	
7	2018	59,000					21,000	38,000	
8	2019	33,600				10,600	21,000	2,000	
9	2020	64,100				14,100		50,000	
10	2021	43,500		21,000	17,500			5,000	
11	2022	200,500		12,500		16,000	22,000	150,000	
12	2023	362,400		9,500				352,900	
13	2024	54,600				27,100	21,000	6,500	
14	2025	211,000	49,800	9,200	111,000	20,000	21,000		
15	2026	29,500		9,500	20,000				
16	2027	12,500		12,500					
17	2028	158,000		11,500	17,500			129,000	
18	2029	139,100				22,100	43,000	74,000	
19	2030	79,100				14,100		65,000	
Totals		2,701,600	188,800	159,900	314,500	187,100	219,500	1,631,800	0

(A) See Important notice below

See column definitions on page S7

EXHIBIT C-FORECASTED AVAILABLE CASH

YEAR		EXPECTED EXPENDITURES			EXPECTED RECEIPTS			FORECASTED AVAILABLE CASH	
Count	Actual	Current \$	Inflation	Future \$	Sinking Fund	Other	Interest		
		(1)RATE ASSUMPTIONS --> 3.00%			(2)	(3) 3.00%	(4)	(5) 1.00%	(6)
Investment Funds Designated for Major Component and Personal Property Asset Replacement									
0	2011	485,178	1.0000	485,178	277,822	200,000	9,882	991,918	
1	2012	192,000	1.0300	197,760	286,157		10,386	994,445	
2	2013	740,412	1.0609	785,503	294,742		8,478	1,093,228	
3	2014	315,400	1.0927	344,646	303,584		5,904	610,946	
4	2015	285,495	1.1255	321,327	312,691		5,715	575,787	
5	2016	361,374	1.1593	418,931	322,072		5,244	572,866	
6	2017	113,500	1.1941	135,525	331,734		5,794	481,252	
7	2018	84,000	1.2299	103,309	341,686		8,024	683,255	
8	2019	258,550	1.2668	327,523	351,937		9,419	929,656	
9	2020	182,713	1.3048	238,399	362,495		10,255	963,488	
10	2021	400,823	1.3439	538,673	373,370		10,152	1,097,840	
11	2022	242,600	1.3842	335,815	384,571		9,671	942,689	
12	2023	469,900	1.4258	669,965	396,108		8,642	1,001,115	
13	2024	446,400	1.4685	655,553	407,991		6,121	735,900	
14	2025	437,391	1.5126	661,593	420,231		3,738	494,459	
15	2026	270,164	1.5580	420,907	432,838		2,628	256,835	
16	2027	144,068	1.6047	231,187	445,823		3,787	271,394	
17	2028	340,156	1.6528	562,226	459,198		4,383	489,818	
18	2029	212,600	1.7024	361,937	472,974		4,467	391,173	
19	2030	216,387	1.7535	379,436	487,163		5,605	506,676	
Totals		6,199,110		8,175,394	7,465,188	200,000	138,296	620,009	

PERCENT OF FUTURE MAJOR REPAIRS & REPLACEMENTS FUNDED CALCULATION

(This calculation only includes the Major Component inventory as required by California law)

YEAR		Straight Line Method (CC 1365.2.5 (b)(4))			Sinking Fund Method (Alternate Method)		
Count	Actual	Estimated Cash Available	Estimated Cash Necessary	% Funded	Estimated Cash Available	Estimated Cash Necessary	% Funded
0	2011	991,918	2,646,122	37.49%	991,918	2,578,363	38.47%
1	2012	994,445	2,458,512	40.45%	994,445	2,395,557	41.51%
2	2013	1,093,228	2,564,080	42.64%	1,093,228	2,498,422	43.76%
3	2014	610,946	2,121,236	28.80%	610,946	2,066,919	29.56%
4	2015	575,787	2,103,404	27.37%	575,787	2,049,543	28.09%

(A) This cash flow forecast includes both the major components and the personal property assets as disclosed on pages S3 to S7

LIMITATIONS, ASSUMPTIONS AND DESCRIPTIONS

MODEL LIMITATIONS

The calculated investment funds on page S4 (Exhibit C) results from the interplay of many variables and the forecast model. The amounts used in these variables are considered reasonable assumptions. While the Association believes the forecast model and the variable amounts used produce a reasonable estimate of future cash receipts and expenditures during the forecast period, it is **HIGHLY UNLIKELY** that the actual results will precisely match the forecasted results.

SIGNIFICANT ASSUMPTIONS

The information in the major component inventory (EXHIBIT A) related to estimated life, remaining life, cost per unit and number of units are considered reasonable estimates. The rate for inflation, increase in assessment levels and the net after tax return on investment used to forecast the available cash (EXHIBIT C) are considered significant assumptions. Even if the component inventory estimates prove relatively accurate, minor variations among the three assumed rates could have a major effect on the forecast's outcome.

SINKING FUND METHOD

The Association uses the sinking fund method to calculate the estimated annual payment required to produce the amount needed to replace each major component at its replacement time. This method also calculates the estimated investment funds that should be on hand at the current point in the replacement cycle. The Association recalculates these amounts every year. Since the current cost to replace a component, the after tax rate of return on investments (ATROI), the typical component life and the remaining component life variables are all subject to change every year, the results of applying this method could change from year to year and those changes could be material.

A Sinking Fund Method Calculation Example:

Suppose the Association had to replace a \$100,000 item every ten years, that the ATROI is 3% and that the item is currently five years old. The sinking fund method would calculate an annual payment of \$8,723 and a current obligation of \$46,312. In other words to produce \$100,000 in ten years would require an annual deposit of \$8,723 if the after tax yield on investments were 3%. Moreover, if we were five years into that process we would have \$46,312 on deposit.

COMPONENT DESCRIPTIONS (Page S3)

Detail component maintenance and repair specifications are available in the reserve study dated **November 1, 2008**.

Interested parties may obtain this information by requesting it from the Association.

During the fiscal year ending October 31, 2010 the Association made adjustments to the estimated lives, remaining lives, current cost to replace, and other key assumptions. Moreover, individual items are summarized and different to some extent from the Reserve Study. Therefore, the current obligation, annual provision and timing of expenditures will differ somewhat from the study. Some of these differences are material.

COLUMN DEFINITIONS (Page S8)

- (1) Assumed after tax inflation or interest rates for component costs, members' contributions, and investments.
- (2) Expected inflated component costs.
- (3) Members' annual payment for major repair and replacement as calculated using the Sinking Fund Method.
- (4) Additional member payments required to pay for expected obligations or transfers from operating cash generated from excess of revenues over expenses to bolster the long term cash position.
- (5) Net after tax investment earnings on average investment balance.
- (6) Beginning of the year cash minus expected expenditures plus members' payments and after tax investment income equals the end of the year forecasted cash balance.

1. The current assessment per unit:

Average per unit: Per:

2. Additional approved assessments:

Date	Average Per Unit	Purpose
None	None	None

3. Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve accounts 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: No:

4. If "No", what additional assessments or other contributions to reserves would be necessary to insure that sufficient reserve funds will be available each year during the next 30 years?

Estimated:	Due Date	Amount	
		Total	Per Unit
1	N/A	N/A	N/A

5. The following major components with the listed remaining life, which are included in the reserve study, are NOT included in the existing reserve funding:

Item	Major Component
1	None
	<input type="text" value="Useful remaining life in years"/>
1	None
	<input type="text" value="Reason not included"/>
1	None

See infrastructure exclusions on page S2

6. Based on the method of calculation in Section 1365.2.5(4)(b) the estimated amount required in the reserve fund at the end of the current fiscal year is disclosed on page S5, based in whole or in part on the last reserve study or as updated in **August 2009**. The projected reserve fund cash balance at the end of the current year and the percent funded at this date is disclosed on page S6. The alternative sinking fund method is also disclosed on page S6.

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 and those changes may be material.