

Financial Statement Review (Required Civil Code Sec. 4525)
Woodlake Condominium Association

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WOODLAKE ASSOCIATION

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

YEARS ENDED JULY 31, 2024 AND 2023

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

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WOODLAKE ASSOCIATION

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YEARS ENDED JULY 31, 2024 AND 2023**

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LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants

100 Montgomery Street, Suite 715
San Francisco, CA 94104

INDEPENDENT AUDITOR'S REPORT

Board Of Directors
Woodlake Association
San Mateo, California

Opinion

We have audited the accompanying financial statements of **Woodlake Association** (the Association), which comprise the balance sheets as of July 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of July 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Woodlake Association** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Woodlake Association's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Woodlake Association's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Woodlake Association's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Future Major Repairs and Replacements

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

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

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



August 29, 2024

WOODLAKE ASSOCIATION

BALANCE SHEETS JULY 31, 2024 AND 2023

	2024		2023	
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	\$ 778,314	\$ 4,446,139	\$ 5,224,453	\$ 4,394,601
Investment in certificates of deposit (Note 2)		2,170,784	2,170,784	2,900,956
Assessments receivable, less allowance for doubtful accounts of \$33,000 and \$17,000, respectively (Note 2)	34,389		34,389	39,047
Other receivable				4,683
Prepaid insurance	739,437		739,437	69,119
Other prepaid expenses	72,553		72,553	46,278
Total assets	<u>\$ 1,624,693</u>	<u>\$ 6,616,923</u>	<u>\$ 8,241,616</u>	<u>\$ 7,454,684</u>
LIABILITIES				
Accounts payable	\$ 184,214	\$ 10,710	\$ 194,924	\$ 172,372
Assessments paid in advance	175,244		175,244	139,071
Vacation payable	75,480		75,480	75,480
Deferred cable revenue (Note 7)	34,190		34,190	13,626
Income taxes payable	17,013	22,552	39,565	13,837
Payroll payable	74,762		74,762	174,858
Due to (due from) other fund	1,097,689	(1,097,689)		
Contract liabilities - replacement reserve assessments paid in advance (Notes 2 and 4)		7,681,350	7,681,350	6,663,230
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	<u>1,658,592</u>	<u>6,616,923</u>	<u>8,275,515</u>	<u>7,252,474</u>
COMMITMENTS (NOTE 7)	-	-	-	-
FUND BALANCE (DEFICIT)	<u>(33,899)</u>	<u>-</u>	<u>(33,899)</u>	<u>202,210</u>
Total liabilities and fund balance	<u>\$ 1,624,693</u>	<u>\$ 6,616,923</u>	<u>\$ 8,241,616</u>	<u>\$ 7,454,684</u>

See independent auditor's report and accompanying notes.

WOODLAKE ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES YEARS ENDED JULY 31, 2024 AND 2023

	2024			2023
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments (Notes 2 and 4)	\$ 5,291,184	\$ 666,451	\$ 5,957,635	\$ 6,241,441
Bad debt recovery (expense)	(16,225)		(16,225)	14,000
Utility reimbursement assessments	773,585		773,585	785,167
Interest income (Note 2)	1,192	147,519	148,711	60,036
Advertising income	10,850		10,850	5,100
Cable income (Note 6)	55,554		55,554	48,779
Laundry income	97,885		97,885	88,933
Storage and rental income	104,870		104,870	93,908
Insurance claim settlements				4,967
Late charges and other income	109,693		109,693	126,399
Total revenues	6,428,588	813,970	7,242,558	7,468,730
EXPENSES				
<u>Administration</u>				
Income tax provision (Note 2)	26,817	35,548	62,365	22,747
Insurance	871,205		871,205	585,507
Legal and accounting	91,788		91,788	137,620
Management	570,167		570,167	695,544
Office, printing and postage	186,263		186,263	162,843
Reserve study				2,750
	1,746,240	35,548	1,781,788	1,607,011
<u>Maintenance and operations</u>				
Dryer vents	12,600	-	12,600	18,218
Electrical maintenance	12,631		12,631	16,659
Elevator maintenance	70,287		70,287	73,590
Facility inspections	3,294		3,294	8,728
Fire alarm and safety systems	96,449		96,449	67,710
HVAC maintenance	10,436		10,436	10,405
Janitorial services	34,353		34,353	40,336

See independent auditor's report and accompanying notes.

WOODLAKE ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JULY 31, 2024 AND 2023**

	2024			2023
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Maintenance and operations (continued)</u>				
Landscape maintenance	\$ 239,620	\$ -	\$ 239,620	\$ 198,019
Payroll, payroll taxes and benefits	2,098,838		2,098,838	1,976,394
Pest control	10,098		10,098	8,880
Plumbing maintenance	31,711		31,711	48,837
Pool and spa maintenance	25,433		25,433	29,248
Recreation facilities maintenance	15,850		15,850	13,948
Water damage repairs	7,534		7,534	26,058
Other maintenance and operations	152,366		152,366	149,808
	<u>2,821,500</u>	<u>-</u>	<u>2,821,500</u>	<u>2,686,838</u>
<u>Utilities</u>				
Garbage collection	176,543	-	176,543	180,173
Gas and electricity	1,612,312		1,612,312	1,651,015
Telephone	54,766		54,766	107,892
Water and sewer	382,579		382,579	334,750
	<u>2,226,200</u>	<u>-</u>	<u>2,226,200</u>	<u>2,273,830</u>
<u>Major repairs and replacements</u>				
Balconies, decks and patios	-	47,483	47,483	128,498
Building interior		29,819	29,819	115,227
Clubhouse		66,940	66,940	6,526
Elevator		49,513	49,513	31,238
Fire alarm and suppression		22,317	22,317	4,425
Floors and coverings				24,836
Furnishings and equipment		2,016	2,016	6,306
HVAC system		6,477	6,477	11,288
Landscaping, trees and irrigation		92,884	92,884	92,347
Lighting and electrical systems		3,251	3,251	131,291
Office remodel		165,354	165,354	243,232

See independent auditor's report and accompanying notes.

WOODLAKE ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JULY 31, 2024 AND 2023**

	2024			2023
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Major repairs and replacements (continued)</u>				
Paving and concrete	\$ -	\$ 22,040	\$ 22,040	\$ 68,509
Plumbing and hot water system		136,780	136,780	165,518
Pool and spa		41,108	41,108	65,408
Roofs				10,298
Siding and trim				3,160
Signage and directories		3,261	3,261	31,366
Tennis courts		26,370	26,370	
Other major repairs and replacements		62,809	62,809	25,588
	-	778,422	778,422	1,165,061
 Total expenses	 6,793,940	 813,970	 7,607,910	 7,732,740
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	 (365,352)	 -	 (365,352)	 (264,010)
 BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	 129,243	 -	 129,243	 4,296
 FUND BALANCE (DEFICIT), BEGINNING OF YEAR (NOTE 8)	 <u>202,210</u>	 <u>-</u>	 <u>202,210</u>	 <u>461,924</u>
 FUND BALANCE (DEFICIT), END OF YEAR	 <u>\$ (33,899)</u>	 <u>\$ -</u>	 <u>\$ (33,899)</u>	 <u>\$ 202,210</u>

See independent auditor's report and accompanying notes.

WOODLAKE ASSOCIATION

STATEMENTS OF CASH FLOWS YEARS ENDED JULY 31, 2024 AND 2023

	2024		2023	
	Operations Fund	Replacement Fund	Total Funds	Total Funds
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ (365,352)	\$ -	\$ (365,352)	\$ (264,010)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Bad debt (recovery) expense	16,225	-	16,225	(14,000)
Decrease (increase) in assets:				
Assessments receivable	(11,567)		(11,567)	17,070
Other receivable		4,683	4,683	(4,683)
Prepaid insurance	(670,318)		(670,318)	(24,369)
Prepaid income taxes				15,747
Other prepaid expenses	(26,275)		(26,275)	34,772
Increase (decrease) in liabilities:				
Accounts payable	43,242	(20,690)	22,552	(80,812)
Vacation payable				6,905
Assessments paid in advance	36,173		36,173	48,345
Deferred cable revenue	20,564		20,564	(14,865)
Income taxes payable	13,139	12,589	25,728	13,837
Payroll payable	(100,096)		(100,096)	10,861
Due to (due from) other fund	1,114,689	(1,114,689)		
Contract liabilities - replacement reserve assessments paid in advance		1,018,120	1,018,120	479,943
Total adjustments	435,776	(99,987)	335,789	488,751
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	70,424	(99,987)	(29,563)	224,741
INVESTING ACTIVITIES				
Net (purchase) sale of certificates of deposit	-	730,172	730,172	(933,744)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	730,172	730,172	(933,744)

See independent auditor's report and accompanying notes.

WOODLAKE ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2024 AND 2023**

	<u>2024</u>		<u>2023</u>	
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 70,424	\$ 630,185	\$ 700,609	\$ (709,003)
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	129,243	-	129,243	4,296
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>578,647</u>	<u>3,815,954</u>	<u>4,394,601</u>	<u>5,099,308</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 778,314</u>	<u>\$ 4,446,139</u>	<u>\$ 5,224,453</u>	<u>\$ 4,394,601</u>
<u>Supplemental Disclosures</u>				
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 13,678</u>	<u>\$ 22,959</u>	<u>\$ 36,637</u>	<u>\$ (6,837)</u>

See independent auditor's report and accompanying notes.

WOODLAKE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2024 AND 2023

1. THE ASSOCIATION

Woodlake Association (the Association) is a common interest development located in San Mateo, California which consists of 990 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in April 1987 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assessments. Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. The Association's policy is to account for reserve fund expenditures using reserve fund assessments before reserve fund interest income.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The estimate of allowance for doubtful accounts, if any, is based, generally on 75% of amounts past due greater than 90 to 120 days.

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

See independent auditor's report.

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Concentrations of credit risk. Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of July 31, 2024 totaled approximately \$1,418,000.

Contract liabilities - replacement reserve assessments paid in advance. The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability - replacement reserve assessments paid in advance is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

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

Fund accounting. The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at a flat 21% rate on net nonmember income; in the latter case it is taxed at a flat 30% rate on net nonexempt function income (which is generally similar to net nonmember income). California income tax approximates 9% of net nonmember income.

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

Interest earned on operations and replacement funds, net of related income taxes, is retained in said respective funds. With the implementation of FASB ASC 606 new accounting guidance, reported replacement reserve interest income may be less than earned.

Investments consist of federally-insured certificates of deposit stated at market value which approximates cost.

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

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board Of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 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).

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2024 AND 2023

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 August 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 August 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 Fund	Replacement Fund	Total Funds
Assessment revenues <u>per budget</u>	\$ 5,291,184	\$ 1,800,000	\$ 7,091,184
Reclassify interfund transfers	-	(129,243)	(129,243)
Reclassify unrealized gains (losses)	-	13,814	13,814
Adjust revenues to equal expenses	-	(1,018,120)	(1,018,120)
Total effects of new guidance	-	(1,133,549)	(1,133,549)
Assessment revenues <u>per financial statements</u>	<u>\$ 5,291,184</u>	<u>\$ 666,451</u>	<u>\$ 5,957,635</u>

<u>2022-2023 Assessment Revenues Reconciliation</u>	Operations Fund	Replacement Fund	Total Funds
Assessment revenues <u>per budget</u>	\$ 5,118,936	\$ 1,596,000	\$ 6,714,936
Effects of applying new guidance			
Reclassify interfund transfers	-	(4,296)	(4,296)
Reclassify unrealized gains (losses)	-	10,744	10,744
Adjust revenues to equal expenses	-	(479,943)	(479,943)
Total effects of new guidance	-	(473,495)	(473,495)
Assessment revenues <u>per financial statements</u>	<u>\$ 5,118,936</u>	<u>\$ 1,122,505</u>	<u>\$ 6,241,441</u>

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2024 AND 2023

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. DEFERRED CABLE REVENUE

In 2023 the Association entered into an agreement with Comcast Of California, Inc. to provide broadband communication services to the project for a period of five years. In return, Comcast has paid the Association \$44,595 which will be recognized as income over the term of the agreement.

In exchange for marketing support during the term of the agreement, Comcast also agreed to pay the Association a percentage of multiple services revenue and Comcast paid the Association \$11,439 and \$10,720 for the years ended July 31, 2024 and 2023, respectively.

7. MISAPPROPRIATION OF ASSETS

In September 2013 the Association became aware of a potential misappropriation of assets by Ms. Susan Lambert, the former general manager. The Association has received \$972,936 in insurance proceeds as of July 31, 2018 and has filed further claims with its insurance carrier related to this matter. In September 2015 the San Mateo District Attorney's office filed criminal charges against the former general manager and in June 2016, the District Attorney's office filed criminal charges against Mr. Michael Medeiros, the painting contractor. The complaint alleges that the former general manager embezzled approximately \$2.8 million with the assistance of the painting contractor over a period of approximately six years up through the date of the former general manager's termination. On September 27, 2016 the former general manager pled guilty to one count of felony embezzlement and one count of felony forgery, with special allegations that the amounts exceeded \$1,000,000. The criminal trial against the painting contractor took place between April 25, 2018 and May 11, 2018, when the jury returned a verdict of guilty on all counts, and that the special enhancement allegations of excessive loss, aggravated white collar crime and a taking of property in excess of \$1,300,000 were found true. On September 14, 2018, the painting contractor was sentenced to a total prison term of seven (7) years and ordered to pay restitution to the Association in the sum of \$3,266,000 jointly and severally with the former general manager.

See independent auditor's report.

WOODLAKE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023**

8. PRIOR PERIOD ADJUSTMENT

The balance sheets at the beginning of the years ended July 31, 2024 and 2023 have been restated to adjust fund balances for understated payroll payable at those dates. Accordingly, the beginning fund balances have been restated as follows:

	Year Ended 07-31-24	Year Ended <u>07-31-23</u>
FUND BALANCE (DEFICIT) BEGINNING OF YEAR		
As previously reported	\$ 310,421	\$ 570,135
Adjustment for understated payroll	<u>(108,211)</u>	<u>(108,211)</u>
As restated	<u>\$ 202,210</u>	<u>\$ 461,924</u>

9. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 29, 2024, the date that the financial statements were available to be issued.

See independent auditor's report.

Order: GHSYBW8GK
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WOODLAKE ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JULY 31, 2024
(UNAUDITED)**

The following information on common area major components was compiled by Applied Reserve Analysis of San Rafael, California as of April 2024 and has served as the basis for the current estimates of replacement reserve funding:

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance
Building Exteriors						
101	Flat Roof - Replace (Bldgs A-F) (pp. 34)	25	17	Approx 360,000 Square ft.	\$1,620,000	\$518,400
102	Flat Roof - Replace (Townhouses) (pp. 35)	25	20	Approx 61,000 Square ft.	\$325,000	\$65,000
104	Clubhouse Roofing - Replace (pp. 36)	30	0	Approx 11,000 Square ft.	\$55,000	\$55,000
105	Skylights (Pool House) - Replace (pp. 37)	30	0	(2) 4x4 Skylights	\$1,800	\$1,800
201	Stucco Siding - Repaint (pp. 38)	12	5	Approx 362,000 Square ft.	\$1,176,500	\$686,292
202	Wood Surfaces - Repaint (pp. 39)	6	0	Extensive amount	\$350,000	\$350,000
301	Stucco Siding - Repair (pp. 42)	12	5	Approx 362,000 Square ft.	\$150,000	\$87,500
302	Wood Surfaces - Repair (pp. 43)	6	0	Extensive amount	\$150,000	\$150,000
501	Glass Entry Doors - Partial Replacement (pp. 48)	10	0	Extensive amount	\$15,000	\$15,000
502	Utility Doors - Replace (pp. 49)	5	0	Extensive amount	\$6,000	\$6,000
504	Roof Access Doors - Replace (pp. 50)	1	0	(22) Metal doors	\$8,500	\$8,500
506	Phone Entry Panels - Replace (pp. 51)	20	0	(22) Panels	\$88,000	\$88,000
508	Stairwells - Clean (pp. 52)	5	0	Multiple stairwells	\$25,000	\$25,000
601	Penthouse Decking - Replace (pp. 53)	25	17	Approx 5,760 Square ft.	\$115,200	\$36,864
602	Clubhouse Balcony (Phase 1) - Repair/Replace (33%) (pp. 54)	25	14	Approx 2,700 Square ft.	\$111,375	\$49,005
603	Clubhouse Balcony (Phase 2) - Repair/Replace (33%) (pp. 55)	25	20	Approx 2,700 Square ft.	\$150,000	\$30,000
604	Clubhouse Balcony (Phase 3) - Repair/Replace (33%) (pp. 56)	25	1	Approx 2,700 Square ft.	\$150,000	\$144,000
605	Clubhouse Atrium Decking - Replace (pp. 57)	30	0	Approx 440 Square ft.	\$13,200	\$13,200
606	Metal Railing (Phase 1) - 1 Time Replacement (pp. 58)	1TE	0	Approx 28,000 Linear ft.	\$1,500,000	\$1,500,000
606	Metal Railing (Phase 2) - 1 Time Replacement (pp. 59)	1TE	1	Approx 14,000 Linear ft.	\$1,500,000	\$750,000
606	Metal Railing (Phase 3) - 1 Time Replacement (pp. 60)	1TE	2	Approx 14,000 Linear ft.	\$1,500,000	\$500,000
607	Stairwells - 1 Time Railing Remediation (Phase 1) (pp. 61)	1TE	0	(15) Stairwells	\$112,500	\$112,500
607	Stairwells - 1 Time Railing Remediation (Phase 2) (pp. 62)	1TE	1	(15) Stairwells	\$112,500	\$56,250
607	Stairwells - 1 Time Railing Remediation (Phase 2) (pp. 62)	1TE	2	(17) Stairwells	\$127,500	\$42,500
608	Stairwells - 1 Time Structural Remediation (pp. 63)	1TE	0	(47) Stairwells	\$352,500	\$352,500

See independent auditor's report and accompanying notes.
Address: 801 N Humboldt St Apt 314

WOODLAKE ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JULY 31, 2024
(UNAUDITED)**

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance
609	Podium Decks - Waterproof (Phase 1) (pp. 65)	40	2	(2) Podiums	\$1,000,000	\$950,000
609	Podium Decks - Waterproof (Phase 2) (pp. 66)	40	5	(2) Podiums	\$1,000,000	\$875,000
609	Podium Decks - Waterproof (Phase 3) (pp. 67)	40	8	(2) Podiums	\$1,000,000	\$800,000
610	Balconies - Repair/Replacement (pp. 68)	40	0	Extensive balconies	\$500,000	\$500,000
610	Balconies - SB326 Inspections (Phase 1) (pp. 69)	9	8	Extensive balconies	\$120,000	\$13,333
610	Balconies - SB326 Inspections (Phase 2) (pp. 70)	9	0	Extensive balconies	\$140,000	\$140,000
1507	Indoor/Outdoor Carpet - Replace (pp. 152)	5	2	Approx 290 Square yds.	\$13,050	\$7,830
Subtotals:					\$13,488,625	\$8,929,474
Mechanical						
701	Boilers - Replace (Phase 1) (pp. 71)	25	24	(2) Boilers	\$109,000	\$4,360
701	Boilers - Replace (Phase 2) (pp. 72)	25	0	(2) Boilers	\$112,270	\$112,270
701	Boilers - Replace (Phase 3) (pp. 73)	25	1	(2) Boilers	\$115,638	\$111,012
701	Boilers - Replace (Phase 4) (pp. 74)	25	2	(2) Boilers	\$119,107	\$109,578
701	Boilers - Replace (Phase 5) (pp. 75)	25	3	(2) Boilers	\$122,680	\$107,958
702	Boiler Pumps/Motors - Replace (pp. 76)	10	0	(6) Pumps/motors	\$7,500	\$7,500
703	Water Heater - Replace (pp. 77)	20	16	(1) MVS	\$38,000	\$7,600
704	Water Tanks - Replace (pp. 78)	10	9	(12) Tanks	\$24,000	\$2,400
705	HVAC - Replace (pp. 79)	15	2	(7) Bryant units	\$24,500	\$21,233
706	HVAC - Replace (pp. 79)	20	8	(2) Reznor units	\$40,000	\$24,000
707	HVAC - Replace (pp. 79)	20	14	(20) Reznor units	\$400,000	\$120,000
708	Exhaust Fans - Partial Replace (pp. 80)	5	2	Extensive amount	\$5,000	\$3,000
709	Elevator Jacks - Replace (pp. 81)	30	11	(23) Jacks	\$1,150,000	\$728,333
710	Elevator Pumps - Replace (pp. 82)	20	1	(23) Pumps	\$920,000	\$874,000
711	Elevator Door Packages - Replace (pp. 83)	30	0	(6) Door systems	\$125,000	\$125,000
711	Elevator Door Packages - Replace (Completed) (pp. 84)	30	22	(17) Door systems	\$382,500	\$102,000
712	Elevator Cabs Buttons - Replace (pp. 85)	30	27	(17) Elevator cabs	\$180,000	\$18,000
712	Elevator Cabs Buttons - Replace (Completed) (pp. 86)	30	22	(6) Elevator cabs	\$63,600	\$16,960
713	Trash Compactor - Replace (pp. 87)	20	4	(1) Compactor	\$54,418	\$43,534
715	EV Charging Stations - Replace (pp. 88)	10	4	Multiple stations	\$32,200	\$19,320
2002	Plumbing (pp. 167)	1	0	Allowance	\$150,000	\$150,000

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WOODLAKE ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JULY 31, 2024
(UNAUDITED)**

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance
Subtotals:					\$4,175,413	\$2,708,060
Fencing						
1001	Wood Fencing - Replace (pp. 94)	20	0	Approx 250 Linear ft.	\$20,000	\$20,000
1002	Wood Privacy Fencing - Partial Replace (pp. 95)	5	0	Approx 1,350 Linear ft.	\$50,000	\$50,000
1003	Pedestrian Gates - Replace (pp. 96)	25	10	(10) Metal gates	\$10,000	\$6,000
1004	Metal Pool Fencing/Gates - Replace (pp. 97)	40	30	Approx 400 Linear ft.	\$60,000	\$15,000
1005	Chain Link Fencing - Replace (pp. 98)	40	14	Approx 1,400 Linear ft.	\$31,500	\$20,475
1006	Tennis Court Fencing - Replace (pp. 99)	40	14	Approx 900 Linear ft.	\$49,500	\$32,175
1007	Vehicle Gate - Replace (pp. 100)	40	21	(1) Metal gate	\$5,000	\$2,375
Subtotals:					\$226,000	\$146,025
Recreation						
1101	Main Pool - Resurface (pp. 101)	12	4	Approx 4,500 Square ft.	\$166,280	\$110,853
1102	Small Pools - Resurface (pp. 102)	12	5	Approx 4,750 Square ft.	\$71,250	\$41,563
1103	Spa - Resurface (pp. 103)	12	11	(1) 14' Dia.	\$27,817	\$2,318
1104	Main Pool Tile/Coping - Replace (pp. 104)	24	4	(1) Pool	\$101,339	\$84,449
1104	Spa Tile/Coping - Replace (pp. 105)	24	23	(1) Spa	\$23,311	\$971
1105	Small Pools Tile/Coping - Replace (pp. 106)	24	5	Approx 520 Linear ft.	\$36,400	\$28,817
1106	Main Pool Boiler - Replace (pp. 107)	15	11	(1) Riello	\$78,000	\$20,800
1107	Small Pool Heaters - Replace (pp. 108)	15	14	(5) Raypak heaters	\$20,000	\$1,333
1108	Spa Heater - Replace (pp. 109)	15	14	(1) Raypak	\$10,000	\$667
1109	Pool/Spa Filters - Replace (pp. 110)	15	14	(10) Pentair Triton II	\$24,000	\$1,600
1110	Pool/Spa Pumps - Replace (pp. 111)	10	9	(6) Pumps/motors	\$7,200	\$720
1111	Pool/Spa Chlorinators - Replace (pp. 112)	8	7	(7) Chlorinators	\$7,000	\$875
1112	Controller - Replace (pp. 113)	10	7	(1) Acu-Trol	\$3,000	\$900
1113	Pool Furniture - Replace (pp. 114)	20	13	extensive quantity	\$25,000	\$8,750
1114	Handicap Lift - Replace (pp. 115)	12	0	(1) Lift	\$6,500	\$6,500
1115	Pool Deck Pavers - Repair/Replace (pp. 116)	40	4	Extensive Square ft.	\$150,000	\$135,000
1116	Pool Shower - Replace (Operating Expense) (pp. 117)	N/A	0	(1) Shower	\$0	\$0
1117	Pool Trellis - Replace (pp. 118)	50	49	Aprox 840 Square ft.	\$53,000	\$1,060
1201	Tennis Court - Repair/Resurface (pp. 119)	5	4	Approx 23,000 Square ft.	\$27,600	\$5,520

See independent auditor's report and accompanying notes.

WOODLAKE ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JULY 31, 2024 (UNAUDITED)

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance
1203	Tennis Court Windscreen/Nets - Update (pp. 120)	10	9	Approx 900 Linear ft.	\$4,000	\$400
1205	Sports Court - Refinish (pp. 121)	10	9	Approx 800 Square ft.	\$5,000	\$500
1301	Play Structures - Replace (pp. 122)	20	15	(1) Big toy, (2) Small toys, (2) Tables	\$20,000	\$5,000
1302	Play Structure Base - Replenish (pp. 123)	5	3	Approx 700 Square ft.	\$3,500	\$1,400
1303	Wood Retaining Wall - Replace (pp. 124)	20	9	Approx 200 Square ft.	\$6,000	\$3,300
1304	Putting Green - Maintain (Operating Expense) (pp. 125)	N/A	0	(1) Putting green	\$0	\$0
1305	Drinking Fountains - Replace (pp. 126)	20	4	(4) Drinking fountains	\$5,600	\$4,480
1306	Foot Bridge - Repair/Replace (pp. 127)	20	0	(1) Metal frame w/ wood deck	\$4,000	\$4,000
1307	Benches - Partial Replace (pp. 128)	5	4	Extensive amount	\$2,500	\$500
1308	Trash Receptacles - Replace (Operating Expense) (pp. 129)	N/A	0	Moderate amount	\$0	\$0
1309	Pet Stations - Replace (Operating Expense) (pp. 130)	N/A	0	(10) Pet stations	\$0	\$0
1407	Clubhouse Kitchen - Remodel (pp. 137)	20	4	(1) Kitchen	\$37,500	\$30,000
1408	Clubhouse Furnishings - Replace (pp. 138)	15	5	Extensive amount	\$30,000	\$20,000
1409	Fitness Equipment - Replace (pp. 139)	20	4	See quantity breakdown	\$60,000	\$48,000
1410	Cardio Equipment - Replace (pp. 140)	7	1	See quantity breakdown	\$80,000	\$68,571
1411	Sauna Room - Refinish (pp. 141)	30	0	(2) Saunas	\$13,000	\$13,000
1412	Sauna Heater - Replace (pp. 142)	20	11	(2) Heaters	\$4,000	\$1,800
1413	Clubhouse Restrooms - Refurbish (pp. 143)	20	4	(2) Restrooms	\$55,000	\$44,000
1414	Men's Locker/Shower Room - Remodel (pp. 144)	25	19	(1) Men's Locker/Shower room	\$100,000	\$24,000
1416	Women's Locker/Shower Room - Remodel (pp. 146)	30	0	(1) Women's Locker/Shower room	\$200,000	\$200,000
Subtotals:					\$1,467,797	\$921,647
Building Interiors						
210	Interior Surfaces - Repaint (pp. 40)	10	4	Approx 320,000 Square ft.	\$120,000	\$72,000
211	Interior Lobby Surfaces - Repaint (pp. 41)	10	4	(6) Lobbies	\$15,000	\$9,000
901	Fire Protection Panels - Replace (pp. 91)	25	18	(6) Panels	\$175,000	\$49,000
902	Extinguishers - Partial Replace (pp. 92)	10	9	Extensive amount	\$5,000	\$500
903	Exit Signs/Lights - Replace (pp. 93)	20	0	(264) Fixtures	\$66,000	\$66,000
1401	Administrative Offices - Remodel (pp. 131)	20	19	Extensive area	\$150,000	\$7,500

See independent auditor's report and accompanying notes.

WOODLAKE ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JULY 31, 2024
(UNAUDITED)**

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance
1402	Lobby Furnishings - Replace (pp. 132)	20	5	Assorted furnishings	\$50,000	\$37,500
1403	Staff Restrooms - Refurbish (pp. 133)	20	0	(6) Restrooms	\$9,000	\$9,000
1404	Laundry Rooms (Phase 1) - Refurbish (pp. 134)	20	18	(15) Laundry rooms	\$75,000	\$7,500
1405	Laundry Rooms (Phase 2) - Refurbish (pp. 135)	20	19	(15) Laundry rooms	\$75,000	\$3,750
1406	Laundry Rooms (Phase 3) - Refurbish (pp. 136)	20	0	(14) Laundry rooms	\$70,000	\$70,000
1415	Mailboxes - Replace (pp. 145)	40	0	(132) Mailbox clusters	\$132,000	\$132,000
1420	Trash Chutes - Repair/Replace (pp. 147)	25	22	(22) Trash chutes	\$40,500	\$4,860
1501	Carpeting - Replace (pp. 148)	10	0	Approx 7,900 Square yds.	\$474,000	\$474,000
1502	Tile Flooring - Replace (Not Funded) (pp. 149)	N/A	0	Extensive square ft.	\$0	\$0
1503	Hardwood Flooring - Refinish (pp. 150)	10	3	Approx 3,500 Square ft.	\$21,000	\$14,700
1504	Fitness Room Flooring - Replace (pp. 151)	10	3	Approx 2,200 Square ft.	\$11,000	\$7,700
1601	Hallway Sconces - Replace (pp. 153)	30	1	(200) Fixtures	\$10,000	\$9,667
1603	Wall Mount Fixtures - Replace (pp. 154)	30	11	(872) Fixtures	\$130,800	\$82,840
1604	Ceiling Mount Fixtures - Replace (pp. 155)	10	5	(20) Fixtures	\$4,000	\$2,000
1605	Garage Ceiling Fixtures - Replace (pp. 156)	30	6	(875) Fixtures	\$87,500	\$70,000
Subtotals:					\$1,720,800	\$1,129,517
Grounds						
401	Asphalt - Major Rehab. (pp. 44)	40	14	Approx 176,000 Square ft.	\$880,000	\$572,000
402	Asphalt - Preventive Maintenance (pp. 45)	5	3	Approx 176,000 Square ft.	\$70,400	\$28,160
403	Asphalt Path - Repair/Seal Coat (pp. 46)	5	3	Approx 16,000 Square ft.	\$7,000	\$2,800
404	Concrete/Stairs - Repair/Replace (pp. 47)	5	1	Stairs, sidewalks, curbing, etc.	\$137,500	\$110,000
609	Composite Decking - Replace (pp. 64)	30	8	Approx 1,200 Square ft.	\$24,000	\$17,600
801	Entry Sign - Replace (pp. 89)	20	3	(1) Entry sign	\$7,000	\$5,950
802	Signage - Replace (pp. 90)	10	6	Assorted signage	\$5,000	\$2,000
1606	Tennis Court Lights - Replace (pp. 157)	25	20	(16) Tennis court lights	\$36,000	\$7,200
1607	Outdoor Lighting (Phase 1) - Replace (pp. 158)	25	21	Extensive lighting	\$200,000	\$32,000
1608	Outdoor Lighting (Phase 2) - Replace (pp. 159)	25	0	Extensive lighting	\$190,000	\$190,000

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WOODLAKE ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JULY 31, 2024
(UNAUDITED)**

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance
1609	Outdoor Lighting (Phase 3) - Replace (pp. 160)	25	3	Extensive lighting	\$200,000	\$176,000
1690	Landscape Lighting - Replace (pp. 161)	25	4	(30) Assorted fixtures	\$70,000	\$58,800
1701	Irrigation System - Repair (pp. 162)	5	4	Extensive system	\$25,000	\$5,000
1702	Irrigation Controllers - Partial Replace (pp. 163)	4	3	Multiple controllers	\$3,000	\$750
1706	Backflow Devices - Replace (pp. 164)	25	0	(8) Backflow devices	\$16,000	\$16,000
1801	Landscaping/Trees - Renovate (pp. 165)	2	1	Extensive areas	\$100,000	\$50,000
1901	Utility Vehicles - Partial Replace (pp. 166)	3	2	(14) Vehicles	\$15,000	\$5,000
Subtotals:					\$1,985,900	\$1,279,260
Lake						
2201	Lake De-Silting - Perform (pp. 168)	20	19	Approx 28,000 Square ft.	\$90,000	\$4,500
Subtotals:					\$90,000	\$4,500
Grand Total:					\$23,154,535	\$15,118,484

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 **after-tax interest rate** of **-1/2-%** on replacement fund cash balances and an annual **inflation rate** of **4%** on major component replacement costs. The replacement fund **cash** and investment balances at July 31, 2024 totaled **\$6,616,923**. The estimated **liability** for major repairs and replacements at **this date** totaled approximately **\$15,118,000** which indicates an **approximate 44% funded**. The portion of **2025** regular **assessments** budgeted to be allocated to the replacement fund totals **\$1,800,000**.

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