

Reserve Analysis Report

Surfside III

600 Sunfish Way
Port Hueneme, CA 93041

Level II Study with Site Inspection

Fiscal Year End Date: December 31, 2020



MCCAFFERY
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Preface

A reserve study is a detailed report that assists common interest developments (CID) in planning for long-term common area repair and replacement expenses. These common areas differ for every development. They can include streets, roofs, recreational facilities and many other items.

A reserve study estimates the costs of common area repairs and replacements over a 30 year period. Each component is given a useful life, remaining life, and estimated cost. A reserve study then calculates the funds necessary to cover these expenses by creating funding plans.

The Big Picture - What are the significant figures to look at in the report?

- **The Component List** – What are our reserve components and when will they need maintenance

Every reserve study must start with a list of the components. The component summary contains the list of all the components, their useful and remaining lives, and their estimated costs. These numbers are the building blocks for most of the figures in the study.

- **Percent Funded** - What is our current financial standing

Probably the most important number in a reserve study is percent funded. It's almost like a credit score for an association. It tells them the current strength of their reserve fund.

Over 70% = Well Funded Between 30-70% = Fairly Funded Below 30% = Poorly Funded

The lower your percent funded the higher the risk of a special assessment. A low percent funded also increases the likelihood of deferred maintenance which can cause declining property values.

- **Funding Plans** - How much do we need to save for the future

The next important part of the study is the theoretical 30 year funding plans. The study contains 3 funding plans. It projects what the percent funded will be over the next 30 years if the CID follows each of these plans.

Current Funding Plan – This plan is based on what the association is currently contributing to its reserve fund. This information is supplied by the board or management

Recommended Funding Plan – This is McCaffery's recommendation, if a CID follows the recommended plan they should end up well funded and near the 100% funded level.

5% Threshold Funding Plan - The threshold funding plan is a 30 year cash flow plan that calculates the minimum amount a CID should contribute so their reserve balance won't fall below 5% funded and cause the need for a special assessment. The percent funded will at some point fall into poorly funded levels but will never drop below 5%. If a CID has a funding plan that is below this threshold plan they should also plan on a future special assessment and/or a deferred maintenance. (Following this plan does carry higher risk of a special assessment if a component fails early or costs more than expected)

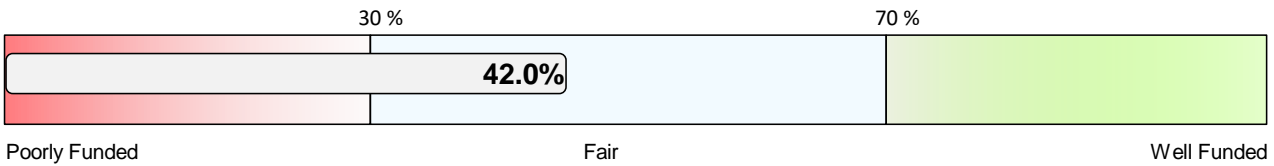
Executive Summary

Surfside III

This is a Homeowners Association with 309 Condominium Units.
 The common area components include: asphalt, pool, and building exterior.
 A Level II Study with an on-site inspection was performed on July 29, 2020.

Reserve Fund Balance at Fiscal Year End

Fully Funded Reserve Balance	\$ 3,051,575
Projected Balance December 31, 2020	\$ 1,280,308
Under Funded (Deficiency in Reserve Funding)	\$ 1,771,267
Deficiency in Reserve Funding Per Unit	\$ 5,732.25
Percent Funded	42.0%

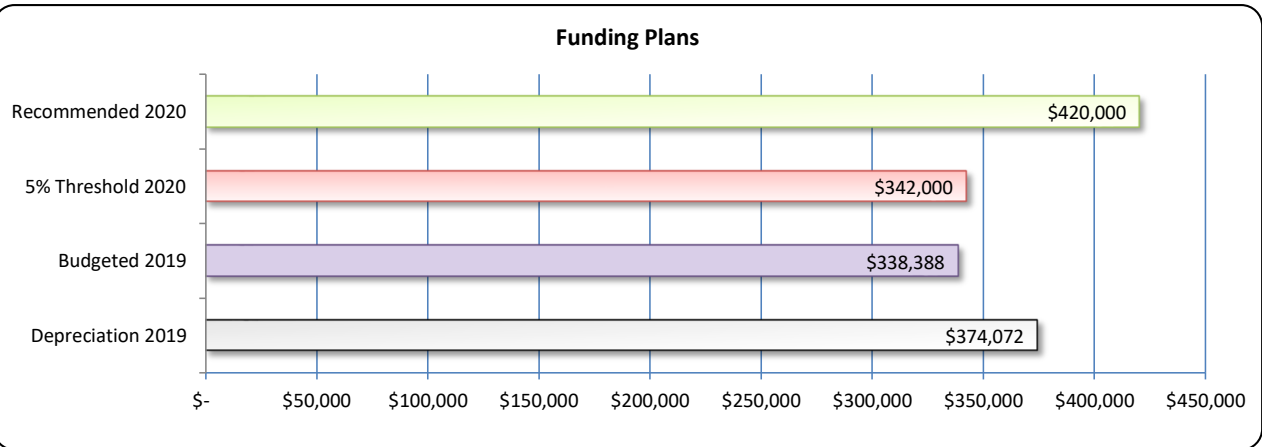


5 Year Percent Funded Projection	2021	2022	2023	2024	2025
	45%	48%	49%	51%	47%

A line graph showing the 5-year projection of the percent funded. The x-axis represents the years from 2021 to 2025, and the y-axis represents the percentage. The data points are: 2021 (45%), 2022 (48%), 2023 (49%), 2024 (51%), and 2025 (47%). The line shows a general upward trend from 2021 to 2024, followed by a slight decrease in 2025.

Funding Plans

	Annually	Monthly	Per Unit Monthly
Depreciation of Components in 2020	\$ 374,072	\$ 31,173	\$ 100.88
Budgeted Reserve Contribution 2020	\$ 338,388	\$ 28,199	\$ 91.26
5% Threshold Reserve Contribution for 2021	\$ 342,000	\$ 28,500	\$ 92.23
Recommended Reserve Contribution for 2021	\$ 420,000	\$ 35,000	\$ 113.27



Theoretical 30 Year Funding Plans

Surfside III

Above 70% = Well Funded
 Between 30% and 70% = Fairly Funded
 Below 30% = Poorly Funded
(Low Risk of Special Assessment)
 (Higher Risk of Special Assessment)

Before Tax Interest Rate	1.5%
Annual Inflation Rate	3.0%
Annual Funding Increase	3.0%

Year End	Annual Expenses	Fully Funded Balance	Current Funding Plan			Recommended Funding Plan			5% Threshold Funding Plan		
			Contribution	Balance	% Funded	Contribution	Balance	% Funded	Contribution	Balance	% Funded
2020	\$ -	\$ 3,051,575	\$ 338,388	\$ 1,280,308	42%	\$ -	\$ 1,280,308	42%	\$ -	\$ 1,280,308	42%
2021	\$ 94,760	\$ 3,425,933	\$ 348,540	\$ 1,553,292	45%	\$ 420,000	\$ 1,624,753	47%	\$ 342,000	\$ 1,546,753	45%
2022	\$ 115,638	\$ 3,800,502	\$ 358,996	\$ 1,819,949	48%	\$ 432,600	\$ 1,966,086	52%	\$ 352,260	\$ 1,806,576	48%
2023	\$ 197,142	\$ 4,110,067	\$ 369,766	\$ 2,019,873	49%	\$ 445,578	\$ 2,244,013	55%	\$ 362,828	\$ 1,999,361	49%
2024	\$ 145,191	\$ 4,497,366	\$ 380,859	\$ 2,285,839	51%	\$ 458,945	\$ 2,591,428	58%	\$ 373,713	\$ 2,257,873	50%
2025	\$ 662,429	\$ 4,349,522	\$ 392,284	\$ 2,049,981	47%	\$ 472,714	\$ 2,440,584	56%	\$ 384,924	\$ 2,014,236	46%
2026	\$ 126,570	\$ 4,789,784	\$ 404,053	\$ 2,358,214	49%	\$ 486,895	\$ 2,837,518	59%	\$ 396,472	\$ 2,314,351	48%
2027	\$ 333,296	\$ 5,033,080	\$ 416,175	\$ 2,476,466	49%	\$ 501,502	\$ 3,048,287	61%	\$ 408,366	\$ 2,424,137	48%
2028	\$ 196,977	\$ 5,444,905	\$ 428,660	\$ 2,745,297	50%	\$ 516,547	\$ 3,413,582	63%	\$ 420,617	\$ 2,684,139	49%
2029	\$ 446,460	\$ 5,613,484	\$ 441,520	\$ 2,781,535	50%	\$ 532,043	\$ 3,550,369	63%	\$ 433,235	\$ 2,711,176	48%
2030	\$ 476,307	\$ 5,769,484	\$ 454,765	\$ 2,801,716	49%	\$ 548,005	\$ 3,675,321	64%	\$ 446,232	\$ 2,721,769	47%
2031	\$ 547,188	\$ 5,868,588	\$ 468,408	\$ 2,764,962	47%	\$ 564,445	\$ 3,747,708	64%	\$ 459,619	\$ 2,675,027	46%
2032	\$ 334,223	\$ 6,216,521	\$ 482,460	\$ 2,954,674	48%	\$ 581,378	\$ 4,051,079	65%	\$ 473,408	\$ 2,854,337	46%
2033	\$ 583,207	\$ 6,321,615	\$ 496,934	\$ 2,912,720	46%	\$ 598,820	\$ 4,127,457	65%	\$ 487,610	\$ 2,801,555	44%
2034	\$1,462,131	\$ 5,495,786	\$ 511,842	\$ 2,006,123	37%	\$ 616,784	\$ 3,344,022	61%	\$ 502,239	\$ 1,883,686	34%
2035	\$1,208,294	\$ 4,936,681	\$ 527,197	\$ 1,355,117	27%	\$ 635,288	\$ 2,821,176	57%	\$ 517,306	\$ 1,220,952	25%
2036	\$ 545,374	\$ 5,095,235	\$ 543,013	\$ 1,373,083	27%	\$ 654,346	\$ 2,972,466	58%	\$ 532,825	\$ 1,226,717	24%
2037	\$1,202,281	\$ 4,566,109	\$ 559,304	\$ 750,702	16%	\$ 673,977	\$ 2,488,748	55%	\$ 548,810	\$ 591,646	13%
2038	\$ 961,866	\$ 4,299,667	\$ 576,083	\$ 376,179	9%	\$ 694,196	\$ 2,258,409	53%	\$ 565,274	\$ 203,928	5%
2039	\$ 540,080	\$ 4,500,498	\$ 593,365	\$ 435,107	10%	\$ 715,022	\$ 2,467,227	55%	\$ 582,232	\$ 249,139	6%
2040	\$ 334,850	\$ 4,948,989	\$ 611,166	\$ 717,951	15%	\$ 736,473	\$ 2,905,858	59%	\$ 599,699	\$ 517,726	10%
2041	\$ 557,005	\$ 5,190,942	\$ 629,501	\$ 801,217	15%	\$ 758,567	\$ 3,151,008	61%	\$ 617,690	\$ 586,177	11%
2042	\$ 970,404	\$ 5,013,939	\$ 648,386	\$ 491,217	10%	\$ 781,324	\$ 3,009,193	60%	\$ 636,221	\$ 260,787	5%
2043	\$ 832,183	\$ 5,002,615	\$ 667,838	\$ 334,241	7%	\$ 804,763	\$ 3,026,911	61%	\$ 655,307	\$ 87,823	2%
2044	\$ 426,887	\$ 5,451,427	\$ 687,873	\$ 600,241	11%	\$ 828,906	\$ 3,474,335	64%	\$ 674,967	\$ 337,220	6%
2045	\$ 516,647	\$ 5,839,440	\$ 708,509	\$ 801,106	14%	\$ 853,774	\$ 3,863,576	66%	\$ 695,216	\$ 520,847	9%
2046	\$ 215,659	\$ 6,588,108	\$ 729,765	\$ 1,327,229	20%	\$ 879,387	\$ 4,585,258	70%	\$ 716,072	\$ 1,029,073	16%
2047	\$ 714,533	\$ 6,843,906	\$ 751,658	\$ 1,384,262	20%	\$ 905,768	\$ 4,845,272	71%	\$ 737,554	\$ 1,067,530	16%
2048	\$ 323,731	\$ 7,554,959	\$ 774,207	\$ 1,855,502	25%	\$ 932,941	\$ 5,527,162	73%	\$ 759,681	\$ 1,519,493	20%
2049	\$ 885,302	\$ 7,705,678	\$ 797,433	\$ 1,795,466	23%	\$ 960,930	\$ 5,685,697	74%	\$ 782,471	\$ 1,439,455	19%
2050	\$ 739,914	\$ 8,044,602	\$ 821,356	\$ 1,903,840	24%	\$ 989,758	\$ 6,020,825	75%	\$ 805,945	\$ 1,527,078	19%

Note: All future projections are theoretical. The estimated lives and costs of components will likely change over time depending on factors such as inflation rates and levels of maintenance. Reserve analysis should be performed annually to account for these factors.

Component Summary
Surfside III

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Asphalt							
Concrete Repairs	1	Allowance	25	2	\$ 4,120	\$ 4,120	1
Overlay & Replace (Parking Areas)	35000	SF	25	22	\$ 2.83	\$ 99,050	1
Overlay & Replace (Streets)	125000	SF	25	21	\$ 2.83	\$ 353,750	1
Seal Coat/Repair/Restripe	160000	SF	5	2	\$ 0.28	\$ 44,800	1
						\$ 501,720	
Clubhouse							
Furnishings	1	Allowance	15	2	\$ 5,150	\$ 5,150	1
Carpet	650	SY	15	3	\$ 20.60	\$ 13,390	1
Office Equipment (Partial Replace)	1	Allowance	5	1	\$ 3,090	\$ 3,090	1
Bathrooms - Refurbish	2	Each	25	5	\$ 6,180	\$ 12,360	1
Copier	1	Each	10	2	\$ 5,150	\$ 5,150	1
Tile Flooring - Repair/Replace	1	Allowance	20	5	\$ 6,180	\$ 6,180	1
Game Tables	3	Each	10	6	\$ 4,120	\$ 12,360	1
Exercise Equipment	4	Each	10	8	\$ 3,605	\$ 14,420	1
Kitchen Area - Refurbish	1	Allowance	20	11	\$ 12,360	\$ 12,360	1
Gym Flooring - Replace	1	Allowance	18	10	\$ 3,605	\$ 3,605	1
						\$ 88,065	
Common Areas							
Recreation and Outdoor Furnishings	1	Allowance	22	4	\$ 4,120	\$ 4,120	1
Recreation and Outdoor Furnishings	1	Allowance	22	9	\$ 4,120	\$ 4,120	1
Recreation and Outdoor Furnishings	1	Allowance	22	14	\$ 4,120	\$ 4,120	1
Recreation and Outdoor Furnishings	1	Allowance	22	19	\$ 4,120	\$ 4,120	1
						\$ 16,480	
Decks & Landings							
Balcony Inspection/Repairs	1	Allowance	9	2	\$ 20,000	\$ 20,000	1
Balcony Decks - Repair	2	Each	10	0	\$ 6,180	\$ 12,360	1
Balcony Decks - Repair	2	Each	10	1	\$ 6,180	\$ 12,360	1
Balcony Decks - Repair	2	Each	10	2	\$ 6,180	\$ 12,360	1
Balcony Decks - Repair	2	Each	10	3	\$ 6,180	\$ 12,360	1
Walkways/Landings - Reseal	8	Each	12	11	\$ 10,300	\$ 82,400	1
Stairs/Landings- Repair	2	Each	12	1	\$ 3,090	\$ 6,180	1
Stairs/Landings- Repair	2	Each	12	2	\$ 3,090	\$ 6,180	1
Stairs/Landings- Repair	2	Each	12	3	\$ 3,090	\$ 6,180	1
Stairs/Landings- Repair	2	Each	12	4	\$ 3,090	\$ 6,180	1
						\$ 176,560	
Fencing/Rails/Gates							
Metal Fence/Railings - Repair	1	Allowance	20	10	\$ 10,300	\$ 10,300	1
Surfside Drive Fence	1	Allowance	20	16	\$ 30,900	\$ 30,900	1
Townhome Fences	1	Allowance	25	21	\$ 57,680	\$ 57,680	1
Trash Enclosures - Replace	32	Each	30	17	\$ 2,060	\$ 65,920	1
Vehicle Gates	3	Each	30	13	\$ 7,210	\$ 21,630	1
						\$ 186,430	
Landscaping							
Irrigation Replacement	1	Allowance	12	9	\$ 12,360	\$ 12,360	1
						\$ 12,360	
Lighting Electrical							
Campus Lighting - Replace	1	Allowance	25	24	\$ 72,100	\$ 72,100	1
Hallway Lighting - Replace	1	Allowance	25	18	\$ 25,750	\$ 25,750	1
Main Electrical Junction Box	1	Allowance	40	4	\$ 61,800	\$ 61,800	1
						\$ 159,650	
Mechanical/Plumbing							
Electrical Box Replacement Condos	10	each	25	4	\$ 824	\$ 8,240	1
Electrical Box Replacement Condos	10	each	25	5	\$ 824	\$ 8,240	1
Electrical Box Replacement Condos	10	each	25	6	\$ 824	\$ 8,240	1
Electrical Box Replacement Condos	30	each	25	7	\$ 824	\$ 24,720	1
Electrical Box Replacement Condos	30	each	25	8	\$ 824	\$ 24,720	1
Electrical Box Replacement Condos	30	each	25	9	\$ 824	\$ 24,720	1
Electrical Box Replacement Condos	131	each	25	10	\$ 824	\$ 107,944	1
Elevators - Modernization	8	Each	25	13	\$ 72,100	\$ 576,800	1
Fire Control Panels	8	Each	18	13	\$ 3,605	\$ 28,840	1
Plumbing Repairs	2	Allowance	1	0	\$ 41,200	\$ 82,400	1
						\$ 894,864	

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Miscellaneous							
Bridge - Repair	1	Allowance	40	39	\$ 103,000	\$ 103,000	1
Concrete Walkways - Repair	1	Allowance	5	4	\$ 20,000	\$ 20,000	1
Directional Signage	1	Allowance	18	17	\$ 2,575	\$ 2,575	1
Intercom (Gate)	1	Each	12	2	\$ 5,665	\$ 5,665	1
Mailbox Kiosks	20	Each	20	19	\$ 1,750	\$ 35,000	1
Monument Sign	1	Each	20	4	\$ 3,090	\$ 3,090	1
Utility Doors	1	Allowance	30	26	\$ 188,670	\$ 188,670	1
						\$ 358,000	
Painting							
Exterior Stucco - Partial (A)	66	Each	12	4	\$ 2,060	\$ 135,960	1
Exterior Stucco - Partial (B)	66	Each	12	6	\$ 2,060	\$ 135,960	1
Exterior Stucco - Partial (C)	66	Each	12	8	\$ 2,060	\$ 135,960	1
Exterior Stucco - Partial (D)	66	Each	12	10	\$ 2,060	\$ 135,960	1
Exterior Surfaces - High Fascia	8	Each	5	4	\$ 5,150	\$ 41,200	1
Exterior Stucco - Townhome	12	Allowance	12	4	\$ 3,090	\$ 37,080	1
Exterior Stucco - Townhome	12	Allowance	12	6	\$ 3,090	\$ 37,080	1
Exterior Stucco - Townhome	12	Allowance	12	8	\$ 3,090	\$ 37,080	1
Exterior Stucco - Townhome	15	Allowance	12	10	\$ 3,090	\$ 46,350	1
						\$ 742,630	
Plumbing							
Sewer Main Lines - Partial Replace	1	Allowance	50	4	\$ 180,250	\$ 180,250	1
Sewer Main Lines - Partial Replace	1	Allowance	50	9	\$ 180,250	\$ 180,250	1
Sewer Main Lines - Partial Replace	2	Allowance	50	14	\$ 180,250	\$ 360,500	1
Sewer Main Lines - Partial Replace	2	Allowance	50	16	\$ 180,250	\$ 360,500	1
Sewer Main Lines - Partial Replace	2	Allowance	50	17	\$ 180,250	\$ 360,500	1
						\$ 1,442,000	
Pool/Spa							
Pool Bathrooms - Refurbish	2	Each	20	15	\$ 5,665	\$ 11,330	1
Pool Resurface	1352	LF	25	24	\$ 19	\$ 25,066	1
Pool Hardware	1	Allowance	25	24	\$ 10,300	\$ 10,300	1
Spa	1	Each	10	3	\$ 10,300	\$ 10,300	1
						\$ 56,996	
Roofing							
Carports (Metal Roof) - Replacement	20	Allowance	40	11	\$ 1,030	\$ 20,600	1
Carports (Metal Roof) - Replacement	20	Allowance	40	14	\$ 1,030	\$ 20,600	1
Carports (Metal Roof) - Replacement	20	Allowance	40	17	\$ 1,030	\$ 20,600	1
Carports (Metal Roof) - Replacement	20	Allowance	40	20	\$ 1,030	\$ 20,600	1
Carports (Metal Roof) - Replacement	20	Allowance	40	23	\$ 1,030	\$ 20,600	1
Carports (Metal Roof) - Replacement	20	Allowance	40	26	\$ 1,030	\$ 20,600	1
Carports (Metal Roof) - Replacement	138	Allowance	40	29	\$ 1,030	\$ 142,140	1
Comp Shingle - Replace Condo (Ph. 1)	29000	SF	25	12	\$ 6.70	\$ 194,300	1
Comp Shingle - Replace Condo(Ph. 2)	29000	SF	25	13	\$ 6.70	\$ 194,300	1
Comp Shingle - Replace Condo(Ph. 3)	29000	SF	25	14	\$ 6.70	\$ 194,300	1
Comp Shingle - Replace Condo(Ph. 4)	27650	SF	25	15	\$ 6.70	\$ 185,255	1
Flat Roof (Clubhouse)	5100	SF	20	8	\$ 6.70	\$ 34,170	1
Gutters & Downspouts - Repair	1	Allowance	20	8	\$ 15,450	\$ 15,450	1
Tile Roof (Clubhouse)	8000	SF	30	28	\$ 7.21	\$ 57,680	1
Townhome Roofs Including Garage	10	Allowance	20	12	\$ 6,180	\$ 61,800	1
Townhome Roofs Including Garage	10	Allowance	20	13	\$ 6,283	\$ 62,830	1
Townhome Roofs Including Garage	10	Allowance	20	14	\$ 6,386	\$ 63,860	1
Townhome Roofs Including Garage	10	Allowance	20	15	\$ 6,489	\$ 64,890	1
Townhome Roofs Including Garage	11	Allowance	20	16	\$ 6,592	\$ 72,512	1
						\$ 1,467,087	
Water Heaters							
Water Heaters - Partial Replace	2	Each	15	1	\$ 4,120	\$ 8,240	1
Water Heaters - Partial Replace	2	Each	15	3	\$ 4,120	\$ 8,240	1
Water Heaters - Partial Replace	2	Each	15	4	\$ 4,120	\$ 8,240	1
Water Heaters - Partial Replace	2	Each	15	7	\$ 4,120	\$ 8,240	1
Water Heaters - Partial Replace	2	Each	15	8	\$ 4,120	\$ 8,240	1
Water Heaters - Partial Replace	2	Each	15	10	\$ 4,120	\$ 8,240	1
Water Heaters - Partial Replace	2	Each	15	11	\$ 4,120	\$ 8,240	1
Water Heaters - Partial Replace	2	Each	15	12	\$ 4,120	\$ 8,240	1
						\$ 65,920	
Contingency							
5%							1

TOTALS \$ 6,168,762

Notes: Any other items not listed are included in operating budget.

Assessment and Reserve Funding Disclosure Summary
Surfside III

(1) The current regular assessment per ownership interest per month is:

\$ 459.00 per month for the year ending 12/31/20

(2) Additional regular or special 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: As of 8/4/2020

Date Assessment is Due	Amount per unit	Purpose of Assessment
NA		
Total:		

(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 No

Note: This calculation assumes the association will raise their current reserve contribution 3% per year over the next 30 years.

(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

Note: This calculation assumes the association will raise their current reserve contribution 3% per year over the next 30 years.

(5) All major components appropriate for reserve funding are included in the reserve study and are included in it's calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the civil code the estimated amount required in the reserve fund at the end of the current fiscal year is:

\$ 3,051,575 based in whole or in part on the last reserve study or update prepared by McCaffery Reserve Consulting as of 12/31/2020 the projected reserve fund cash balance at the end of the current fiscal year is: \$ 1,280,308 resulting in the reserves being 42% funded at this date.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the civil code the projected required amount in reserves, projected reserve fund cash balance and projected percent funded for each of the next 5 years is:

Year	Amt Required	Proj. Balance	% Funded
2021	\$ 3,425,933	\$ 1,553,292	45%
2022	\$ 3,800,502	\$ 1,819,949	48%
2023	\$ 4,110,067	\$ 2,019,873	49%
2024	\$ 4,497,366	\$ 2,285,839	51%
2025	\$ 4,349,522	\$ 2,049,981	47%

For more detail see attached theoretical 30 year funding plans.

Note: This calculation assumes the association will raise their reserve contribution 3% per year over the next 30 years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate was : 1.50% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was: 3.00% per year

(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 5530. 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 Preparer of this form will be indemnified and held harmless against all losses, claims, action, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which has been provided to Preparer by others and relied upon by Preparer which may result from any improper use or reliance on this disclosure.