

CARNELIAN WOODS TOWNHOUSE ASSOCIATION

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2015

McGUIGAN & McGUIGAN
CERTIFIED PUBLIC ACCOUNTANTS
345 LORTON AVE
SUITE 205
BURLINGAME, CA 94010

CARNELIAN WOODS TOWNHOUSE ASSOCIATION

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SEPTEMBER 30, 2015

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MCGUIGAN & MCGUIGAN
CERTIFIED PUBLIC ACCOUNTANTS
345 LORTON AVENUE, SUITE 205
BURLINGAME, CALIFORNIA 94010

CHARLES B. MCGUIGAN
MICHAEL J. MCGUIGAN

T (650) 348-7073
F (650) 348-8309

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Carnelian Woods Townhouse Association

We have audited the accompanying financial statements of Carnelian Woods Townhouse Association, which comprise the balance sheet as of September 30, 2015, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Carnelian Woods Townhouse Association as of September 30, 2015, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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 on pages 14 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.



Burlingame, CA
June 15, 2016

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
BALANCE SHEET
September 30, 2015

	Operating Fund	Capital Replacement Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 330,289	\$ 430,956	\$ 761,245
Interfund receivable/payable	(143,981)	143,981	-
Accounts receivable	28,576	-	28,576
Prepaid insurance	2,689	-	2,689
Prepaid income taxes	1,454	-	1,454
Total Current Assets	219,027	574,937	793,964
Property & Equipment (At cost)			
Land	313,336	-	313,336
Furniture & equipment (Note 8)	2,772,336	-	2,772,336
Accumulated depreciation	(809,898)	-	(809,898)
Net Property & Equipment	2,275,774	-	2,275,774
Intangible Assets			
Loan fees	6,935	-	6,935
Accumulated amortization	(732)	-	(732)
Net Intangible Assets	6,203	-	6,203
Total Assets	\$2,501,004	\$ 574,937	\$3,075,941
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 11,760	\$ -	\$ 11,760
Dues paid in advance	14,381	-	14,381
Notes payable (Note 6)	92,802	-	92,802
Total Current Liabilities	118,943	-	118,943
Long-term Liabilities			
Notes payable (Note 6)	1,826,472	-	1,826,472
Total Long-term Liabilities	1,826,472	-	1,826,472
Fund Balances	555,589	574,937	1,130,526
Total Liabilities and Fund Balances	\$2,501,004	\$ 574,937	\$3,075,941

See accompanying auditors' report and notes to financial statements.

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
Year Ended September 30, 2015

	Operating Fund	Capital Replacement Fund	Total
REVENUES (Schedule)	\$ 817,216	\$ 378,324	\$1,195,540
EXPENSES (Schedule)	1,181,353	-	1,181,353
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(364,137)	378,324	14,187
NON-OPERATING INCOME (LOSS)			
Interest income	-	285	285
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE PROVISION FOR TAXES	(364,137)	378,609	14,472
Income tax provision (Note 5)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(364,137)	378,609	14,472
INTERFUND TRANSFERS (Note 7)	228,806	(228,806)	-
NET INCREASE (DECREASE) IN FUND BALANCES	(135,331)	149,803	14,472
FUND BALANCES AT SEPTEMBER 30, 2014	690,920	425,134	1,116,054
FUND BALANCES AT SEPTEMBER 30, 2015	<u>\$ 555,589</u>	<u>\$ 574,937</u>	<u>\$1,130,526</u>

See accompanying auditors' report and notes to financial statements.

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
 SCHEDULE OF REVENUES AND EXPENSES
 Year Ended September 30, 2015

	<u>Operating Fund</u>	<u>Capital Replacement Fund</u>
REVENUES		
Dues and assessments	\$ 402,836	\$ 181,500
Special assessments (Note 10)	-	196,824
Homeowner services	390,025	-
Late charges	4,666	-
Transfer fees	3,850	-
Vending income	1,156	-
Miscellaneous income	718	-
Key card income	13,965	-
	<u>\$ 817,216</u>	<u>\$ 378,324</u>
 EXPENSES		
Accounting	\$ 7,844	\$ -
Bank charges	391	-
Depreciation	246,590	-
Amortization	462	-
Insurance - general	35,464	-
Insurance - workers' compensation	24,981	-
Interest expense	64,199	-
Loan document fees	750	-
Office supplies	7,710	-
Payroll taxes	38,173	-
Payroll service fees	2,329	-
Professional fees	11,127	-
Repairs and maintenance	96,737	-
Homeowner services costs	237,590	-
Salaries and wages	296,177	-
Security	494	-
Taxes and licenses	11,260	-
Telephone	6,653	-
Truck expense	21,616	-
Utilities	67,815	-
Directors and homeowners meeting	2,991	-
	<u>\$1,181,353</u>	<u>\$ -</u>

See accompanying auditors' report and notes to financial statements.

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended September 30, 2015

	Operating Fund	Capital Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (364,137)	\$ 378,609	\$ 14,472
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
Depreciation	246,590	-	246,590
Amortization	462	-	462
(Increase) decrease in:			
Interfund receivable/payable	45,683	(45,683)	-
Accounts receivable	(15,717)	-	(15,717)
Prepaid insurance	8,042	-	8,042
Increase (decrease) in:			
Accounts payable	(1,962)	-	(1,962)
Dues paid in advance	5,381	-	5,381
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(75,658)	332,926	257,268
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(912,690)	-	(912,690)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(912,690)	-	(912,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net interfund transfers	228,806	(228,806)	-
Net increase in loans	916,213	-	916,213
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,145,019	(228,806)	916,213
NET INCREASE (DECREASE) IN CASH	156,671	104,120	260,791
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	173,618	326,836	500,454
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 330,289	\$ 430,956	\$ 761,245
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	\$ -	\$ -	\$ -
Interest paid	\$ 64,199	\$ -	\$ 64,199

See accompanying auditors' report and notes to financial statements.

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - NATURE OF ORGANIZATION

Organization

The Carnelian Woods Townhouse Association, a California non-profit corporation, was formed December 15, 1971 and commenced operations with the close of the first escrow.

The Association is composed of owners of 118 units of real property in the complex known as Carnelian Woods, located in Carnelian Bay, California. The Association's purpose is to provide for the operation, maintenance, and preservation of the common areas. These functions are paid for by the homeowners through regular quarterly assessments, and also through special assessments as necessary.

Management

All policy decisions are formulated by the Board of Directors. Major decisions may be referred to the general Association membership before action is taken.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of Carnelian Woods Townhouse Association (A Corporation) have been prepared on the accrual basis of accounting. Other significant accounting policies are as follows:

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund and accordingly all financial transactions have been recorded and reported by fund. The assets, liabilities, and fund balances of the Association were reported in two self-balancing funds as follows:

Operating Fund - This fund includes unrestricted and restricted resources, and represents that portion of expendable assets which are available for the management of Association operations. Regular dues assessed to members of the Association are \$1,238 per quarter, effective for the fiscal year ending September 30, 2015, of which approximately 70 percent is allocated to the operating fund and 30 percent to the capital replacement fund.

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

Capital Replacement Fund - This fund represents resources restricted for major replacements and improvements of Association property.

Cash and Cash Equivalents

In general, for purposes of the statement of cash flows, the Association considers all highly-liquid investments with maturities of three months or less and certain certificates of deposit to be cash equivalents.

Revenue Recognition

Membership dues and other assessments are recognized as revenue in the applicable assessment period.

Member Assessments

For the fiscal year ended September 30, 2015, the Association's regular dues assessment was \$1,238 per quarter per owner. Annual budgets and owners' assessments are determined by the Board of Directors. As of October 1, 2015 the association's regular dues assessment will remain the same, \$1,238 per quarter per owner.

Contributed Facilities

The Association maintains certain common facilities for the homeowners, including the lodge, pool, tennis courts, and certain roads. These facilities, which were deeded to the Association by the developer, are not recorded in the accounts of the Association as the costs thereof were borne by the developer and owned by the individual owners in common areas, and not by the Association. The sales pavilion and 27 acres of land, also considered common facilities, were conveyed to the Association by the developer as the result of litigation.

Capitalization Policy and Depreciation

Maintenance and repairs, as well as major improvements to common areas, are charged to operations. Acquisitions of furniture, fixtures, transportation equipment, and other property and equipment additions are capitalized at cost. Depreciation is computed principally on the straight-line method over an estimated useful life of three to ten years. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gain or loss is included in operations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - CASH AND CASH EQUIVALENTS

As of September 30, 2015, cash and cash equivalents in the Operating Fund and Capital Replacement Fund were invested as follows:

	Operating Fund	Capital Replacement Fund
Wells Fargo Bank, Non-Interest Bearing Petty Cash Checking Account	\$ 1,963	\$ -
Wells Fargo Bank, Non-Interest Bearing Checking Account	328,326	-
Wells Fargo Bank, High Yield Savings, Interest at .06% Per Annum, Maturity on Demand	-	71,557
Wells Fargo Bank, High Yield Savings, Interest at .06% Per Annum, Maturity on Demand	-	98,747
Bank of America, Certificate of Deposit, Interest at .03% Per Annum, Maturity Date of April 13, 2016	-	14,790
Bank of America, Certificate of Deposit, Interest at .05% Per Annum, Maturity Date of January 9, 2016	-	16,792
Mutual of Omaha Bank, CAB Interest Checking, Interest at .10% Per Annum, Maturity on Demand	-	29,598
Mutual of Omaha Bank, CAB Now Account, Interest at 0.10% Annum, Maturity on Demand	-	104,375
Mutual of Omaha Bank, CAB Money Market, Interest at .15% Per Annum, Maturity on Demand	-	10,105
Bank of America, Non-Interest Bearing Checking Account	-	42,974
Bank of America, Business Investment Account, Interest at .02% Per Annum, Maturity on Demand	-	42,018
	\$ 330,289	\$ 430,956

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE 4 - CONCENTRATION OF CREDIT RISK

Carnelian Woods Townhouse Association maintains balances at banks in excess of Federal Deposit Insurance Corporation (FDIC) coverage. Funds on deposit with Bank of America totaled \$116,573, with Wells Fargo Bank totaled \$250,000, and with Mutual of Omaha Bank totaled \$144,079 at September 30, 2015, and were fully insured under FDIC. The total amount of uninsured deposits at September 30, 2015 amounted to \$250,592 and were held at Wells Fargo Bank.

NOTE 5 - INCOME TAXES

The State of California granted the Association tax exempt status effective October 1, 1979 and, accordingly, for state purposes the Association pays taxes on net nonexempt income only, providing excess revenues over expenses of the operating fund are credited or returned to homeowners in the following year. Although the federal government does not grant tax exempt status to homeowners associations, similar rules apply.

For Federal reporting purposes, the Association is either taxed pursuant to Section 528 of the Internal Revenue Code or Section 277 of the Internal Revenue Code.

If certain requirements are met, a homeowners association can elect on a year to year basis, to be taxed pursuant to Section 528 at a flat Federal rate of 30 percent on income received, with the exclusion of exempt function income (dues), less expenses paid, with the exception of expenses relating to exempt function income.

A homeowners association can also be taxed pursuant to Section 277 of the Code, with all items of income and expense as allowed by Section 277, as a regular corporation.

For the tax year ended September 30, 2015, the election to be taxed pursuant to Section 528 has been made, and the Association was taxed at a flat Federal rate of 30 percent, with the exclusion of exempt function income and expenses relating to the exempt income.

Tax accrual and related expense are as follows:

	Operating Fund	Capital Replacement Fund	Total
Income Tax Expense			
Federal	\$ -	\$ -	\$ -
State	-	-	-
	\$ -	\$ -	\$ -
Provision for Income Tax	\$ -	\$ -	\$ -
Paid			(1,454)
Prepaid - net			\$ 1,454

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE 6 - NOTES PAYABLE

Notes payable consist of the following:

Mutual of Omaha Bank, \$2,000,000 term loan, to be repaid over 180 months at 4.51% interest, renewable every 5 years. The loan is an interest only loan during the draw period. The interest payments are made monthly to Mutual of Omaha Bank. The draw period ends February 27, 2016. After February 27, 2016, principal and interest due shall be payable over 156 successive monthly payments of principal and interest. The initial interest is fixed for 60 months at 4.51% interest in effect on February 13, 2014. The interest rate may change on February 27, 2019, and again on February 27, 2024. On these dates, the interest rate will be re-set to an annual percentage rate equal to the greater of 4.50% or the 5 year U.S. Treasury Constant Maturity rate, plus 3.00%. The note is collateralized by the Association's rights to levy and collect regular and special assessments. \$1,919,274

Kubota Credit Corporation, \$26,711 term loan, to be amortized over 60 months at 0% interest. The note is collateralized by the Kubota tractor, backhoe loader and snowblower. This loan was paid off in April 2015 in accordance with original loan terms. -

\$1,919,274

Principal maturities of the notes payable during the next five years are as follows:

Year Ending September 30,	
2016	\$ 92,802
2017	115,961
2018	121,191
2019	126,657
2020	132,369
Thereafter	1,330,294
	<hr style="width: 100%;"/>
	<u>\$1,919,274</u>

Interest expense was \$64,199 for the year ended September 30, 2015.

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE 7 - RESTRICTED FUND CHARGES/TRANSFERS

During the year ended September 30, 2015 the following charges and/or transfers occurred in the restricted fund:

Purchases of Fixed Assets	\$	-
Net Transfers		228,806
		<hr/>
TOTAL	\$	<u>228,806</u>

NOTE 8 - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

Furniture and equipment	\$	78,707
Transportation equipment		188,698
Leasehold improvements		2,504,931
		<hr/>
		2,772,336
Accumulated depreciation		(809,898)
		<hr/>
TOTAL	\$	<u>1,962,438</u>

NOTE 9 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$574,937 at September 30, 2015, are held in separate accounts or segregated and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the capital replacement fund.

The funding program was based on a study performed by the Board of Directors in 1993, with annual updates from 1996 through 1999, and recent updates in 2009, 2012 and 2014 to estimate the remaining useful lives and the replacement costs of the common property components. Some of the estimates were obtained from licensed contractors who inspected the property.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 10 - SPECIAL ASSESSMENTS

During the annual meeting on September 14, 2013, the Association voted in favor of the new \$1,500,000 special assessment to re-side the exterior of the residential units with a fire retardant, pre-painted panel. The estimated cost to do the project is \$1,500,000. On February 21, 2015 the existing loan for the lodge, with a current balance of \$425,509 was consolidated with a new loan secured with Mutual of Omaha Bank in the total amount of \$2,000,000 at 4.51% interest for a period of 15 years, renewable every 5 years. The special assessment vote to replace the unit siding passed by a vote of 70/16. The collection of the special assessment in the amount of \$417 per quarter per unit began on April 1, 2015. As of the year ended September 30, 2015, expenses for the re-siding project in the amount of approximately \$1,465,200 were incurred.

NOTE 11 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through June 15, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
 SEPTEMBER 30, 2015

The Association's board of directors conducted a study in 1993, with annual updates from 1996 through 1999, and in 2007 and 2009 to estimate the remaining useful lives and the replacement costs of the components of common property.

In December 2012, an "Update With-Site-Visit" Reserve Study was performed by Association Reserves, Inc. based on a site inspection in October 2012.

In December 2014, a new "Update No-Site-Visit" Reserve Study was performed by Association Reserves, Inc. based on a prior Report prepared by Association Reserves, Inc. in December 2012. The following information presented in the "Executive Summary" is based on the study performed by Association Reserves, Inc. and presents significant information about the components of common property.

Subsequent to the fiscal year ended September 30, 2015, the Association's board of directors reviewed the information provided in the "Executive Summary" and prepared an update to estimate the remaining useful lives and the replacement costs of the components of common property through the fiscal year ending September 30, 2021. Some of the estimates were obtained from licensed contractors who inspected the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Certain estimated current replacement costs reflect recently revised figures to take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and updated estimates and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Interiors	0 to 5	\$ 25,422
Exteriors	0 to 5	977,753
Recreation	0 to 3	39,383
Heavy equipment	0 to 5	134,224
		<u>\$ 1,176,782</u>

See accompanying auditors' report and notes to financial statements.

EXECUTIVE SUMMARY

Association: Carnelian Woods Townhouse Assoc. #: 17345-3
Association
Location: Carnelian Bay, CA 96140
of Units: 120
Report Period: October 1, 2014 through September 30, 2015

Results as-of 10/1/2014:

Projected Starting Reserve Balance:	\$425,134
Fully Funded Reserve Balance:	\$1,153,507
Average Reserve Deficit Per Unit:	\$6,070
Percent Funded:	36.9%
Recommended 2014/2015 Monthly Reserve Contribution:	\$15,124
Recommended 2014/2015 Special Assessment for Reserves:	\$0
Most Recent Reserve Contribution Rate:	\$15,124

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves1.00%
Annual Inflation Rate3.00%

- This is an "Update No-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves, Inc for your 2013/2014 Fiscal Year. No site inspection was performed as part of this Reserve Study. This Reserve Study was prepared by Sean Kargari, a credentialed Reserve Specialist (RS #115).
- Because your Reserve Fund is between 30%-70% Funded, at 36.9% Funded, this represents a fair Reserve position. In comparison, associations that are above 70% Funded are considered to be in a strong Reserve position and are less likely to incur Reserve cash-flow deficiencies and special assessments.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to maintain your current Reserve contributions for this fiscal year.
- Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".

See accompanying auditors' report and notes to financial statements

EXECUTIVE SUMMARY TABLE 1

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
Interiors					
303	Furnace (A) - Replace	30	27	\$6,000	\$13,328
303	Furnace (B) - Replace	30	29	\$6,000	\$14,139
601	Carpet - Replace	10	0	\$8,400	\$11,289
803	Water Heater - Replace	10	8	\$7,250	\$9,184
903	Furniture - Partial Replace	5	0	\$3,200	\$3,710
904	Kitchen - Remodel	30	0	\$32,000	\$77,672
904	Kitchen Appliances - Partial Replace	3	0	\$1,750	\$1,912
905	Sauna Heater (Men's) - Replace	10	6	\$850	\$1,015
905	Sauna Heater (Women's) - Replace	10	5	\$850	\$985
906	Sauna Rooms - Refurbish	20	15	\$7,200	\$11,217
909	Bathrooms - Remodel	12	6	\$7,200	\$8,597
Exteriors					
103	Pool Deck - Replace	40	37	\$68,000	\$202,995
109	Clubhouse Deck - Replace	25	20	\$100,500	\$181,514
110	Unit Balconies - Reseal/Repair	4	0	\$60,000	\$67,531
201	Asphalt - Resurface Phase 1	20	6	\$199,000	\$237,616
201	Asphalt - Resurface Phase 2	20	7	\$141,500	\$174,027
201	Asphalt Walkways - Maintain	5	0	\$9,000	\$10,433
202	Asphalt - Seal/Repair Phase 1	4	3	\$19,350	\$21,144
202	Asphalt - Seal/Repair Phase 2	4	3	\$13,850	\$15,134
320	Pole Lights - Replace	20	19	\$33,000	\$57,866
404	Chaise Lounges - Restrap	5	0	\$4,100	\$4,753
404	Metal Patio Furniture - Replace	10	4	\$6,400	\$7,203
409	Wood Benches - Replace	10	5	\$2,050	\$2,377
503	Iron Fence - Replace	30	26	\$5,150	\$11,106
505	Wood Fence - Replace	15	9	\$15,750	\$20,550
1120	Residential Fiber Cement Siding - Replace	40	40	\$1,600,000	\$5,219,260
1121	Clubhouse Siding/Trim - Repair/Replace	30	25	\$44,000	\$92,126
1308	Metal Roofs - Replace	40	13	\$920,500	\$1,351,785
1402	Entry Monument Sign - Refurbish	12	8	\$2,600	\$3,294
1808	Forestry - Logging Project	4	0	\$6,000	\$6,753
1808	Forestry - Mastication Project	4	3	\$6,000	\$6,556
1811	Drainage System - Maintain/Refurbish	4	0	\$4,800	\$5,402
1812	Under-Unit Soffits - Repair	10	7	\$23,500	\$28,902
Recreation					
405	Play Equipment - Replace	20	19	\$6,800	\$11,924
405	Tot-Lot - Refurbish	20	17	\$4,100	\$6,777
1202	Pool - Resurface	25	23	\$27,000	\$53,287
1203	Spas - Replace/Replumb	20	17	\$22,000	\$36,363
1207	Pool Filters - Replace	12	9	\$10,450	\$13,635
1207	Spa Filters - Replace	12	9	\$2,100	\$2,740
1208	Pool Heaters - Replace	10	9	\$14,400	\$18,789
1208	Spa Heaters - Replace	10	7	\$6,000	\$7,379
1210	Pool Pumps - Replace	10	7	\$2,700	\$3,321

See accompanying auditors' report and notes to financial statements

EXECUTIVE SUMMARY TABLE 2

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
1210	Spa Pumps - Replace	10	7	\$5,350	\$6,580
1217	Pool Cover/Reel - Replace	30	27	\$14,500	\$32,209
1210	Pool Sweeper - Replace	8	7	\$7,000	\$8,609
1604	Tennis Court - Resurface	10	3	\$20,000	\$21,855
1620	Bocce Ball Court - Resurface	20	17	\$3,600	\$5,950
Heavy Equipment					
1810	Loader - Rebuild	12	7	\$16,500	\$20,293
1810	Snow Blowers (2009) - Replace	5	0	\$6,400	\$7,419
1810	Snow Blowers (2011) - Replace	5	2	\$6,400	\$6,790
1810	Snow Plows - Replace	5	3	\$6,700	\$7,321
1810	Tractor (2010) - Replace	12	8	\$27,000	\$34,203
1810	Tractor (2013) - Replace	12	0	\$22,000	\$31,367
1810	Trailer - Replace	15	11	\$3,100	\$4,291
1810	Utility Cart - Replace	6	4	\$1,700	\$1,913
1810	Work Trucks - Replace	10	8	\$72,000	\$91,207
1812	Loader Plow - Replace	6	5	\$4,900	\$5,680
57	Total Funded Components				

Note 1: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Note 2: highlighted line items are expected to require attention in the initial year.

See accompanying auditors' report and notes to financial statements

CARNELIAN WOODS TOWNHOUSE ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
 SEPTEMBER 30, 2015

COMPONENT	USEFUL LIFE	REMAINING USEFUL LIFE	2016	2017	2018	2019	2020	2021	TOTAL
Interiors									
601 Carpet-replace	10	1							-
803 Water heaters-lodge	10	9					9,394		9,394
303 Lodge Furnace-B	30	0							-
903 Furniture-replace	5	2					3,690		3,690
904 Kitchen-remodel	30	1							-
904 Kitchen appliances	3	0			1,790				1,790
303 Lodge Furnace-A	30	28							-
905 Sauna (men)	10	7					984		984
905 Sauna (women)	10	6				955			955
906 Sauna rooms (refurbish)	20	16							-
909 Bathrooms-remodel	12	7					8,609		8,609
			-	-	1,790	955	22,677	-	25,422
Exteriors									
103 Pool deck replace	40	38							-
109 Lodge deck replace	25	21							-
110 Unit balconies-reseal/repair	4	0			26,000				26,000
201 Asphalt Walkways-maintain	5	0			10,149				10,149
202 Asphalt-reseal/repair phase 1	4	1			22,423				22,423
202 Asphalt-reseal/repair phase 2	4	1			15,588				15,588
201 Asphalt resurface phase 1	20	7					237,366		237,366
201 Asphalt resurface phase 2	20	8						174,181	174,181
320 Pole lights-replace	20	9				23,720			23,720
404 Chaise lounges-restrap	5	0				4,776			4,776
404 Metal Patio Furniture	10	5	7,245						7,245
409 Wood benches-replace	10	5		2,328					2,328
503 Iron fence replace	30	27							-
505 Wood fence-pool	15	10							-
1116 Wood surfaces-repaint	7	3				296,450			296,450
1121 Wood siding/trim-repair replace	7	3				96,800			96,800
1121 Lodge siding	30	26							-
1308 Metal Roofs-replace	40	14							-
1402 Entry sign-refurbish	12	9							-
1808 Forestry-logging project	4	0		6,753				7,600	14,353
1808 Forestry-mastication project	4	1			6,956				6,956
1811 Drainage system-maintain	4	0		5,136				5,780	10,916
1812 Unit soffits-refurbish	10	8						28,502	28,502
			7,245	14,217	81,116	421,746	237,366	216,063	977,753
Recreation									
405 Play equipment replace	20	0							-
405 Tot lot-refurbish	20	4							-
1202 Pool resurface	25	24							-
1207 Pool filters-replace	12	10							-
1208 Pool heaters-replace	10	1							-
1203 Spas-replace-replumb	20	18							-
1208 Spa heaters-replace	10	8					7,424		7,424
1207 Spa filters	12	10							-
1210 Spa pumps	10	8							-
1210 Pool pumps replace	10	9						3,294	3,294
1217 Pool cover/reel-replace	30	28							-
1604 Tennis court- resurface	10	4		21,947					21,947
1605 Tennis court windscreens	10	5				6,718			6,718
1620 Bocce Court	20	18							-
			-	21,947	-	6,718	-	10,718	39,383
Heavy Equipment									
1810 Loader-rebuild	12	8						20,268	20,268
1810 snow blowers replace	4	1			6,806				6,806
1810 snow blowers replace	4	2				7,152			7,152
1810 snow plow-replace	7	5			6,668				6,668
1810 snow plow-replace	7	7					7,835		7,835
1810 Tractor(2010) replace	12	9							-
1810 Tractor (2013) Purchase	12	12							-
1810 Trailer-replace	15	12							-
1810 Utility Cart	6	5			1,855				1,855
1810 Work trucks replace	7	5		41,820					41,820
1810 Work trucks replace	7	7					41,820		41,820
			-	41,820	15,329	7,152	49,655	20,268	134,224
Total annual expenditures			7,245	77,984	98,235	436,571	309,698	247,049	1,176,782
Changes in reserves									
FISCAL YEAR ENDING SEPTEMBER 30			2016	2017	2018	2019	2020	2021	
Beginning balance			574,937	758,410	877,344	982,326	753,785	657,767	
Dues allocated			186,945	192,553	198,330	204,280	210,408	216,720	
Less annual expenditures			7,245	77,984	98,235	436,571	309,698	247,049	
Balance			754,637	872,979	977,439	750,035	654,495	627,438	
Interest net .5% after tax			3,773	4,365	4,887	3,750	3,272	2,792	
FUND BALANCE AT SEPTEMBER 30			758,410	877,344	982,326	753,785	657,767	630,230	

See accompanying auditors' report and notes to financial statements.