

LAKE DON PEDRO OWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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 accountant's review report.

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4. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) has issued new guidance that created Accounting Standards Codification (ASC) Topic 606. This new guidance supercedes the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRAs), Revenue Recognition, and now requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services (i.e. the accumulation of unspent replacement reserve cash and investments from assessment payments over time which are eventually to be used for common area major repairs and replacements).

The Association has adopted the new guidance as of July 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenues and contract liabilities - replacement reserve assessments paid in advance.

<u>2023-2024 Assessment Revenues Reconciliation</u>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<u>Total Funds</u>
Assessment revenues <u>per budget</u>	\$ 339,640	\$ 35,000	\$ 374,640
Effects of applying <u>new guidance</u>			
Reclassify interfund transfers	-	(2,488)	(2,488)
Adjust revenues to equal expenses	-	30,317	30,317
Total effects of new guidance	-	27,829	27,829
Assessment revenues <u>per financial statements</u>	<u>\$ 339,640</u>	<u>\$ 62,829</u>	<u>\$ 402,469</u>
<u>2022-2023 Assessment Revenues Reconciliation</u>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<u>Total Funds</u>
Assessment revenues <u>per budget</u>	\$ 302,200	\$ 10,000	\$ 312,200
Effects of applying <u>new guidance</u>			
Reclassify interfund transfers	-	28,046	28,046
Adjust revenues to equal expenses	-	(15,625)	(15,625)
Total effects of new guidance	-	12,421	12,421
Assessment revenues <u>per financial statements</u>	<u>\$ 302,200</u>	<u>\$ 22,421</u>	<u>\$ 324,621</u>

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5. 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.

6. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 30, 2024, the date that the financial statements were available to be issued.

See independent accountant's review report.

LAKE DON PEDRO OWNERS' ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2024
(UNAUDITED)**

The following information on common area major components was compiled by Browning Reserve Group of Sacramento, California as of **February 2024** and has served as the basis for the current estimates of replacement reserve funding:

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2023/2024 Fully Funded Balance</i>
00001 - Hacienda Interior				
03500 - Painting: Interior				
300 - Clubhouse 21,475 sf Hacienda (50%)	3,756	5	2	2,254
04000 - Structural Repairs				
912 - Doors Kitchen Sliding Door	8,014	20	11	3,606
916 - Doors 5 Sliding Doors	40,068	20	13	14,024
08000 - Rehab				
110 - General 3,440 sf Pavilion	4,011	8	3	2,507
120 - General 1,360 sf Lounge & Bar	5,320	8	4	2,660
130 - General 1,276 sf Gym & Library	5,248	12	4	3,499
140 - General 1,390 sf Kitchen	7,809	5	2	4,685
150 - General 922 sf Offices & Lobby	1,642	5	4	328
151 - General Lights (2023/2024 Only)[nr:1]	852	1	0	852
154 - General 376 sf [3] Rental Offices	4,037	10	2	3,230
160 - General 649 sf Lower Apartment	4,362	8	2	3,271
162 - General 300 sf Lower Apartment- Patio Repair	1,129	10	2	903
170 - General 1,251 sf Upper Apartment	7,028	8	2	5,271
220 - Restrooms 2 Near Lounge	1,669	8	2	1,252
230 - Restrooms 2 Near Offices	1,113	8	0	1,113
14000 - Recreation				
290 - Exercise: Miscellaneous Equip. Multipurpose Room	17,208	15	14	1,147
291 - Exercise: Miscellaneous Equip. 2023/2024 Only[nr:1]	1,541	1	0	1,541
22000 - Office Equipment				
200 - Computers, Misc. Office	7,144	15	15	447
201 - Computers, Misc. Office (2023/2024 Only)[nr:1]	1,382	1	0	1,382
23000 - Mechanical Equipment				
200 - HVAC Office	12,545	15	5	8,363
204 - HVAC Workout Room/Library	12,545	15	10	4,182
210 - HVAC 4 Pavilion Evaporative Units	14,035	15	2	12,164
220 - HVAC Lounge	4,559	30	5	3,799
260 - HVAC	5,887	30	16	2,747

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JUNE 30, 2024
(UNAUDITED)**

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2023/2024 Fully Funded Balance</i>
00001 - Hacienda Interior				
23000 - Mechanical Equipment				
Lower Apartment				
261 - HVAC Repair (2023/2024 Only)[nr:1]	572	1	0	572
270 - HVAC Upper Apartment	8,919	30	19	3,270
271 - HVAC 2023/2024 Only[nr:1]	1,503	1	0	1,503
630 - Water Heater Pavilion Restrooms	658	15	7	351
640 - Water Heater Kitchen	1,032	15	4	757
650 - Water Heater Pool Restrooms	1,032	15	1	963
660 - Water Heater Lower Apartment	1,032	15	1	963
670 - Water Heater Upper Apartment	1,622	15	4	1,190
910 - Swamp Cooler Kitchen Evaporative Unit	2,101	30	5	1,751
24000 - Furnishings				
100 - Miscellaneous Office	4,791	10	2	3,833
104 - Miscellaneous Pavilion Stage	5,476	20	4	4,381
110 - Chairs 250 Pavilion Folding Chairs	9,922	25	10	5,953
111 - Chairs 48 Folding Chairs (2023/2024 Only)[nr:1]	1,450	1	0	1,450
114 - Chairs 40 Pavilion Folding Chairs	789	25	15	316
118 - Tables 75 Lounge Tables & Folding Chairs	7,238	25	13	3,474
160 - Miscellaneous Lower Apartment- 2019/2020	6,493	15	11	1,731
170 - Miscellaneous Upper Apartment Furnishings- 2019/2020	9,208	15	11	2,455
174 - Miscellaneous Upper Apartment Furnishings	2,361	15	2	2,046
400 - Sofa 3 Lower Apartment- Sofa/Loveseat/Table	1,382	15	11	369
24500 - Audio / Visual				
100 - Television Multipurpose Room	1,118	10	2	894
104 - Television 2 Television- Lower Apartment	800	10	7	240
300 - PA System PA System	926	10	2	741
25000 - Flooring				
250 - Laminate 168 Sq. Yds. Offices & Reception Area	2,650	20	19	133
260 - Laminate 73 Sq. Yds. Lower Apartment	2,718	15	9	1,087
404 - Tile 15 Sq. Yds. Lower Apartment	2,003	20	11	902
420 - Tile 800 sf Lounge Upper Level	8,989	25	3	7,910
424 - Coatings 684 sf Lounge Lower Level- Stamped Concrete	4,677	15	4	3,429
630 - Vinyl 140 Sq. Yds. Game Room	8,626	15	1	8,051
670 - Vinyl	3,759	18	7	2,297

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(UNAUDITED)**

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2023/2024 Fully Funded Balance</i>
00001 - Hacienda Interior				
25000 - Flooring				
61 Sq. Yds. Upper Apartment				
674 - Vinyl	5,902	20	16	1,180
93 Sq. Yds. Upper Apartment				
920 - Coatings 3,500 sf Pavilion Floor	21,629	17	12	6,362
27000 - Appliances				
220 - Stove/Oven Upper Apartment	590	20	16	118
222 - Refrigerator Upper Apartment	1,202	15	8	561
224 - Refrigerator Lounge	1,032	15	14	69
240 - Dishwasher Upper Apartment	884	17	1	832
260 - Refrigerator Lower Apartment	1,180	20	1	1,121
322 - Washer Lower Apartment	1,180	15	1	1,101
332 - Dryer Lower Apartment	815	15	1	760
340 - Washer Kitchen Area- Housekeeping	607	10	0	607
344 - Dryer Kitchen Area- Housekeeping	607	10	0	607
360 - Dishwasher Lower Apartment	899	17	1	846
460 - Stove/Oven Lower Apartment	590	20	16	118
540 - Refrigerator Large Commercial Model Kitchen	4,381	20	8	2,628
640 - Freezer Large Commercial Model Kitchen	560	15	7	299
740 - Stove/Oven Commercial Model Kitchen	7,070	25	17	2,262
910 - Ice Machine Lounge	4,982	20	19	249
Sub-total Hacienda Interior	330,864			167,962
00003 - Common Area				
01000 - Paving				
110 - Asphalt: Sealing 2,768 sf Sport Court	792	8	2	594
210 - Asphalt: Ongoing Repairs 2,768 sf Sport Court (3%)	343	8	2	257
310 - Asphalt: Overlay 2,768 sf Sport Court	6,866	25	9	4,394
Sub-total Common Area	8,001			5,246
00004 - Hacienda Exterior				
02000 - Concrete				
220 - Walkways 4,550 sf Hacienda (2%)	1,728	8	5	648
400 - Pool Deck 8,650 sf Pool Area Concrete (2%)	4,739	8	10	431
03000 - Painting: Exterior				
100 - Surface Restoration 9,700 sf Hacienda	25,652	12	0	25,652
110 - Surface Restoration 995 sf Trellises	3,544	8	4	1,772
04000 - Structural Repairs				
300 - Trellis 370 sf Upper Apartment	2,738	20	11	1,232

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<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2023/2024 Fully Funded Balance</i>
00004 - Hacienda Exterior				
04500 - Decking / Balconies				
190 - TBA 539 sf [2] Upper Apartment Balcony Membranes	4,428	25	18	1,240
200 - TBA 360 sf Upper Apartment Bedrooms Balcony	1,847	10	3	1,293
210 - TBA 179 sf Upper Apartment Living Room Balcony	918	10	3	643
05000 - Roofing				
200 - Low Slope: BUR 35 Squares- Upper Apartment & Pavilion	25,970	15	14	1,731
410 - Pitched: Dimensional Composition 6 Squares- Lounge & Kitchen- Access Walkways	3,138	25	5	2,510
670 - Pitched: Tile 108 Squares- Hacienda	117,838	30	7	90,342
700 - Gutters / Downspouts 703 If Hacienda	7,705	30	2	7,191
19000 - Fencing				
300 - Wood 25 If Garbage Enclosure	885	15	7	472
390 - Vinyl 215 If Hacienda Rear	4,711	20	8	2,826
394 - Vinyl 90 If Front of Pavilion	2,391	20	14	717
20000 - Lighting				
100 - Exterior: Misc. Fixtures 48 Various Lighting Fixtures (40%)	7,885	15	1	7,360
24600 - Safety / Access				
520 - Card Readers Hacienda- Key Fob Entry	7,357	10	4	4,414
700 - Security System Hacienda	3,969	6	3	1,984
704 - Security System Hacienda Add'l Security Cameras	18,387	6	4	6,129
25000 - Flooring				
400 - Tile 3,534 sf Courtyard & Entry (5%)	1,937	5	5	323
26000 - Outdoor Equipment				
350 - Furniture 36 Hacienda Patio Chairs	5,052	18	6	3,368
354 - Furniture 36 Tables and Umbrellas	5,052	18	6	3,368
Sub-total Hacienda Exterior	257,868			165,646
00012 - Hacienda Parking				
01000 - Paving				
100 - Asphalt: Sealing 46,384 sf Parking & Rear Access Road	9,833	3	2	3,278
200 - Asphalt: Ongoing Repairs 46,384 sf Parking & Rear Access Road (2%)	2,581	3	2	860
300 - Asphalt: Overlay w/ Interlayer 46,384 sf Parking & Rear Access Road	115,051	25	15	46,020
02000 - Concrete				
210 - Curbs & Gutters 2,900 If Parking Lot (2%)	2,541	10	1	2,287
03000 - Painting: Exterior				
104 - Masonry Walls 540 If Hacienda Perimeter Stucco Walls	1,500	12	0	1,500
19000 - Fencing				
540 - Gates 2 Entrance Gates	6,188	30	10	4,125
541 - Gates Iron Arch (2023/2024 Only)[nr:1]	3,000	1	0	3,000

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<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2023/2024 Fully Funded Balance</i>
00012 - Hacienda Parking				
20000 - Lighting				
540 - Parking Lot	22,999	30	5	19,166
14 Hacienda Parking Lot Lights				
Sub-total Hacienda Parking	163,694			80,237
00028 - Prado Park				
01000 - Paving				
900 - Gravel	4,944	8	6	1,236
40 Cu. Yds. Access Road Replenish				
18500 - Lakes / Ponds				
990 - Miscellaneous	5,758	5	2	3,455
5 Dams/Spillways Cleaning (20%)				
19000 - Fencing				
100 - Chain Link: 4'	3,275	30	14	1,747
184 lf Outfield Fence				
21000 - Signage				
900 - Miscellaneous	500	5	0	500
Park Signage				
26000 - Outdoor Equipment				
100 - Tot Lot: Play Equipment	29,192	20	18	2,919
Play Equipment				
108 - Miscellaneous	3,710	15	14	247
Portable Toilet				
901 - Miscellaneous	1,956	15	5	1,304
Gregoris Park- Portable Toilet				
Sub-total Prado Park	49,335			11,408
00029 - Pool				
04000 - Structural Repairs				
304 - Trellis	16,184	20	14	4,855
550 sf Pool Trellis				
310 - Trellis	12,631	20	3	10,736
450 sf Pool Shade Structure				
05000 - Roofing				
680 - Pitched: Dimensional Composition	928	25	10	557
Pool Equipment Structure				
08000 - Rehab				
210 - Bathrooms	50,850	20	4	40,680
2 Pool Bathrooms				
12000 - Pool				
110 - Resurface	25,426	12	6	12,713
148 lf Pool				
700 - Equipment: Replacement	2,581	5	4	516
Pool (50%)				
930 - Furniture: Misc	2,360	3	1	1,573
Pool (33%)				
940 - Furniture: Umbrellas	1,250	5	0	1,250
5 Shade Umbrellas				
990 - Miscellaneous	3,018	20	9	1,660
4 Pool Area Shade Structures				
994 - Miscellaneous	3,018	20	19	151
4 Pool Area Shade Structures- 2022/2023				
19000 - Fencing				
200 - Gates	3,080	30	10	2,053
6 Pool Area Gates				
26000 - Outdoor Equipment				
104 - Tot Lot: Play Equipment	16,491	15	7	8,795
Pool Area Lawn				
108 - Tot Lot: Safety Surface	2,365	3	0	2,365
40 Cu. Yds. Pool Area- Playground Bark				
200 - Pedestal Grill BBQ	1,437	12	4	958
3 Pool Area				

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<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2023/2024 Fully Funded Balance</i>
00029 - Pool				
26000 - Outdoor Equipment				
280 - Picnic Tables 2 Pool	1,917	20	3	1,629
870 - Miscellaneous Soda Machine	2,303	10	7	691
910 - Miscellaneous Courtyard Fountain	1,403	30	10	935
Sub-total Pool	147,242			92,119
00032 - Hacienda Support				
08000 - Rehab				
104 - General Tuff Shed	3,539	20	1	3,362
180 - Doors Pavilion Double Doors	3,933	10	8	787
19000 - Fencing				
110 - Chain Link: 6' 1,606 lf Perimeter Areas	37,929	30	5	31,607
23000 - Mechanical Equipment				
860 - Septic System Repairs/Maintenance	11,985	15	0	11,985
26000 - Outdoor Equipment				
840 - Shade Structure White Canopy	615	10	8	123
890 - Miscellaneous BBQ Trailer	1,917	20	3	1,629
28000 - Water System				
100 - Distribution Line Repl. Well-Hacienda Main Water Supply	1,635	20	16	327
130 - Backflow Valves Pump House Backflow	2,314	20	9	1,272
990 - Miscellaneous Pump House- Ongoing Repairs	5,194	6	2	3,463
994 - Miscellaneous Pumphouse- Major Repairs/Replacement	22,134	14	10	6,324
30000 - Miscellaneous				
810 - Maintenance Equipment Riding Lawn Mower	3,286	15	2	2,848
812 - Tractor Massey Ferguson Tractor	44,936	20	10	22,468
820 - Vehicle Kawasaki Mule	6,910	15	12	1,382
Sub-total Hacienda Support	146,325			87,577
00036 - Barn				
04000 - Structural Repairs				
910 - Building Maintenance 1,056 sf Barn Structure	23,350	30	1	22,572
30000 - Miscellaneous				
990 - Trailer Utility Trailer	1,917	20	3	1,629
Sub-total Barn	25,266			24,201
				[A]
Totals	1,128,594			634,395
				[EndBal]
				[A]
Percent Funded				101.79%

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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 **2-1/2%** 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 June 30, 2024 totaled **\$625,701**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$634,000**. The portion of **2025 regular assessments** budgeted to be allocated to the replacement fund totals **\$20,000**.

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