

EUCALYPTUS GROVE HOMEOWNERS' ASSOCIATION

FINANCIAL & BUDGET

	2007 BUDGET	"Projected" 2006 ACTUAL	2005 ACTUAL	2004 ACTUAL	2003 ACTUAL
-- REVENUES --					
OWNER ASSESSMENTS	\$741,060.00	\$622,920.00	\$572,674.44	\$526,765.71	\$506,110.44
SPECIAL ASSESSMENT	0.00	25,800.00	511,132.70	0.00	0.00
INTEREST INCOME	7,000.00	22,000.00	8,587.16	7,375.08	7,172.17
OTHER INCOME	0.00	12,400.00	4,839.98	1,510.75	1,446.60
TOTAL REVENUE	\$748,060.00	\$683,120.00	\$1,097,234.28	\$535,651.54	\$514,729.21
-- EXPENDITURES --					
CLEANING	\$11,000.00	\$15,000.00	\$9,120.00	\$9,587.00	\$6,850.00
ELECTRIC	20,000.00	19,500.00	18,913.17	17,761.53	18,778.94
LANDSCAPING	57,000.00	55,000.00	59,605.00	55,499.64	57,543.12
LANDSCAPING SUPPLY/EXTRAS	24,000.00	22,000.00	27,901.14	3,342.04	10,670.08
MANAGEMENT	23,916.00	22,668.00	21,696.00	20,856.00	20,244.00
PAINTING	1,000.00	3,000.00	575.64	864.61	702.47
POOL MAINT & SUPPLIES	12,000.00	9,000.00	11,366.38	11,215.47	10,906.53
POOL HEATING (GAS)	11,000.00	10,000.00	7,835.06	7,626.71	6,368.37
REPAIRS & MAINT	90,000.00	80,000.00	441,477.73	135,030.57	174,021.42
RUBBISH REMOVAL	52,000.00	48,000.00	46,638.68	45,066.48	43,230.59
PATROL/ALARM SERVICES	2,500.00	1,500.00	0.00	2,278.85	1,120.00
SUPPLIES	3,600.00	3,400.00	2,328.10	1,846.98	3,812.96
WATER & SEWER	18,000.00	14,000.00	17,440.68	15,564.47	11,861.43
INSURANCE	195,000.00	190,000.00	74,985.91	63,329.32	62,102.77
PEST CONTROL	2,000.00	2,000.00	2,177.00	1,673.00	926.00
PROFESSIONAL FEES	2,500.00	14,000.00	19,765.82	2,621.00	925.00
TELEPHONE (ENTRY GATE)	500.00	500.00	458.35	478.16	471.87
TAXES	2,500.00	1,764.00	3,217.00	450.00	923.00
MISCELLANEOUS	8,000.00	4,000.00	4,258.81	7,138.67	2,098.93
TOTAL	\$536,516.00	\$515,332.00	\$769,760.47	\$402,230.50	\$433,557.48
Reserve Expenditures	42,500.00	548,000.00	180,420.63	192,555.06	8,256.23
TOTAL EXPENDITURES	\$579,016.00	\$1,063,332.00	\$950,181.10	\$594,785.56	\$441,813.71
RESERVE Increase (Decrease)	169,044.00	(380,212.00)	147,053.18	(59,134.02)	72,915.50
TOTAL FUNDS NEEDED	\$748,060.00	\$683,120.00	\$1,097,234.28	\$535,651.54	\$514,729.21

Item #1. MONTHLY FEES: In order to meet this budget, the monthly fees (assessments) will be:

(179 Units)

\$345.00 EFFECTIVE JANUARY 1, 2007

Note: Units paying fees after the 30th day of the Month, will be charged a late charge of 1.5% of the outstanding balance.

Item #2. SPECIAL ASSESSMENT: No Special Assessment is anticipated in 2007.

Item #3. FUNDS AVAILABLE:

"Projected"

12/31/06

Community West Bank	\$30,000.00		
CDAR's Accounts	70,000.00		
Los Padres Nat Bank	25,000.00		
Operating Account	5,000.00	TOTAL	\$130,000.00

EUCALYPTUS GROVE (Cont)

Item 4. MAJOR REPAIRS AND REPLACEMENTS: The following cost estimates and reserve analysis is based on a reserve study which is reviewed by the Board of Directors each year to account for inflation and planning changes:

ITEM-Expected Life	EXPECTED		EXPECTED COST	REQUIRED	BALANCE NEEDED	2007 ADDITIONS	PROJ. BAL. 12/31/07
	LIFE	DATE DUE		IN RESERVE 12/31/06			
Stair Landing Reseal	4	2007	5,200	5,200	0	(3,900)	1,300
Pool Tile/Coping	20	2007	2,500	2,500	0	(2,375)	125
Termite Fumigation (Bal)	20	2007	25,000	25,000	0	(23,750)	1,250
Paint Metal Fence & Rail	3	2007	4,000	4,000	0	(2,667)	1,333
Mailbox Pagodas	15	2007	5,800	5,800	0	(5,413)	387
Paint Wood/Metal Trim	4	2008	52,500	39,375	13,125	13,125	52,500
Pool Pump	8	2008	800	700	100	100	800
Stair Landing Resurface	20	2008	36,400	34,580	1,820	1,820	36,400
Gate Operator (Slide)	10	2008	2,500	2,250	250	250	2,500
Spa Pumps	8	2008	1,600	1,400	200	200	1,600
Cabana Water Htr.	12	2008	1,900	1,742	158	158	1,900
Tree Trimming	3	2009	16,000	5,333	10,667	5,333	10,667
Asphalt Seal Coat/Repair	4	2009	32,000	16,000	16,000	8,000	24,000
Spa Retile	25	2009	3,000	2,760	240	120	2,880
Cabana Floor Tile	25	2010	2,300	2,024	276	92	2,116
Gate Operator (Slide)	10	2010	2,500	1,750	750	250	2,000
Stair Rails (3.5')	25	2010	9,000	7,920	1,080	360	8,280
Asphalt Overlay	25	2010	96,000	84,480	11,520	3,840	88,320
Roof Shingle	25	2010	230,000	202,400	27,600	9,200	211,600
Cabana Sauna/Bath Remodl	30	2010	3,500	3,150	350	117	3,267
Lights-Street Fixtures	25	2010	14,000	12,320	1,680	560	12,880
Pool Replaster	10	2011	5,500	3,300	2,200	550	3,850
Spa Heater	8	2011	2,000	1,000	1,000	250	1,250
Paint - Wood Siding	8	2012	108,000	40,500	67,500	13,500	54,000
Paint Front Wood Fence	8	2012	4,800	1,800	3,000	600	2,400
Paint Carports	8	2012	54,000	20,250	33,750	6,750	27,000
Mailbox Pagodas	15	2014	2,080	1,109	971	139	1,248
Pool Filter	10	2014	1,300	390	910	130	520
Metal Pool Fence (6')	25	2014	4,900	3,528	1,372	196	3,724
Exercise Room Equip.	15	2015	4,000	1,867	2,133	267	2,133
Split Rail Fence	30	2015	3,600	2,640	960	120	2,760
Cabana Wall Tile	30	2015	4,200	3,080	1,120	140	3,220
Pool Heater	10	2016	3,300	330	2,970	330	660
Slide Gates	25	2016	5,000	3,200	1,800	200	3,400
Sauna Heater	15	2016	2,000	800	1,200	133	933
Front Wood Fence	25	2016	14,400	9,216	5,184	576	9,792
Spa Filter	12	2017	1,200	200	1,000	100	300
Termite Fumigation (7606)	18	2017	5,000	2,222	2,778	278	2,500
Bridge Repair	15	2017	10,000	3,333	6,667	667	4,000
Intercom	15	2021	3,000	200	2,800	200	400
Card Readers/Buzzers	15	2021	4,000	267	3,733	267	533
Roof Shingle 7626, 30 & 34	25	2031	55,000	2,200	52,800	2,200	4,400
Roof - Metal Carport	30	2018	84,000	53,200	30,800	2,800	56,000
Termite Fumigation (7630)	18	2018	5,000	1,944	3,056	278	2,222
Termite Fumigation (7634)	18	2019	5,000	1,667	3,333	278	1,944
Termite Fumigation (7620)	18	2020	5,000	1,389	3,611	278	1,667
Termite Fumigation (7632)	18	2021	5,000	1,111	3,889	278	1,389
Termite Fumig. (7602&10)	18	2022	10,000	1,667	8,333	556	2,222
Gutters/Downspouts	20	2024	31,500	4,725	26,775	1,575	6,300
Siding Replacement	20	2025	900,000	90,000	810,000	45,000	135,000
Reserve Surplus (Shortage)				(587,819)	587,819	84,990	(502,829)
TOTALS			\$1,889,280	\$130,000	\$1,759,280	\$169,044	\$299,044

Item #5. Ratio of actual cash reserves on hand to estimated cash reserves currently required

18.1%
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Projected Ratio at Year-End

37.3%
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EUCALYPTUS GROVE (Cont)

Item #6. INSURANCE: California Civil Code Section 1365 requires an annual insurance disclosure of the Association's insurance as follows:

GENERAL LIABILITY INSURANCE:

Company: Allstate Insurance Company
Coverage: \$2,000,000 Per Occurance
Umbrella: \$1,000,000 Per Occurance

Anniversary Date: November 15th

Deductible: None

Anniversary Date: March 5th

PROPERTY INSURANCE: Coverage: \$26,713,000

Company: Allstate Insurance Company

Anniversary Date: November 15th

Deductible: \$10,000

EARTHQUAKE INSURANCE: Coverage: \$22,912,817

Company: Great American E&S

Anniversary Date: November 15th

Deductible: 7.75% of the Insurance Coverage

FIDELITY INSURANCE: Coverage: \$150,000

Company: Allstate Insurance Company

Anniversary Date: November 15th

Deductible: \$250

FLOOD INSURANCE: The Association has none.

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 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 coverage.

-- CURRENT NOTES --

IN 2006:

1. New gate system installed with new openers & access cards (\$9,700-Openers were paid by assoc & sold to members).
2. Various trees trimmed throughout complex (Approx \$5,600).
3. Utility doors at 7634 replaced (Approx \$1,200).
4. Creekbed outlet #2 renovated (Approx \$8,800).
5. Exit gate damaged by unknown car replaced (Approx \$3,000).
6. Pool heater replaced (Approx \$3,300).
7. Carport roofs cleaned (Approx \$4,200).
8. Bender boards replaced throughout complex (Approx \$3,400).
9. Reroofed 7626, 7630, & 7634 (Approx \$54,400).
10. Dryrot & siding repaired or replaced at units #228, 229, 230, 231, 232, 240, 245, 248, 249, 250, 251, 328, 329, 330, 331, 332, 340, 341, 345, 348, 349, 350, 351, 358, 359, 370, & 372 (Approx \$ 473,000).
11. The cost of earthquake insurance increased dramatically due to its general unavailability. The unexpected cost was borrowed from reserves which the Board voted to replace over three years.

REQUIRED DISCLOSURES:

ASSESSMENT & RESERVE FUNDING DISCLOSURE SUMMARY: (Required by Civil Code Section 1365.2.5)
Item #'s are found on the first few pages.

- (1) The current assessment per unit is as per **Item #1**.
- (2) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members are as per **Item #2**.
- (3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account 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**, provided the schedule as per **Item #4** is adequately funded by regular or special assessments.
- (4) If the answer to #3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years? Not Applicable.
- (5) The following major components, which are included in the reserve study, are NOT included in the existing reserve funding: If any, see schedule as per **Item #4**.
- (6) As of the last reserve study or update, the current balance in the reserve fund is as per the schedule at **Item #4**. Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the required amount in the reserve fund is as per the schedule at **Item #4**.

NOTE: (a) The financial representations set forth in this summary are based on the best estimates of the preparer at that time. These estimates are subject to change. (b) For the purposes of preparing a summary pursuant to this section:

- (1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.
- (2) "Major component" has the meaning used in Section 1365.5. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.
- (3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.
- (4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation. The information contained in this disclosure is a PROJECTION ONLY. Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (i) future inflation rates, (ii) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.

MINUTES & NAMES AVAILABLE: Each year the Association is required to disclose that minutes for all Association or Directors' meetings, and a list of owners are available to all owners. The cost, if any, of providing copies of the minutes and owners' list is to be paid by the requester.

EUCALYPTUS GROVE - Required Disclosures (Cont)

DELINQUENCY & LIEN POLICY: Unless otherwise stated all fees and assessments (including special assessments) are due on the first day of each month, in advance, and shall be delinquent 30 days after the due date. A late charge of 1.5% of the delinquent fee or assessment will be charged and added to the amount due. If fees, assessments, and/or late charges are unpaid at the end of any given month, a lien will be filed against the delinquent unit for the full amount due plus applicable interest, attorney fees, lien filing costs and other costs of collection. If the balance due is not paid within thirty (30) days after the lien is filed, the Association may take any and all actions permitted by law including, but not limited to, filing suit and/or foreclosing the lien.

PRIOR ADR REQUIRED: Each year the association is required to disclose that before an association or member files a lawsuit to enforce the governing documents, (other than for the collection of assessments), the parties must attempt to resolve the dispute by use of Alternative Dispute Resolution. "Failure of 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 rights to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

INTERNAL DISPUTE RESOLUTION PROCESS: The Association has adopted the procedures as per Section 1363.840 of the Civil Code.

INSURANCE: See summary as per **Item #6.**

MODIFICATIONS REQUIRE PRIOR APPROVAL: Each year the Association is required by Section 1378 of the Civil Code to disclose that all modifications or alterations which alter the common area or the exterior appearance of any structure in any way, require ***prior*** written approval of the Board of Directors or a designated committee of the Board. In addition, any alterations to the structure of any unit or building or alterations which may impact another owner in any way also require ***prior*** written approval.

Written requests must be submitted to the Board or designated committee for approval which shall approve, conditionally approve, or reject the request in writing within a reasonable time, but in no event later than ninety days from date of receipt of the request. If denied, the requestor shall be given the opportunity to appeal the decision or ask for reconsideration of the Board at the Board's next regularly scheduled meeting.

On the next page is a notice required by Civil Code Section 1365.1 and is described as follows:

NOTICE: ASSESSMENTS AND 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 AND NONJUDICIAL FORECLOSURE

The failure to pay association assessments may result in the loss of an owner's property without court action, often referred to as nonjudicial foreclosure. When using 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 lien is not paid. Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time. (Sections 1366 and 1367.1 of the Civil Code)

In a 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 costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (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. Among these documents, the association must send 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 and 1367.1 of the Civil Code)

An owner may dispute an assessment debt by giving the board of the association a written explanation, and the board must respond within 15 days if certain conditions are met. An owner may pay assessments that are in dispute in full under protest, and then request alternative dispute resolution. (Sections 1366.3 and 1367.1 of the Civil Code)

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 AND 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 the 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)"