

DRAFT

BLUE LAKE SPRINGS HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)

LEVY, ERLANGER & COMPANY
Certified Public Accountants
San Francisco, California

CONTENTS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
BALANCE SHEETS	3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES	4 - 6
STATEMENTS OF CASH FLOWS	7 - 8
NOTES TO FINANCIAL STATEMENTS	9 - 15
SUPPLEMENTARY INFORMATION	
Supplementary Information On Future Major Repairs And Replacements At December 31, 2017	16 - 26

DRAFT

LEVY, ERLANGER & COMPANY
Certified Public Accountants

290 King Street, Suite 12
San Francisco, CA 94107

INDEPENDENT AUDITOR'S REPORT

Board Of Directors
Blue Lake Springs Homeowners Association
Arnold, California

We have audited the accompanying financial statements of **Blue Lake Springs Homeowners Association** (the Association) which comprise the balance sheet as of December 31, 2017 and the related statements of revenues, expenses and changes in fund balances, and the cash flows for the year then ended and the related notes to the financial statements.

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.

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 risks 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 **Blue Lake Springs Homeowners Association** as of December 31, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2016 financial statements were compiled by us, and our report thereon, dated April 05, 2017, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

Future Major Repairs and Replacements

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property 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, which 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 consisted 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, and 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.

May 14, 2018

BLUE LAKE SPRINGS HOMEOWNERS ASSOCIATION

BALANCE SHEETS DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)

	2017			2016
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	\$ 92,023	\$ 101,565	\$ 193,588	\$ 408,482
Assessments receivable, less allowance for doubtful accounts of \$55,000 and \$46,000, respectively (Note 2)	1,995		1,995	1,520
Special assessments receivable	9,658		9,658	
Prepaid insurance	14,368		14,368	6,786
Inventory	8,259		8,259	5,534
Land, equipment and furnishings, net of accumulated depreciation of \$256,080 and \$240,154, respectively (Note 7)		157,743	157,743	128,169
Total assets	<u>\$ 126,303</u>	<u>\$ 259,308</u>	<u>\$ 385,611</u>	<u>\$ 550,491</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ 8,686
Accounts payable	42,473		42,473	75,286
Income taxes payable	891	196	1,087	
Payroll, taxes and benefits payable	25,138		25,138	54
Security loan payable (Note 8)				85,118
Tree grant liability	50,000		50,000	
Other liabilities	2,710		2,710	2,845
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	<u>121,212</u>	<u>196</u>	<u>121,408</u>	<u>171,989</u>
COMMITMENTS AND (NOTE 4)	-	-	-	-
FUND BALANCE (DEFICIT)	<u>5,091</u>	<u>259,112</u>	<u>264,203</u>	<u>378,502</u>
Total liabilities and fund balance	<u>\$ 126,303</u>	<u>\$ 259,308</u>	<u>\$ 385,611</u>	<u>\$ 550,491</u>

See independent auditor's report and accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

	2017			2016
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments	\$ 1,108,315	\$ 103,500	\$ 1,211,815	\$ 1,089,300
Associate assessments	18,451		18,451	17,182
Storm damage repairs special assessments (Note 5)	110,165		110,165	
Sale of lots (Note 6)	11,127		11,127	
Interest income (Note 2)	3	2,516	2,519	269
Recreation income	90,591		90,591	86,830
Restaurant income	215,474		215,474	226,463
User and administrative fees	18,584		18,584	15,980
Snack bar income	38,213		38,213	42,532
Late charges and other income	46,942		46,942	41,489
Total revenues	<u>1,657,865</u>	<u>106,016</u>	<u>1,763,881</u>	<u>1,520,045</u>
EXPENSES				
<u>Administration</u>				
Administrative salaries, taxes and benefits	245,214	-	245,214	260,919
Bad debt expense	9,000		9,000	3,628
Income tax provision (Note 2)	891	196	1,087	
Insurance	28,057		28,057	30,661
Interest expense		248	248	3,259
Legal and accounting	193,593		193,593	50,744
Membership meetings	16,616		16,616	18,682
Office, printing and postage	91,308		91,308	72,800
	<u>584,679</u>	<u>444</u>	<u>585,123</u>	<u>440,693</u>

See independent auditor's report and accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

	2017			2016
	Operations	Replacement	Total	Total
	Fund	Fund	Funds	Funds
EXPENSES (CONTINUED)				
<u>Maintenance and operations</u>				
Maintenance salaries, taxes and benefits	\$ 267,863	\$ -	\$ 267,863	\$ 211,741
Pool and lake maintenance	52,123		52,123	27,746
Recreation salaries, taxes and benefits	114,554		114,554	125,428
Restaurant food expense	83,448		83,448	82,824
Restaurant salaries, taxes and benefits	180,874		180,874	181,627
Security salaries, taxes and benefits	69,576		69,576	69,391
Snack bar salaries, taxes and benefits	4,020		4,020	18,470
Storm damage repairs	46,550		46,550	
Trees maintenance	83,310		83,310	89,050
Other maintenance expenses	122,861		122,861	79,292
Other recreation expenses	58,500		58,500	52,178
Other restaurant expenses	28,061		28,061	44,852
Other security expenses	2,952		2,952	1,914
Other snack bar expenses	9,874		9,874	17,512
	<u>1,124,566</u>	<u>-</u>	<u>1,124,566</u>	<u>1,002,025</u>
<u>Utilities</u>				
Cable television	4,108	-	4,108	2,442
Garbage collection	29,216		29,216	10,297
Gas and electricity	47,497		47,497	51,317
Telephone	10,038		10,038	9,371
Water and sewer	3,801		3,801	3,722
	<u>94,660</u>	<u>-</u>	<u>94,660</u>	<u>77,149</u>

See independent auditor's report and accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

	2017		2016	
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Major repairs and replacements</u>				
Amphitheater	\$ -	\$ 13,196	\$ 13,196	\$ -
Depreciation expense		15,926	15,926	14,078
Drainage system		4,700	4,700	
Furnishings and equipment		1,121	1,121	4,797
Landscaping, trees and irrigation		3,875	3,875	
Other building interior				11,513
Painting and waterproofing		5,575	5,575	
Pool and spa		868	868	988
Signage and directories				2,018
Other major repairs and replacements		28,570	28,570	42,143
	-	73,831	73,831	75,537
 Total expenses	1,803,905	74,275	1,878,180	1,595,404
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(146,040)	31,741	(114,299)	(75,359)
 BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	223,060	(223,060)	-	-
 FUND BALANCE (DEFICIT), BEGINNING OF YEAR (NOTE 9)	(71,929)	450,431	378,502	453,861
 FUND BALANCE (DEFICIT), END OF YEAR	\$ 5,091	\$ 259,112	\$ 264,203	\$ 378,502

See independent auditor's report and accompanying notes.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

	2017		2016	
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ (146,040)	\$ 31,741	\$ (114,299)	\$ (75,359)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Bad debt expense	9,000	-	9,000	3,628
Depreciation expense		15,926	15,926	14,078
Decrease (increase) in assets:				
Assessments receivable	(9,475)		(9,475)	(3,990)
Special assessments receivable	(9,658)		(9,658)	
Inventory	(2,725)		(2,725)	4,188
Prepaid expenses				5,020
Prepaid insurance	(7,582)		(7,582)	(6,786)
Prepaid income taxes				1,154
Increase (decrease) in liabilities:				
Bank overdraft	(8,686)		(8,686)	8,686
Accounts payable	(32,813)		(32,813)	42,283
Payroll, taxes and benefits payable	25,084		25,084	54
Assessments paid in advance				(2,252)
Tree grant liability	50,000		50,000	
Income taxes payable	891	196	1,087	
Other liabilities	(135)		(135)	(1,810)
Total adjustments	13,901	16,122	30,023	64,253
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(132,139)</u>	<u>47,863</u>	<u>(84,276)</u>	<u>(11,106)</u>

See independent auditor's report and accompanying notes.

BLUE LAKE SPRINGS HOMEOWNERS ASSOCIATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)

	2017		2016	
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
INVESTING ACTIVITIES				
Net (purchase) sale of equipment	\$ -	\$ (45,500)	\$ (45,500)	\$ (90,101)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>-</u>	<u>(45,500)</u>	<u>(45,500)</u>	<u>(90,101)</u>
FINANCING ACTIVITIES				
Payments of principal on bank loan payable	-	(85,118)	(85,118)	85,118
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>-</u>	<u>(85,118)</u>	<u>(85,118)</u>	<u>85,118</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(132,139)	(82,755)	(214,894)	(16,089)
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	223,060	(223,060)	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,102</u>	<u>407,380</u>	<u>408,482</u>	<u>424,571</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 92,023</u>	<u>\$ 101,565</u>	<u>\$ 193,588</u>	<u>\$ 408,482</u>
<u>Supplemental Disclosures</u>				
Interest paid	<u>\$ -</u>	<u>\$ 248</u>	<u>\$ 248</u>	<u>\$ 3,259</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,154)</u>

See independent auditor's report and accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

1. THE ASSOCIATION

Blue Lake Springs Homeowners Association (the Association) is a common interest development located in Arnold, California which consists of 2,003 lots and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in 1963 to construct, operate and maintain recreational facilities and other improvements for the benefit of the Association's members. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assessments. Association members are subject to annual assessments to provide funds for operating expenses and major repairs and replacements. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board Of Directors, under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year. Revenues and expenses and information about future major repairs and replacements are explained in greater detail in the annually-distributed pro forma operating budget (pursuant to California Civil Code Section 5300).

Assessments receivable at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed annual statement of collection procedure (pursuant to California Civil Code Section 5730). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible. The estimate of allowance for doubtful accounts, if any, is based, generally, on amounts past due greater than 90 to 120 days.

See independent auditor's report.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation. The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents. For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Concentrations of credit risk. Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2017 totaled approximately \$-0-.

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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

Fund accounting. The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

See independent auditor's report.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association has received exemption from tax under IRC Section 501(c)(7) and is taxed on net nonmembership income at graduated rates starting at 15%. The Association has exemption from California income tax under R.&T.C. Section 23701(g) and income taxes on net nonmembership income approximate 9%.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Interest earned on operations and replacement funds, net of related income taxes, is retained in said respective funds.

Membership in the Association is mandatory by virtue of unit ownership.

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board Of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized. Personal property has been capitalized and depreciation recorded on the straight-line basis over estimated lives of 5 to 20 years.

See independent auditor's report.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material.

Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

See independent auditor's report.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

4. COMMITMENTS

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

5. SPECIAL ASSESSMENTS

In July 2017 the Association's members approved a special assessment totaling \$110,165 (\$55 per unit) for storm damage repairs.

6. SALE OF LOTS

In 2017 the Association sold vacant lots given to the Association by the developer at its inception. The Association received net proceeds of \$11,127 from these sale transactions.

7. LAND, EQUIPMENT AND FURNISHINGS

Land, equipment and furnishings as of December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 90,101	\$ 90,101
Equipment and furnishings	<u>323,722</u>	<u>278,222</u>
	413,823	368,323
Accumulated depreciation	<u>(256,080)</u>	<u>(240,154)</u>
Net land, equipment and furnishings	<u>\$ 157,743</u>	<u>\$ 128,169</u>

See independent auditor's report.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

8. SECURITY LOAN PAYABLE

In April 2016 the Association obtained a security loan \$86,637 from Edward Jones for purchasing land. The loan was paid off in January 2017.

9. PRIOR PERIOD ADJUSTMENT

The balance sheets at the beginning of the years ended December 31, 2017 and 2016 have been restated to adjust fund balances for certain net transaction(s) whose source(s) are unknown at those dates. Accordingly, the beginning fund balances have been restated as follows:

	<u>Year Ended 12-31-17</u>	<u>Year Ended 12-31-16</u>
FUND BALANCE (DEFICIT) BEGINNING OF YEAR		
As previously reported	406,275	\$ 481,634
Adjustment for certain net transaction(s) whose source(s) are unknown	<u>(27,773)</u>	<u>(27,773)</u>
As restated	<u>\$ 378,502</u>	<u>\$ 453,861</u>

10. SUBSEQUENT EVENT

In May 2015 a member of the Association filed a lawsuit against the Association regarding an assessment dispute. The lawsuit was settled in May 2018 in favor of the Association.

See independent auditor's report.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (COMPILED)**

11. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 14, 2018, the date that the financial statements were available to be issued.

See independent auditor's report.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

The following information on common area major components was compiled by The Management of Blue Lake Springs HOA, California as of October 2017 and has served as the basis for the current estimates of replacement reserve funding:

	A	B	C	D	E	F	G	H
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance
1								
2	Asphalt, Repair Fund							
3	Access Roads	10538	S.F.	\$ 1.50	9	25	\$ 15,807	\$ 5,691
4	BBQ/Picnic Area/Lower Tennis Court	1280	S.F.	\$ 1.50	15	25	\$ 1,920	\$ 1,152
5	Lower Tennis Court	4520	S.F.	\$ 1.50	10	25	\$ 6,780	\$ 2,712
6	Maintenance Shed Access, Multi-Use Court	3570	S.F.	\$ 1.50	10	25	\$ 5,355	\$ 2,142
7	Parking Lot, Fly In Lake	41435	S.F.	\$ 1.50	10	25	\$ 62,153	\$ 24,861
8	Parking Lot, Lodge	35750	S.F.	\$ 1.50	10	25	\$ 53,625	\$ 21,450
9	Basketball walkway	3570	S.F.	\$ 1.50	23	25	\$ 5,355	\$ 4,927
10	Subtotal for Asphalt:						\$ 145,640	\$ 62,934
11								
12	Asphalt, Sealcoat							
13	Access Road	10538	S.F.	\$ 0.25	3	5	\$ 2,635	\$ 1,581
14	Lower Tennis Court	4520	S.F.	\$ 0.25	3	5	\$ 1,130	\$ 678
15	Maintenance Shed Access, Multi-Use Court	7500	S.F.	\$ 0.25	2	8	\$ 1,875	\$ 469
16	Parking Lot, Fly In Lake	41435	S.F.	\$ 0.25	4	5	\$ 10,359	\$ 8,287
17	Parking Lot, Lodge	35750	S.F.	\$ 0.25	3	5	\$ 8,938	\$ 5,363
18	Subtotal for Asphalt, Sealcoat:						\$ 24,936	\$ 16,377
19								
20	Irrigation Wells							
21	Well Pump #2	1	Each	\$ 12,500.00	7	10	\$ 12,500	\$ 8,750
22	Well Pump #4	1	Each	\$ 12,500.00	2	10	\$ 12,500	\$ 2,500
23	Well house pump system	1	Set	\$ 10,000.00	1	10	\$ 10,000	\$ 1,000
24	Subtotal for Wells:						\$ 35,000	\$ 11,250
25								

See independent auditor's report and accompanying notes.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance
26	Doors, Replace							
27	Entry, Wood/Glass, Lodge	10	Each	\$ 825.00	17	30	\$ 8,250	\$ 4,675
28	Garage 8, Lodge	2	Each	\$ 1,250.00	17	30	\$ 2,500	\$ 1,417
29	Garage 81, Maintenance Shed, Multi-Use Court	1	Each	\$ 1,250.00	17	30	\$ 1,250	\$ 708
30	Lodge, Exterior	10	Each	\$ 575.00	17	30	\$ 5,750	\$ 3,258
31	Lodge, Interior	15	Each	\$ 525.00	17	30	\$ 7,875	\$ 4,463
32	Restrooms, Exterior Lodge	2	Each	\$ 575.00	17	30	\$ 1,150	\$ 652
33	Restrooms, Fly in Lake	3	Each	\$ 575.00	17	30	\$ 1,725	\$ 978
34	Subtotal for Doors,						\$ 28,500	\$ 16,150
35								
36	Fence, Metal							
37	Chain Link 6', Perimeter	230	L.F.	\$ 28.00	15	30	\$ 6,440	\$ 3,220
38	Chain Link 10', Lower Tennis Court	460	L.F.	\$ 32.00	15	30	\$ 14,720	\$ 7,360
39	Chain Link 10', Multi-Use Court	191	L.F.	\$ 32.00	15	30	\$ 6,112	\$ 3,056
40	Chain Link 10', Upper Tennis Court	444	L.F.	\$ 32.00	15	30	\$ 14,208	\$ 7,104
41	Wood Fence, Pool Deck S, Pool Deck	75	L.F.	\$ 40.00	15	30	\$ 3,000	\$ 1,500
42	Wrought Iron 6', Perimeter	278	L.F.	\$ 45.00	15	30	\$ 12,510	\$ 6,255
43	Subtotal for Fence, Metal:						\$ 56,990	\$ 28,495
44								
45	Fire & Safety							
46	Alarm Panel	2	Each	\$ 2,975.00	15	20	\$ 5,950	\$ 4,463
47	Fire Extinguisher	15	Each	\$ 150.00	4	15	\$ 2,250	\$ 630
48	Halon Fire System, Kitchen	1	Each	\$ 6,875.00	15	20	\$ 6,875	\$ 5,156
49	Halon Fire System, Snack Bar	1	Each	\$ 6,875.00	3	15	\$ 6,875	\$ 1,375
50	Minor Repairs, Plumbing/Sprinkler Hears	1	lot	\$ 5,000.00	4	5	\$ 5,000	\$ 4,000
51	Subtotal for Fire Safety						\$ 26,950	\$ 15,594
52								

See independent auditor's report and accompanying notes.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H	
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	No
53	Flooring, Carpet								
54	Conference Room	538	S.F.	\$ 5.50	4	8	\$ 2,904	\$ 1,452	
55	Lodge, Bar	578	S.F.	\$ 5.50	3	6	\$ 3,179	\$ 1,590	
56	Lodge, Dining Room	2552	S.F.	\$ 5.50	3	6	\$ 14,036	\$ 7,018	
57	Lodge, Offices	1328	S.F.	\$ 5.50	6	8	\$ 7,304	\$ 5,478	
58	Pool Kiosk	198	S.F.	\$ 5.50	4	8	\$ 1,089	\$ 545	
59	Subtotal for Flooring, Carpet:						\$ 28,512	\$ 16,082	
60	Flooring, Linoleum								
61	Clubhouse Dining Room	160	S.F.	\$ 4.75	3	7	\$ 760	\$ 326	
62	Food Pantry	170	S.F.	\$ 4.75	3	7	\$ 808	\$ 346	
63	Kitchen	860	S.F.	\$ 4.75	3	7	\$ 4,085	\$ 1,751	
64	Snack Bar	144	S.F.	\$ 4.75	3	7	\$ 684	\$ 293	
65	Subtotal for Flooring, Linoleum						\$ 6,337	\$ 2,716	
66	Flooring, Tile								
67	Entry Lobby, Restaurant	218	S.F.	\$ 17.50	8	30	\$ 3,815	\$ 1,017	
68	Locker Room, Men's	324	S.F.	\$ 17.50	12	30	\$ 5,670	\$ 2,268	
69	Locker Room, Women's	324	S.F.	\$ 17.50	12	30	\$ 5,670	\$ 2,268	
70	Restroom, Lodge, Men's	160	S.F.	\$ 17.50	12	30	\$ 2,800	\$ 1,120	
71	Restroom, Lodge, Women's	168	S.F.	\$ 17.50	12	30	\$ 2,940	\$ 1,176	
72	Subtotal for Flooring, Tile:						\$ 20,895	\$ 7,849	
73	Flooring, Wood								
74	Lodge Bar	318	S.F.	\$ 14.75	6	25	\$ 4,691	\$ 1,126	
75	Subtotal for Flooring, Wood:						\$ 4,691	\$ 1,126	
76	Furnishings, Amphitheater								
77	Movie Screen	2	Each	\$ 1,000.00	3	8	\$ 2,000	\$ 750	
78	P.A. System	2	Each	\$ 1,500.00	12	15	\$ 3,000	\$ 2,400	
79	Video Projector	2	Each	\$ 2,000.00	12	15	\$ 4,000	\$ 3,200	
80	Subtotal for Furnishings, Amphitheater:						\$ 9,000	\$ 6,350	
81	Furnishings, Gym								
82	Cabinets, Lower	8	L.F.	\$ 325.00	14	30	\$ 2,600	\$ 1,213	
83	Cabinets, Upper	8	L.F.	\$ 275.00	14	30	\$ 2,200	\$ 1,027	
84	Cabinets, Wall Height	16	L.F.	\$ 475.00	14	30	\$ 7,600	\$ 3,547	
85	Sink, Lift Station	1	Each	\$ 2,275.00	4	20	\$ 2,275	\$ 455	

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**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H	N
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	
1									
91	Treadmills	2	Each	\$ 650.00	4	5	\$ 1,300	\$ 1,040	
92	Universal system	1	Each	\$ 3,500.00	14	15	\$ 3,500	\$ 3,267	
93	Stationary Bikes	2	Each	\$ 500.00	4	5	\$ 1,000	\$ 800	
94	Subtotal for Furnishings, Conference Room:						\$ 20,475	\$ 11,348	
96									
96	Furnishings, Entry Lobby								
97	POS System	1	Each	\$ 1,250.00	3	5	\$ 1,250	\$ 750	
98	Subtotal for Furnishings, Entry Lobby:						\$ 1,250	\$ 750	
99									
100	Furnishings, Kitchen								
101	Deep Fryer	1	Each	\$ 6,750.00	21	35	\$ 6,750	\$ 4,050	
102	Grill, Gas	1	Each	\$ 2,250.00	21	35	\$ 2,250	\$ 1,350	
103	Grill/Stove, Gas	1	Each	\$ 9,750.00	21	35	\$ 9,750	\$ 5,850	
104	Kysor/Kalf Freezer	1	Each	\$ 23,250.00	49	54	\$ 23,250	\$ 21,097	
105	Oven Alto-Sham	1	Each	\$ 10,750.00	21	35	\$ 10,750	\$ 6,450	
106	Oven Montague	1	Each	\$ 11,500.00	21	35	\$ 11,500	\$ 6,900	
107	True Refrigerator (2 door)	2	Each	\$ 4,850.00	16	25	\$ 9,700	\$ 6,208	
108	True Refrigerator (3 door)	1	Each	\$ 9,250.00	16	25	\$ 9,250	\$ 5,920	
109	Walls, Plastic Covering	1296	S.F.	\$ 1.75	14	35	\$ 2,268	\$ 907	
110	Water Softener	1	Each	\$ 1,350.00	12	25	\$ 1,350	\$ 648	
111	Subtotal for Furnishings, Kitchen:						\$ 86,818	\$ 59,380	
112									
113	Furnishings, Lake, Fly in								
114	Boat, Klannath, 12'Aluminum	1	Each	\$ 2,250.00	7	20	\$ 2,250	\$ 788	
115	Bridge, Metal	1	Each	\$ 12,000.00	15	30	\$ 12,000	\$ 6,000	
116	Docks 8'x8'	5	Each	\$ 2,750.00	5	15	\$ 13,750	\$ 4,583	
117	Dredging/Shoreline Maintenance	1		\$ 100,000.00	15	30	\$ 100,000	\$ 50,000	
118	Life Guard Stand	3	Each	\$ 450.00	5	15	\$ 1,350	\$ 450	
119	Picnic Tables, Metal	4	Each	\$ 675.00	4	20	\$ 2,700	\$ 540	
120	Pier	1	Each	\$ 3,475.00	10	15	\$ 3,475	\$ 2,317	
121	Bubbler System	1	Each	\$ 4,500.00	14	15	\$ 4,500	\$ 4,200	
122	Subtotal for Furnishings, Lake, Fly in:						\$ 140,025	\$ 68,878	
123									
124	Furnishings, Lake, Lodge								
125	Air Compressor	2	Each	\$ 500.00	3	6	\$ 1,000	\$ 500	
126	Docks 8'x8'	2	Each	\$ 1,450.00	3	15	\$ 2,900	\$ 580	
127	Dredging/Shoreline Maintenance	1		\$ 75,000.00	3	30	\$ 75,000	\$ 7,500	
128	Picnic Tables	4	Each	\$ 675.00	5	15	\$ 2,700	\$ 900	

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**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H	I
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	
128	Pier	1	Each	\$ 3,475.00	10	15	\$ 3,475	\$ 2,317	
130	Bubbler System	1	Each	\$ 2,500.00	14	15	\$ 2,500	\$ 2,333	
131	Subtotal for Furnishings, Lake, Lodge:						\$ 87,575	\$ 14,130	
132	Furnishings, Lodge Bar								
133	Beverage Dispenser	2	Each	\$ 625.00	3	6	\$ 1,250	\$ 625	
134	Cabinet, Lower, Bar	7	L.F.	\$ 325.00	12	30	\$ 2,275	\$ 910	
135	Cabinet, Lower, Side Pantry	5	L.F.	\$ 325.00	12	30	\$ 1,625	\$ 650	
136	Cabinet, Upper, Side Pantry	5	L.F.	\$ 275.00	12	30	\$ 1,375	\$ 550	
137	Chairs, Stool Fabric	10	Each	\$ 125.00	7	20	\$ 1,250	\$ 438	
138	Chairs, Upright Fabric	48	Each	\$ 125.00	7	20	\$ 6,000	\$ 2,100	
139	Refinish Bar/Wainscot	1		\$ 1,375.00	20	30	\$ 1,375	\$ 917	
140	Tables	8	Each	\$ 325.00	7	20	\$ 2,600	\$ 910	
141	Wood Wainscot	147	S.F.	\$ 16.75	7	20	\$ 2,462	\$ 862	
142	Subtotal for Furnishings, Lodge Bar:						\$ 20,212	\$ 7,961	
143	Furnishings, Lodge Dining Room								
144	Cabinets, Lower	7	L.F.	\$ 325.00	10	30	\$ 2,275	\$ 758	
145	Cabinets, Upper	7	L.F.	\$ 275.00	10	30	\$ 1,925	\$ 642	
146	Chairs	96	Each	\$ 125.00	7	20	\$ 12,000	\$ 4,200	
147	Speakers, Ceiling Mount	6	Each	\$ 175.00	3	8	\$ 1,050	\$ 394	
148	Tables	32	Each	\$ 575.00	17	30	\$ 18,400	\$ 10,427	
149	Subtotal for Furnishings, Lodge Dining Room:						\$ 35,650	\$ 16,420	
150	Furnishings, Multi-Use Court								
151	Basketball Backboard	3	Each	\$ 725.00	6	10	\$ 2,175	\$ 1,305	
152	Booce Court	1	Each	\$ 2,500.00	6	10	\$ 2,500	\$ 1,500	
153	Ping Pong Table	3	Each	\$ 875.00	2	4	\$ 2,625	\$ 1,313	
154	Resurface, Basketball Court	3740	S.F.	\$ 1.15	13	20	\$ 4,301	\$ 2,796	
155	Shuffle Board Mat	1	Each	\$ 1,250.00	6	10	\$ 1,250	\$ 750	
156	Subtotal for Furnishings, Multi-Use Court:						\$ 12,851	\$ 7,663	
157	Furnishings, Office								
158	Cabinets, Lower	14	L.F.	\$ 325.00	20	30	\$ 4,550	\$ 3,033	
159	Computers	5	Each	\$ 1,350.00	8	9	\$ 6,750	\$ 6,000	
160	Counter Top, Formica	28	S.F.	\$ 55.00	20	30	\$ 1,540	\$ 1,027	
161	Furniture	1	Each	\$ 6,250.00	12	25	\$ 6,250	\$ 3,030	
162	Membership Card Printer	1	Each	\$ 2,750.00	2	10	\$ 2,750	\$ 550	

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**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H	
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	Net
167	Printer/Scanner/Fax Machine	2	Each	\$ 2,250.00	4	5	\$ 4,500	\$ 3,600	
168	Security System, Camera	1	Each	\$ 325.00	4	5	\$ 2,500	\$ 2,000	
169	Two-Way Radio's	1	Set	\$ 6,750.00	3	8	\$ 6,750	\$ 2,531	
170	Subtotal for Furnishings, Office:						\$ 35,990	\$ 21,741	
171									
172	Furnishings, Patio/Courtyard								
173	Chairs, Lounge, Plastic	8	Each	\$ 150.00	5	8	\$ 1,200	\$ 750	
174	Picnic Tables	7	Each	\$ 675.00	5	20	\$ 4,725	\$ 1,181	
175	Table, Round	6	Each	\$ 425.00	5	10	\$ 2,550	\$ 1,275	
176	Umbrella	14	Each	\$ 175.00	5	12	\$ 2,450	\$ 1,021	
177	Subtotal for Furnishings, Patio/Courtyard:						\$ 10,925	\$ 4,227	
178									
179	Furnishings, Picnic Area								
180	BBQ, Propane	7	Each	\$ 675.00	19	20	\$ 4,725	\$ 4,489	
181	Table, Picnic, Metal	6	Each	\$ 675.00	7	20	\$ 4,050	\$ 1,418	
182	Subtotal for Furnishings, Picnic Area						\$ 8,775	\$ 5,906	
183									
184	Furnishings, Pool Kiosk								
185	A/C Office	2	each	\$ 1,200.00	8	10	\$ 2,400	\$ 1,920	
186	Cabinets, Lower	32	L.F.	\$ 325.00	14	30	\$ 10,400	\$ 4,853	
187	Counter Top, Formica	44	S.F.	\$ 55.00	14	30	\$ 2,420	\$ 1,129	
188	Defibrillator	2	Each	\$ 1,500.00	1	5	\$ 3,000	\$ 600	
189	P.A. System	1	Each	\$ 3,875.00	11	20	\$ 3,875	\$ 2,131	
190	POS System	2	Each	\$ 4,500.00	4	5	\$ 9,000	\$ 7,200	
191	Subtotal for Furnishings, Pool Kiosk:						\$ 31,095	\$ 17,834	
192									
193	Furnishings, Restaurant Deck								
194	Chairs, Upright, Metal	61	Each	\$ 45.00	4	8	\$ 2,745	\$ 1,373	
195	Table, Glass, Round	7	Each	\$ 250.00	4	8	\$ 1,750	\$ 875	
196	Table, Metal, Square	9	Each	\$ 200.00	4	8	\$ 1,800	\$ 900	
197	Subtotal for Furnishings, Restaurant Deck:						\$ 6,295	\$ 3,148	
198									
199	Furnishings, Restroom								
200	Tile, Wainscot, Clubhouse Men's	208	S.F.	\$ 12.00	20	30	\$ 2,496	\$ 1,664	
201	Tile, Wainscot, Clubhouse Women's	208	S.F.	\$ 12.00	20	30	\$ 2,496	\$ 1,664	
202	Toilet, Men's, Clubhouse	2	Each	\$ 650.00	20	30	\$ 1,300	\$ 867	
203	Toilet, Women's, Clubhouse	3	Each	\$ 650.00	20	30	\$ 1,950	\$ 1,300	
204	Toilet, Fly in Lake	2	Each	\$ 650.00	20	30	\$ 1,300	\$ 867	

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**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H	Ne
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	
1									
205	Subtotal for Furnishings, Restrooms						\$ 9,542	\$ 6,361	
206									
207	Furnishings, Snack Bar								
208	Deep Fryer	1	Each	\$ 1,475.00	5	15	\$ 1,475	\$ 492	
209	Freezer	1	Each	\$ 1,175.00	2	10	\$ 1,175	\$ 235	
210	Grill, Gas	1	Each	\$ 1,750.00	9	15	\$ 1,750	\$ 1,050	
211	POS System, Snack Bar	1	Each	\$ 1,250.00	1	5	\$ 1,250	\$ 250	
212	True Rolling Refrigerator	1	Each	\$ 2,750.00	10	20	\$ 2,750	\$ 1,375	
213	Subtotal for Furnishings, Snack Bar						\$ 8,400	\$ 3,402	
214									
215	Furnishings, Tennis Court Lower								
216	Resurface, Tennis Court	13200	S.F.	\$ 1.15	1	10	\$ 15,180	\$ 1,518	
217	Subtotal for Furnishings, Tennis Court Lower:						\$ 15,180	\$ 1,518	
218									
219	Furnishings, Tennis Court Upper								
220	Picnic Tables, square metal	2	Each	\$ 675.00	10	20	\$ 1,350	\$ 675	
221	Resurface, Tennis Court	12240	S.F.	\$ 1.15	2	10	\$ 14,076	\$ 2,815	
222	Wind/Privacy Screen	888	S.F.	\$ 1.50	5	10	\$ 1,332	\$ 666	
223	Subtotal for Furnishings, Tennis Court Upper:						\$ 16,758	\$ 4,156	
224									
225	Furnishings, Tot Lot								
226	Bark, Play Surface	22	C.Y.	\$ 65.00	5	6	\$ 1,430	\$ 1,192	
227	Play Structure	1	Each	\$ 12,500.00	2	15	\$ 12,500	\$ 1,667	
228	Swing Set	1	Each	\$ 1,450.00	14	15	\$ 1,450	\$ 1,353	
229	Subtotal for Furnishings, Tot Lot:						\$ 15,380	\$ 4,212	
230									
231	Irrigation System								
232	Controller, 12-Station	4	Each	\$ 750.00	12	15	\$ 3,000	\$ 2,490	
233	Valve Landscape	12	Each	\$ 200.00	12	13	\$ 2,400	\$ 2,215	
234	Subtotal for Irrigation System:						\$ 5,400	\$ 4,705	
235									
236	Light, Exterior								
237	Area, Multi-Use Court	2	Each	\$ 1,250.00	49	50	\$ 2,500	\$ 2,450	
238	Area, Upper Tennis Court	6	Each	\$ 1,250.00	23	25	\$ 7,500	\$ 6,900	
239	Pole F. Furnishings, Tennis Court Upper	3	Each	\$ 1,250.00	13	20	\$ 3,750	\$ 2,438	
240	Recessed, Lodge Exterior	10	Each	\$ 125.00	19	25	\$ 1,250	\$ 950	
241	Surface Mount, Lodge Exterior	23	Each	\$ 165.00	19	25	\$ 3,795	\$ 2,884	
242	Subtotal for Light, Exterior:						\$ 18,795	\$ 15,622	

See independent auditor's report and accompanying notes.

BLUE LAKE SPRINGS HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2017 (UNAUDITED)

	A	B	C	D	E	F	G	H	I
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	Net
243									
244									
245	Locker Room, Men's								
246	Lockers	12	Each	\$ 115.00	10	25	\$ 1,380	\$ 552	
247	Partition Walls	18	L.F.	\$ 75.00	9	25	\$ 1,350	\$ 486	
248	Sink/Counter Top, Corrian	12	S.F.	\$ 115.00	19	40	\$ 1,380	\$ 656	
249	Tile Wainscot	642	S.F.	\$ 12.00	19	40	\$ 7,704	\$ 3,659	
250	Toilet	2	Each	\$ 650.00	19	40	\$ 1,300	\$ 618	
251	Urinal	2	Each	\$ 850.00	19	40	\$ 1,700	\$ 808	
252	Subtotal for Locker Room, Men's:						\$ 14,814	\$ 6,778	
253									
254	Locker Room, Women's								
255	Lockers	12	Each	\$ 115.00	9	25	\$ 1,380	\$ 497	
256	Partition Doors	5	Each	\$ 225.00	9	20	\$ 1,125	\$ 506	
257	Partition Walls	23	L.F.	\$ 75.00	9	20	\$ 1,725	\$ 776	
258	Sink/Counter Top, Corrian	12	S.F.	\$ 115.00	19	40	\$ 1,380	\$ 656	
259	Tile Wainscot	642	S.F.	\$ 12.00	19	40	\$ 7,704	\$ 3,659	
260	Toilet	4	Each	\$ 450.00	19	40	\$ 1,800	\$ 855	
261	Subtotal for Locker Room, Women's:						\$ 15,114	\$ 6,949	
262									
263	Maintenance Equipment								
264	Alarm System	1	Each	\$ 1,250.00	5	15	\$ 1,250	\$ 417	
265	Boat 14' Klamath, W/Motor	1	Each	\$ 7,250.00	12	25	\$ 7,250	\$ 3,480	
266	Maintenance Cart	4	Each	\$ 5,000.00	17	18	\$ 20,000	\$ 18,889	
267	Maintenance Cart 4x4	2	Each	\$ 10,000.00	9	10	\$ 20,000	\$ 18,000	
268	Maintenance Truck	1	Each	\$ 25,000.00	10	15	\$ 25,000	\$ 16,667	
269	Miscellaneous, Tools/Equipment	1	Each	\$ 10,000.00	5	5	\$ 10,000	\$ 10,000	
270	Security Vehicle	1	Each	\$ 30,000.00	5	15	\$ 30,000	\$ 10,000	
271	Tractor	1	Each	\$ 30,000.00	6	10	\$ 30,000	\$ 18,000	
272	Chipper	1	Each	\$ 15,000.00	8	10	\$ 15,000	\$ 12,000	
273	Wood Splitter	1	Each	\$ 2,500.00	14	15	\$ 2,500	\$ 2,333	
274	Subtotal for Maintenance Equipment:						\$ 161,000	\$ 109,786	
275									
276	Masonry, Repair Fund								
277	Retaining Walls, CMU 3' Fly in Lake	490	L.P.	\$ 75.00	49	50	\$ 33,750	\$ 33,075	
278	Subtotal for Masonry, Repair Fund:						\$ 33,750	\$ 33,075	
279									
280	Metal, Replace								

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**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H	Re
	Reserve-Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	
281	Hand Rail, Parking Lot	202	L.F.	\$ 25.00	19	30	\$ 5,050	\$ 3,198	
282	Railing 3', Lower Tennis Court	177	L.F.	\$ 32.00	12	30	\$ 5,664	\$ 2,266	
283	Trash Enclosures	15	Each	\$ 75.00	12	25	\$ 1,125	\$ 540	
284	Subtotal for Metal,						\$ 11,839	\$ 6,004	
285	Paint Metal								
286	Fence 6", Perimeter	3336	S.F.	\$ 0.85	3	4	\$ 2,836	\$ 2,127	
288	Subtotal for Paint Metal						\$ 2,836	\$ 2,127	
289									
290									
291									
292	HVAC								
293	Carrier, Furnace, Lodge	2	Each	\$ 9,250.00	15	25	\$ 18,500	\$ 11,100	
294	Carrier, Furnace, Lodge	2	Each	\$ 9,250.00	15	25	\$ 18,500	\$ 11,100	
295	Exhaust Fan, Kitchen (large)	1	Each	\$ 4,750.00	9	15	\$ 4,750	\$ 2,850	
296	Exhaust Fan, Kitchen (small)	1	Each	\$ 3,250.00	9	15	\$ 3,250	\$ 1,950	
297	Ree-car Heat Exchanger/Swamp Cooler	1	Each	\$ 8,550.00	11	20	\$ 8,550	\$ 4,703	
298	Subtotal for HVAC:						\$ 53,550	\$ 31,703	
299									
300	Light, Exterior								
301	Area, Multi-Use Court	2	Each	\$ 1,250.00	49	50	\$ 2,500	\$ 2,450	
302	Area, Street/Parking Lot	5	Each	\$ 1,250.00	19	25	\$ 6,250	\$ 4,750	
303	Area, Upper Tennis Court	6	Each	\$ 1,250.00	23	25	\$ 7,500	\$ 6,900	
304	Subtotal for Light, Exterior:						\$ 16,250	\$ 11,639	
305									
306	Pool, Furnishings								
307	Chairs, Lounge	15	Each	\$ 175.00	5	8	\$ 2,625	\$ 1,641	
308	Life Guard Stand	2	Each	\$ 750.00	12	25	\$ 1,500	\$ 720	
309	Picnic Table	7	Each	\$ 625.00	5	15	\$ 4,375	\$ 1,458	
310	Umbrella/ shade sails	12	Each	\$ 225.00	5	8	\$ 2,700	\$ 1,688	
311	Subtotal for Pool, Furnishings:						\$ 11,200	\$ 5,506	
312									
313	Pool, Repair Fund								
314	Light, Submersible	5	Each	\$ 425.00	5	5	\$ 2,125	\$ 2,125	
315	Resurface, Pool	4408	S.F.	\$ 4.75	5	12	\$ 20,938	\$ 8,724	
316	Skimmers, Pool	7	Each	\$ 1,350.00	5	24	\$ 9,450	\$ 1,969	
317	Tile, Swim Lanes	390	L.F.	\$ 12.00	5	24	\$ 4,680	\$ 975	
318	Tile, Water Line	270	L.F.	\$ 12.00	5	12	\$ 3,240	\$ 1,350	

See independent auditor's report and accompanying notes.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H	I
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	Ni
318	Subtotal for Pool, Repair Fund:						\$ 40,433	\$ 15,143	
320	Pool, Equipment								
321	Chlorinator, Control Panel	1	Each	\$ 1,375.00	3	15	\$ 1,375	\$ 275	
322	Filters	3	Each	\$ 2,250.00	13	15	\$ 6,750	\$ 5,850	
323	Heater, Max-e-Therm, Gas	3	Each	\$ 3,250.00	2	15	\$ 9,750	\$ 1,300	
324	Pool Cover	1	Each	\$ 8,750.00	2	5	\$ 8,750	\$ 3,500	
325	Pool Cover, Caddy	1	Each	\$ 2,750.00	7	20	\$ 2,750	\$ 963	
326	Pump, 2hp	3	Each	\$ 1,425.00	2	5	\$ 4,275	\$ 1,710	
327	Subtotal for Pool, Equipment:						\$ 33,650	\$ 13,598	
328	Roofs, Composition Shingle								
329	Lodge	10205	S.F.	\$ 4.25	15	25	\$ 43,371	\$ 26,023	
330	Maintenance Shed Access, Multi-Use Court	567	S.F.	\$ 4.25	24	25	\$ 2,410	\$ 2,313	
331	Fly In Lake	530	S.F.	\$ 4.25	23	25	\$ 2,253	\$ 2,072	
332	Subtotal for Roofs, Composition Shingle:						\$ 48,034	\$ 30,408	
333	Roofs, Downspouts								
334	Lodge	134	L.F.	\$ 8.00	19	25	\$ 1,072	\$ 815	
335	Subtotal for Roofs, Downspouts:						\$ 1,072	\$ 815	
336	Roofs, Gutters								
337	Lodge	303	L.F.	\$ 8.00	19	25	\$ 2,424	\$ 1,842	
338	Subtotal for Roofs, Gutters:						\$ 2,424	\$ 1,842	
339	Sewer, Repair Fund								
340	Control Panel	2	Each	\$ 750.00	13	20	\$ 1,500	\$ 975	
341	Lift Station Pump 5hp	1	Each	\$ 1,125.00	4	5	\$ 1,125	\$ 900	
342	Lift Station Pump 10hp	1	Each	\$ 1,550.00	2	5	\$ 1,550	\$ 620	
343	Septic System, Fly in Lake	1	Each	\$ 32,750.00	16	25	\$ 32,750	\$ 20,960	
344	Septic System, Lodge	1		\$ 38,750.00	22	25	\$ 38,750	\$ 34,100	
345	Subtotal for Sewer, Repair Fund						\$ 75,675	\$ 57,555	
346	Signs								
347	Wood, Snow Flake Lodge & Restaurant	2	Each	\$ 1,200.00	3	10	\$ 2,400	\$ 720	
348	Subtotal for Signs:						\$ 2,400	\$ 720	
349									

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**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(UNAUDITED)**

	A	B	C	D	E	F	G	H	I
	Reserve Component	Quantity	Lot	Unit Cost	Remaining Life	Useful Life	Current Cost	Desired Balance	%
356	Water Heaters								
357	Kitchen, 65 Gallon	1	Each	\$ 1,875.00	3	12	\$ 1,875	\$ 469	
358	Locker Rooms, 30 Gallon	2	Each	\$ 1,175.00	14	15	\$ 2,350	\$ 2,193	
359	Subtotal for Water Heaters:						\$ 4,225	\$ 2,662	
360									
361	Wood, Replace								
362	Backboard, Multi-Use Court	880	S.F.	\$ 7.50	11	20	\$ 6,600	\$ 3,630	
363	Deck, Clubhouse Restaurant	1050	S.F.	\$ 27.50	15	20	\$ 28,875	\$ 21,656	
364	Deck, Office Balcony	84	S.F.	\$ 27.50	15	20	\$ 2,310	\$ 1,733	
365	Deck, Pool	960	S.F.	\$ 50.00	3	20	\$ 48,000	\$ 7,300	
366	Deck, Rail 3', Restaurant	96	L.F.	\$ 18.50	15	20	\$ 1,776	\$ 1,332	
367	Entry Marquee	1	Each	\$ 2,250.00	5	12	\$ 2,250	\$ 938	
368	Hand Railing, Amphitheater	139	L.F.	\$ 12.50	5	12	\$ 1,738	\$ 724	
369	Retaining Wall 1', Bocce Court	132	L.F.	\$ 37.50	16	20	\$ 4,950	\$ 3,960	
370	Retaining Wall 1', Tot Lot	115	L.F.	\$ 37.50	5	20	\$ 4,313	\$ 1,078	
371	Retaining Wall 3', Pool	130	L.F.	\$ 57.50	5	20	\$ 7,475	\$ 1,869	
372	Retaining Wall 3', Tot Lot	26	L.F.	\$ 57.50	5	20	\$ 1,495	\$ 374	
373	Retaining Wall/Seating, Amphitheater	675	L.F.	\$ 52.50	5	12	\$ 35,438	\$ 14,766	
374	Stairs, Pool	9	L.F.	\$ 125.00	8	20	\$ 1,125	\$ 450	
375	Shade Sails and Post	8	Each	\$ 2,500.00	9	10	\$ 20,000	\$ 18,000	
376	Subtotal for Wood, Replace:						\$ 166,344	\$ 77,708	
377					Grand Total:		\$ 1,652,799	\$ 866,574	

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **before-tax interest rate** of 3/4% on replacement fund cash balances and an annual **inflation rate** of 2-1/2% on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2017 totaled **\$101,565**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$867,000**. The portion of **2018 regular assessments** budgeted to be allocated to the replacement fund totals **\$150,000**.

See independent auditor's report and accompanying notes.