

Financial Statements

CANYON LAKE
PROPERTY OWNERS'
ASSOCIATION

APRIL 30, 2021

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Canyon Lake Property Owners Association
Canyon Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of Canyon Lake Property Owners Association, which comprise the balance sheet as of April 30, 2021, and the related statement of comprehensive income, changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors and Members
Canyon Lake Property Owners Association
Canyon Lake, California

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canyon Lake Property Owners Association as of April 30, 2021, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brabo & Carlson, LLP

August 3, 2021

Palm Springs, California

CANYON LAKE PROPERTY OWNERS ASSOCIATION

BALANCE SHEET

APRIL 30, 2021

ASSETS

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
ASSETS					
Cash	\$ 6,956,458	\$ 36,835	\$ 901,885	\$ 6,097,314	\$ 13,992,492
Certificates of deposit	-	-	235,000	235,000	470,000
Investments, net of unrealized gain	-	932,836	7,169,941	4,828,752	12,931,529
Assessments and fines receivable, net of allowance for doubtful accounts of \$577,241	1,008,381	-	-	-	1,008,381
Interest receivable	-	3,642	24,038	9,164	36,844
Inventory	48,355	-	-	-	48,355
Prepaid expenses	358,695	-	-	-	358,695
Other assets	207,221	-	-	-	207,221
Inter-fund receivable/(payable)	237,724	1,181,631	65,044	(1,484,399)	-
Property and equipment, net of accumulated depreciation of \$8,035,164	6,096,492	-	-	-	6,096,492
	<u>\$ 14,913,326</u>	<u>\$ 2,154,944</u>	<u>\$ 8,395,908</u>	<u>\$ 9,685,831</u>	<u>\$ 35,150,009</u>

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	\$ 1,153,980	\$ -	\$ -	\$ -	\$ 1,153,980
Accrued payroll	313,987	-	-	-	313,987
Prepaid assessments	2,745,821	-	-	-	2,745,821
Other accrued liabilities	175,729	-	-	-	175,729
Refundable member deposits	426,292	-	-	-	426,292
Income taxes payable	39,717	-	-	-	39,717
Construction defect liability	-	-	-	5,482,388	5,482,388
	<u>4,855,526</u>	<u>-</u>	<u>-</u>	<u>5,482,388</u>	<u>10,337,914</u>
FUND BALANCES					
Fund balance	10,057,800	2,165,334	8,347,099	4,194,093	24,764,326
Accumulated other comprehensive income (loss)	-	(10,390)	48,809	9,350	47,769
	<u>10,057,800</u>	<u>2,154,944</u>	<u>8,395,908</u>	<u>4,203,443</u>	<u>24,812,095</u>
	<u>\$ 14,913,326</u>	<u>\$ 2,154,944</u>	<u>\$ 8,395,908</u>	<u>\$ 9,685,831</u>	<u>\$ 35,150,009</u>

The accompanying notes are an integral part of these financial statements.

CANYON LAKE PROPERTY OWNERS ASSOCIATION

**STATEMENT OF REVENUES, EXPENSES, COMPREHENSIVE INCOME AND
CHANGES IN FUND BALANCES**

YEAR ENDED APRIL 30, 2021

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
REVENUES					
Member assessments	\$ 11,652,000	\$ 1,200,000	\$ 2,276,000	\$ 1,000,000	\$ 16,128,000
Interest income	17,558	19,673	137,409	78,925	253,565
Administrative fees	908,657	-	-	-	908,657
Architectural and building fees	150,684	-	-	-	150,684
Sales and user fees	4,014,021	-	-	-	4,014,021
Other income	681,997	-	-	-	681,997
Realized gain on investments	-	8,372	45,236	28,241	81,849
SBA loan forgiveness - PPP funds	1,103,000	-	-	-	1,103,000
	<u>18,527,917</u>	<u>1,228,045</u>	<u>2,458,645</u>	<u>1,107,166</u>	<u>23,321,773</u>
EXPENSES					
Salaries and related expenses	5,936,996	-	-	-	5,936,996
Outside services	3,236,667	-	-	-	3,236,667
Lake lease	1,557,234	-	-	-	1,557,234
Utilities	1,441,533	-	-	-	1,441,533
Repairs and maintenance	1,703,097	-	-	-	1,703,097
Supplies	518,699	-	-	-	518,699
Rental equipment	16,700	-	-	-	16,700
Property taxes	31,730	-	-	-	31,730
Income taxes	64,008	-	-	-	64,008
Cost of goods sold	622,146	-	-	-	622,146
General and administrative	458,479	2,882	13,568	5,259	480,188
Insurance	547,704	-	-	-	547,704
Legal fees	661,642	-	-	-	661,642
Bad debt expense	169,491	-	-	-	169,491
Events	80,074	-	-	-	80,074
Contingency	93	-	-	-	93
Capital improvement expenses	-	512,154	-	-	512,154
Major repairs and replacements	-	-	297,064	1,387,591	1,684,655
	<u>17,046,293</u>	<u>515,036</u>	<u>310,632</u>	<u>1,392,850</u>	<u>19,264,811</u>
Excess (deficiency) of revenues over expenses before depreciation	<u>1,481,624</u>	<u>713,009</u>	<u>2,148,013</u>	<u>(285,684)</u>	<u>4,056,962</u>
Depreciation	<u>323,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,871</u>
Excess (deficiency) of revenues over expenses	<u>1,157,753</u>	<u>713,009</u>	<u>2,148,013</u>	<u>(285,684)</u>	<u>3,733,091</u>
OTHER COMPREHENSIVE INCOME					
Unrealized losses on investments	-	(20,960)	(34,391)	(5,845)	(61,196)
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,157,753</u>	<u>\$ 692,049</u>	<u>\$ 2,113,622</u>	<u>\$ (291,529)</u>	<u>\$ 3,671,895</u>
FUND BALANCES, beginning of the year	\$ 7,129,854	\$ 1,462,895	\$ 8,052,479	\$ 4,494,972	\$ 21,140,200
COMPREHENSIVE INCOME					
Excess (deficiency) of revenues over expenses	1,157,753	713,009	2,148,013	(285,684)	3,733,091
Unrealized losses on investments	-	(20,960)	(34,391)	(5,845)	(61,196)
TOTAL COMPREHENSIVE INCOME	<u>1,157,753</u>	<u>692,049</u>	<u>2,113,622</u>	<u>(291,529)</u>	<u>3,671,895</u>
Inter-fund transfers	<u>1,770,193</u>	<u>-</u>	<u>(1,770,193)</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of the year	<u>\$ 10,057,800</u>	<u>\$ 2,154,944</u>	<u>\$ 8,395,908</u>	<u>\$ 4,203,443</u>	<u>\$ 24,812,095</u>

The accompanying notes are an integral part of these financial statements.

CANYON LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF CHANGES IN FUND BALANCE

YEAR ENDED APRIL 30, 2021

	Fund Balances, Beginning of the Year			Year Ended April 30, 2021			Fund Balances, End of the Year		
	Fund Balances	Accumulated Other Comprehensive Income	Total Funds	Excess (Deficiency) of Revenues Over Expenses	Unrealized Losses	Inter-fund Transfers	Fund Balances	Accumulated Other Comprehensive Income/(Loss)	Total Funds
Operating Fund	\$ 7,129,854	\$ -	\$ 7,129,854	\$ 1,157,753	\$ -	\$ 1,770,193	\$ 10,057,800	\$ -	\$ 10,057,800
Capital Improvement Fund	1,452,325	10,570	1,462,895	713,009	(20,960)	-	2,165,334	(10,390)	2,154,944
Repair Replacement Fund	7,969,279	83,200	8,052,479	2,148,013	(34,391)	(1,770,193)	8,347,099	48,809	8,395,908
Road Reserve Fund	4,479,777	15,195	4,494,972	(285,684)	(5,845)	-	4,194,093	9,350	4,203,443
	<u>\$ 21,031,235</u>	<u>\$ 108,965</u>	<u>\$ 21,140,200</u>	<u>\$ 3,733,091</u>	<u>\$ (61,196)</u>	<u>\$ -</u>	<u>\$ 24,764,326</u>	<u>\$ 47,769</u>	<u>\$ 24,812,095</u>

The accompanying notes are an integral part of these financial statements.

CANYON LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2021

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
NET CASH FLOW FROM OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenses	\$ 1,157,753	\$ 692,049	\$ 2,113,622	\$ (291,529)	\$ 3,671,895
Adjustments to reconcile net revenues over expenses to net cash flow from operating activities:					
Depreciation	323,871	-	-	-	323,871
Gain on sale of assets	(6,815)	-	-	-	(6,815)
Unrealized (gain)/loss on investments	-	20,960	34,391	5,845	61,196
(Increase) Decrease in:					
Assessments and fines receivable	(17,568)	-	-	-	(17,568)
Interest receivable	-	(784)	9,023	9,242	17,481
Inventory	1,220	-	-	-	1,220
Prepaid expenses	(86,879)	-	-	-	(86,879)
Other assets	(50,207)	-	-	-	(50,207)
Inter-fund receivable/payable	465,408	(687,847)	(208,744)	431,183	-
Increase (Decrease) in:					
Accounts payable	283,479	-	-	-	283,479
Accrued payroll	73,005	-	-	-	73,005
Prepaid assessments	1,272,219	-	-	-	1,272,219
Other accrued liabilities	17,705	-	-	-	17,705
Refundable member deposits	83,146	-	-	-	83,146
Income taxes payable	36,702	-	-	-	36,702
Construction defect liability	-	-	-	(33,844)	(33,844)
Net cash provided by operating activities	3,553,039	24,378	1,948,292	120,897	5,646,606
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of certificates of deposit	-	470,000	940,000	933,000	2,343,000
Sale (purchase) of investments	-	(484,638)	(299,815)	(468,211)	(1,252,664)
Proceeds from sale of assets	6,815	-	-	-	6,815
Purchase of property and equipment	(1,787,079)	-	-	-	(1,787,079)
Net cash provided (used) by investing activities	(1,780,264)	(14,638)	640,185	464,789	(689,928)
CASH FLOWS FROM FINANCING ACTIVITIES					
SBA loan forgiveness - PPP funds	(1,103,000)	-	-	-	(1,103,000)
Inter-fund transfers	1,770,193	-	(1,770,193)	-	-
Net cash provided (used) by financing activities	667,193	-	(1,770,193)	-	(1,103,000)
Net increase in cash	2,439,968	9,740	818,284	585,686	3,853,678
CASH, beginning of the year	4,516,490	27,095	83,601	5,511,628	10,138,814
CASH, end of the year	\$ 6,956,458	\$ 36,835	\$ 901,885	\$ 6,097,314	\$ 13,992,492

**SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION**

Cash paid during the year for:

Income taxes

\$ 20,615

The accompanying notes are an integral part of these financial statements.

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

APRIL 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Canyon Lake Property Owners Association was organized as a not-for-profit corporation for purposes of maintaining and preserving common property within the development. The development consists of 4,800 residential lots located in Canyon Lake, California. The Association began its operations in May 1968.

Accounting Method

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure 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 the following funds established according to their nature and purpose:

Operating Fund - This is used to account for financial resources available for the general operations of the Association.

Capital Improvement Fund - This fund is used to accumulate financial resources for projects designated by the Board of Directors, primarily for parks and recreation facilities.

Repair and Replacement Fund - This fund is used to accumulate financial resources designated for future repairs and replacements.

Road Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements for the common streets within the Association.

Investments

Investments consist of municipal bonds and corporate bonds that are held for an indefinite period and thus classified as available for sale and recorded at market value.

Inventory

Inventory consists of food and beverage and gasoline at the campground, stated at the lower of cost or market using the average cost method.

Assessments Received in Advance

Assessments received in advance are treated as a current liability. The amounts are recognized as income in the appropriate period.

Common Area Property

Real property and common areas acquired from the developer and related improvements to the Association property are not recognized as assets, in conformity with industry standards. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for purposes of financial reporting.

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

APRIL 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased personal property and equipment are stated at cost. All assets are depreciated using the straight-line method over the estimated useful lives of the various classes of assets. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is computed over the following estimated useful lives:

Land and Improvements	5 - 30 years
Buildings	5 - 40 years
Machinery and equipment	3 - 10 years
Pool	7 - 30 years
Furniture and fixtures	5 - 40 years
Vehicles	5 years

Cash Equivalents

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

The Association is classified as a nonexempt membership organization for both Federal and California income tax purposes for the year ended April 30, 2021. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions and capital transactions.

For Federal tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses, and excess membership deductions may be carried forward to offset membership income of future periods. Any net membership income not applied to the subsequent year is subject to taxation. The Association files Form 1120, which had a tax rate of 21% in 2021 that was applied to net taxable income.

For California tax purposes, the Association also is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses. Any net membership income is not subject to taxation. The tax rate that is applied to net taxable income is 8.84%.

The Association's policy is to record income tax related interest and penalties in the replacement fund expenses. For the year ended April 30, 2021, there were no interest or penalties expense recorded and no accrued interest or penalties.

Date of Management's Review

Subsequent events have been evaluated through August 3, 2021, which is the date the financial statements were available to be issued.

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

APRIL 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Association's investments are measured using fair value measurements, which, among other things, establish a hierarchal framework for disclosure of and measurement of investments at fair value defined as Level I, II, and III inputs. These inputs are based on a number of factors, including the type of investment and the characteristics specific to the investment. The Association's investments are all considered to be Level I inputs as they are based on quoted market prices.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses, including depreciation and the allowance for doubtful accounts. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 1: OWNERS ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to paying assessments to fund the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Association management has considered the Financial Accounting Standards Board (FASB) guidance on Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC) and has concluded that association members do not qualify as customers according to the definition provided in the ASC. Assessment's receivable at April 30, 2021 represent assessments and other fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments, including liens on the owner's unit, foreclosing on the unit owner, or obtaining a judgment on other assets of the unit owner. The Association uses the allowance method for estimating uncollectable assessments.

Monthly assessments to the owners were \$280 in 2021, Of that amount, \$40 was designated to the replacement fund, \$17 to the road reserve fund and \$21 to the capital fund.

The annual budget and owner's assessments are determined and approved by the Board of Directors. The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

NOTE 2: INVENTORY

Inventory at April 30, 2021 are as follows:

Food and beverage	\$ 44,542
Gasoline - campground	<u>3,813</u>
	<u>\$ 48,355</u>

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

APRIL 30, 2021

NOTE 3: INVESTMENTS

Investments are stated at market value based on quoted market prices and are considered to be available for sale. The investments are comprised of municipal bonds and corporate bonds.

The Association's investments consisted of the following at April 30, 2021:

	<u>Market Value</u>	<u>Amortized Cost Basis</u>	<u>Unrealized Gain(Loss)</u>
Municipal bonds	\$ 4,538,748	\$ 4,503,588	\$ 35,160
Corporate bonds	<u>8,392,781</u>	<u>8,380,172</u>	<u>12,609</u>
Total investments	<u>\$12,931,529</u>	<u>\$12,883,760</u>	<u>\$ 47,769</u>

Included in other comprehensive income are unrealized losses of \$61,196 for the year ended April 30, 2021. Included in accumulated other comprehensive income are unrealized gains of \$47,769 as of April 30, 2021.

Maturities of the investments at April 30, 2021 are as follows:

	<u>Within Year</u>	<u>1 - 5 Years</u>	<u>Total</u>
Municipal bonds	\$1,461,289	\$ 3,077,459	\$ 4,538,748
Corporate bonds	<u>1,366,329</u>	<u>7,026,452</u>	<u>8,392,781</u>
	<u>\$2,827,618</u>	<u>\$10,103,911</u>	<u>\$12,931,529</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at April 30, 2021:

Land and improvements	\$ 6,831,302
Building	3,942,306
Machinery and equipment	1,864,193
Pools	563,868
Furniture and fixtures	641,257
Vehicles	288,730
Less: Accumulated depreciation	<u>(8,035,164)</u>
Net property and equipment	<u>\$ 6,096,492</u>

NOTE 5: SBA LOAN FORGIVNESS - PPP FUNDS

In April 2020, the Association applied for and was approved a \$1,103,000 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan with a maturity of two years from the date of the loan. The Association received notification of forgiveness in full of the loan in April 2021. The forgiven amount is reported as income on the statement of revenues, expenses, comprehensive income and changes in fund balances.

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

APRIL 30, 2021

NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The Board of Directors engaged an outside consultant to conduct a study completed in June 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The study is based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.0%, interest of 0.5%, and a tax rate of 30%, on amounts funded for future major repairs and replacements.

A separate study was conducted by pavement engineers to estimate the timing and cost of future repairs and replacements for 36 miles of 2-way common streets within the Association to estimate the remaining useful lives of the common streets for the next ten years.

The table included on page 13 in the unaudited supplementary information on future major repairs and replacements is based on the repair and replacement study other than the roads.

The Board is funding for major repairs and replacements including roads over the remaining useful lives of the components based on the Association's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, \$2,008,000 has been included in the 2021/2022 budget for major repairs and replacements and \$1,500,000 has been included in the 2021/2022 budget for roads. Because actual expenditures may vary from the estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 7: RETIREMENT PLAN

The Association sponsors a 401(k) plan which allows eligible employees to defer a portion of their salaries. The Association may make a discretionary matching contribution up to 4.0% of compensation. The Association made matching contributions of \$96,626 during the year ended April 30, 2021.

NOTE 8: OPERATING LEASE

The Association leases the Canyon Lake Reservoir for water recreation purposes. The agreement was implemented in March 2017 and extended through December 31, 2066. According to the agreement, the annual base lease amount in March 2017 of \$1,403,850 is to be paid with an annual cost increase calculation based on the Consumer Price Index (CPI).

Future minimum lease expense, excluding the annual CPI increase for the next 46 years is \$64,577,100. For the year ended April 30, 2021 the lake lease expense was \$1,557,234.

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

APRIL 30, 2021

NOTE 9: INTER-FUND TRANSFERS

During the year ended April 30, 2021, interfund transfers consisted of \$1,770,193 of personal property and equipment purchased by the replacement fund and capitalized in the operating fund.

NOTE 10: CONTINGENCIES

The Association is involved in various legal matters, however in the opinion of legal counsel, the likelihood of an unfavorable outcome cannot be determined with any degree of certainty. Accordingly, the Association has not accrued any potential loss contingency for those matters.

NOTE 11: CONCENTRATION OF CREDIT RISK

The Association maintains accounts with banks and brokerage firms. Interest bearing accounts at banks are insured by the Federal Deposit Insurance Corporation for up to \$250,000 at each institution and accounts at brokerage firms are insured up to \$500,000 (with a limit of \$250,000 for interest bearing cash accounts) by the Securities Investor Protection Corporation. Given the existing size of operations it is not unusual for this limit to be exceeded on a periodic basis. The Association is aware of this matter and evaluates alternatives for safeguarding cash while at the same time maximizing operational performance.

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

**SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

APRIL 30, 2021

(UNAUDITED)

The Board of Directors engaged an outside consultant to conduct a study completed in June 2021, to estimate the remaining useful lives and the replacement costs of the components of common property. The study is based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.0%, interest of 0.5%, and a tax rate of 30%, on amounts funded for future major repairs and replacements.

A separate study was conducted by pavement engineers to estimate the timing and cost of future repairs and replacements for 36 miles of 2-way common streets within the Association. It is estimated that the estimated replacement cost from 2021 – 2030 is \$25,400,000.

The following table is based on the repair replacement study and presents significant information about the components of common property other than the roads.

Components	Estimated Remaining Useful Lives (In Years)	Estimated Current Replacement Costs
Administration Building	0 - 24	\$ 1,479,695
Bluebird Hall	0 - 12	146,240
Campground	0 - 47	1,167,683
Country Club	0 - 21	912,180
Diamond Point	0 - 11	14,450
Docks	0 - 20	1,252,505
East Port	0 - 38	723,644
Entry Gates	0 - 26	1,425,282
Equestrian Center	0 - 24	830,966
Fairway Estates	1 - 29	128,750
Gault Field	0 - 24	555,590
Golf Course	0 - 28	6,925,536
Grounds	0 - 50	1,730,300
Holiday Harbor	0 - 23	510,800
Indian Beach	0 - 21	239,770
Lake	0 - 15	3,983,350
Lodge	0 - 25	2,130,723
Operations	0 - 27	221,568
Park Areas	0 - 30	783,239
Pool Area	0 - 35	726,254
Senior Center	0 - 22	268,401
Ski Slalom	0 - 23	51,409
Tennis Center	2 - 30	260,758
Vehicles	0 - 14	1,628,000
		<u>\$ 28,097,093</u>