

# LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

Tahoe City, California

COMPILED FINANCIAL FORECAST

For The Years Ending  
December 31, 2022 and 2021

INCLUDING  
FORECASTED SUPPLEMENTARY INFORMATION

# LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

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# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors  
Lake Forest Glen Homeowners Association

The Association is responsible for the accompanying forecast of Lake Forest Glen Homeowners Association, which is comprised of the statements of operating fund and replacement fund revenue and expenses and changes in fund equity for the years ending December 31, 2022 and 2021, and the forecasted balance sheets as of December 31, 2022 and 2021, and the forecasted statements of cash flows for the years ending December 31, 2022 and 2021, including the related schedule of operating expenses and summaries of significant assumptions and accounting policies, in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying supplementary information and required disclosures were prepared for the Association as required by California Civil Code. It should not be used for any other purpose.

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
November 19, 2021

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

COMPILED FINANCIAL FORECAST  
STATEMENTS OF OPERATING FUND REVENUE AND EXPENSES  
AND CHANGES IN FUND EQUITY - ACTUAL AND FORECAST

For the Years Ending December 31, 2022 and 2021  
and the Year Ended December 31, 2020 (historical)

( See Accountants' Compilation Report)

	Forecast 2022	Estimated Actual 2021	Audited Actual 2020
Revenue			
Members' dues	\$ 1,068,051	\$ 1,038,960	\$ 1,038,960
Less: Dues allocated to replacement fund	(347,541)	(412,502)	(400,176)
Other	10,200	10,000	13,133
Total Revenue	<u>730,710</u>	<u>636,458</u>	<u>651,917</u>
Expenses			
Landscaping	109,303	101,319	102,932
Utilities	57,700	57,660	55,530
Pool and tennis	81,720	79,603	63,073
Repairs and maintenance	166,081	131,713	134,568
Administration	315,905	266,163	238,591
Depreciation	9,124	9,124	10,818
Income tax provision	874	874	135
Total Expenses	<u>740,707</u>	<u>646,456</u>	<u>605,647</u>
Excess of Revenue Over (Under) Expenses	<span style="color: red;">(9,997)</span>	<span style="color: red;">(9,998)</span>	46,270
Operating Fund Balance - Beginning of Year	264,631	274,629	228,359
Add: Replacement Fund Expenses Capitalized	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Operating Fund Balance - End of Year	<u>\$ 254,634</u>	<u>\$ 264,631</u>	<u>\$ 274,629</u>
Members' dues per unit per month	<u>\$ 380</u>	<u>\$ 370</u>	<u>\$ 370</u>

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

COMPILED FINANCIAL FORECAST  
SCHEDULE OF EXPENSES - ACTUAL AND FORECAST

For the Years Ending December 31, 2022 and 2021  
and the Year Ended December 31, 2020 (historical)

( See Accountants' Compilation Report)

	Forecast 2022	Estimated Actual 2021	Audited Actual 2020
	<u>          </u>	<u>          </u>	<u>          </u>
Landscaping			
Salaries - foreman	\$ 34,498	\$ 33,374	\$ 34,757
Salaries - seasonal	50,654	47,146	51,871
Employer costs	12,901	12,199	7,706
Supplies	3,800	2,200	3,430
Pest control	7,000	6,000	4,418
Other	450	400	750
	<u>\$ 109,303</u>	<u>\$ 101,319</u>	<u>\$ 102,932</u>
Utilities			
Electricity	\$ 9,400	\$ 9,400	\$ 8,423
Gas	400	360	228
Garbage	47,000	47,000	45,965
Sewer	900	900	914
	<u>\$ 57,700</u>	<u>\$ 57,660</u>	<u>\$ 55,530</u>
Pool and Tennis			
Salaries - foreman	\$ 22,999	\$ 22,249	\$ 23,168
Salaries - other personnel	17,878	16,640	8,354
Employer costs	6,193	5,892	2,222
Maintenance	1,650	2,800	840
Supplies	7,500	6,500	6,545
Utilities	23,500	23,522	19,410
Other	2,000	2,000	2,534
	<u>\$ 81,720</u>	<u>\$ 79,603</u>	<u>\$ 63,073</u>

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

COMPILED FINANCIAL FORECAST  
SCHEDULE OF EXPENSES - ACTUAL AND FORECAST

For the Years Ending December 31, 2022 and 2021  
and the Year Ended December 31, 2020 (historical)

( See Accountants' Compilation Report)

	Forecast 2022	Estimated Actual 2021	Audited Actual 2020
Repairs and Maintenance			
Salaries - foreman	\$ 28,748	\$ 27,811	\$ 28,961
Salaries - seasonal	50,654	47,146	46,743
Employer costs	12,029	11,356	4,428
Painting labor & material	400	300	1,152
Road maintenance	200	200	-0-
Roofs/porches	200	-0-	-0-
Plumbing and sewer	1,800	1,800	2,528
Buildings/fences	4,000	4,400	5,210
Electrical	1,500	1,500	1,929
Snow removal contract	50,000	26,000	26,000
Snow removal in-house	1,000	600	1,779
Truck operation	11,250	7,200	11,292
Supplies	2,500	1,900	3,544
Other	1,800	1,500	1,002
	<u>\$ 166,081</u>	<u>\$ 131,713</u>	<u>\$ 134,568</u>
Administration			
Salaries - manager	\$ 28,748	\$ 27,811	\$ 28,961
Salaries - administrative assistant	46,260	41,600	35,501
Employee benefits & employer costs	46,005	43,452	32,822
Security	6,400	8,000	5,946
Accounting fees	25,000	24,000	25,894
Audit fees	4,100	4,000	4,450
Legal fees	2,500	11,500	1,855
Insurance	102,492	87,600	80,922
Copying and postage	3,000	3,000	5,488
Supplies	2,000	1,000	2,415
Telephone	5,400	5,200	7,251
Travel expense	8,000	1,000	1,060
Miscellaneous	36,000	8,000	6,026
	<u>\$ 315,905</u>	<u>\$ 266,163</u>	<u>\$ 238,591</u>

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

COMPILED FINANCIAL FORECAST  
STATEMENTS OF REPLACEMENT FUND REVENUE AND EXPENSES  
AND CHANGES IN FUND EQUITY - ACTUAL AND FORECAST

For the Years Ending December 31, 2022 and 2021  
and the Year Ended December 31, 2020 (historical)

( See Accountants' Compilation Report)

	Forecast 2022	Estimated Actual 2021	Audited Actual 2020
Revenue			
Dues allocated to replacement fund	\$ 347,541	\$ 412,502	\$ 400,176
Bank interest income	-0-	-0-	545
Total Revenue	<u>347,541</u>	<u>412,502</u>	<u>400,721</u>
Expenses			
Site improvements	150,000	97,392	25,620
Buildings/roofs	49,000	41,785	-0-
Roads	9,500	7,560	7,340
Pool/Spa	-0-	6,120	6,072
Tennis courts	-0-	-0-	-0-
Painting	112,500	107,137	-0-
Office	-0-	-0-	7,058
Trucks	70,000	33,510	-0-
Fencing	1,000	440	-0-
Income taxes	72	72	-0-
Total Expenses	<u>392,072</u>	<u>294,016</u>	<u>46,090</u>
Excess of Revenue Over (Under) Expenses	(44,531)	118,486	354,631
Replacement Fund Balance - Beginning of Year	<u>1,650,243</u>	<u>1,531,757</u>	<u>1,177,126</u>
Replacement Fund Balance - End of Year	<u>\$ 1,605,712</u>	<u>\$ 1,650,243</u>	<u>\$ 1,531,757</u>

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

COMPILED FINANCIAL FORECAST  
BALANCE SHEETS

December 31, 2022 and 2021

( See Accountants' Compilation Report)

	Forecast 12/31/2022	Estimated Actual 12/31/2021
<b>Assets</b>		
Cash and CDs - undesignated	\$ 504,576	\$ 509,611
Cash - designated for future replacements	1,605,712	1,650,243
CDs - designated for future replacements	-0-	-0-
Dues and other receivables	4,589	4,589
Due to/from other funds	-0-	-0-
Prepaid expenses	-0-	-0-
Equipment	177,086	177,086
Accumulated depreciation	(177,086)	(172,124)
<b>Total Assets</b>	<u><u>\$ 2,114,877</u></u>	<u><u>\$ 2,169,405</u></u>
<b>Liabilities and Members' Equity</b>		
<b>Liabilities</b>		
Accounts payable	\$ 12,459	\$ 12,459
Accrued liabilities	223,037	223,037
Dues paid in advance	19,035	19,035
<b>Total Liabilities</b>	<u><u>254,531</u></u>	<u><u>254,531</u></u>
<b>Members' Equity</b>		
Operating Fund Balance	254,634	264,631
Replacement Fund Balance	1,605,712	1,650,243
<b>Total Members' Equity</b>	<u><u>1,860,346</u></u>	<u><u>1,914,874</u></u>
<b>Total Liabilities and     Members' Equity</b>	<u><u>\$ 2,114,877</u></u>	<u><u>\$ 2,169,405</u></u>



LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

COMPILED FINANCIAL FORECAST  
STATEMENTS OF CASH FLOWS

For the Years Ending December 31, 2022 and 2021

( See Accountants' Compilation Report)

	Forecast 2022	Estimated Actual 2021
Net cash provided (used) by operating activities:		
Net Revenue Over (Under) Expenses:		
Operating fund	(\$ 9,997)	(\$ 9,998)
Replacement fund	(44,531)	118,486
	<u>(54,528)</u>	<u>108,488</u>
Adjustments:		
Depreciation	4,962	10,818
Change in dues receivable	-0-	-0-
Change in prepaid expenses	-0-	-0-
Change in accounts payable	-0-	-0-
Change in accrued liabilities	-0-	-0-
Change in dues billed in advance	-0-	-0-
	<u>4,962</u>	<u>10,818</u>
Net cash provided (used) by operating activities	<u>(49,566)</u>	<u>119,306</u>
Net cash provided (used) by investing activities:		
(Increase) decrease in CDs - designated	-0-	1,100,545
	<u>-0-</u>	<u>1,100,545</u>
Net increase (decrease) in cash	(49,566)	1,219,851
Cash beginning of year	<u>2,159,854</u>	<u>940,003</u>
Cash end of year	<u>\$ 2,110,288</u>	<u>\$ 2,159,854</u>
Cash is shown on the balance sheet as follows:		
Cash undesignated	\$ 504,576	\$ 509,611
Cash designated	1,605,712	1,650,243
	<u>\$ 2,110,288</u>	<u>\$ 2,159,854</u>

# LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

## SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

For the Years Ending December 31, 2022 and 2021

(See Independent Accountants' Compilation Report)

### 1. Organization

Lake Forest Glen Homeowners Association is an incorporated association of homeowners organized for the purpose of providing management, administration, maintenance, preservation, repair and operation of common areas at Lake Forest Glen in Tahoe City, California. The organization is supported by homeowners' assessments of the 234 units in the development.

### 2. Significant Accounting Policies

- A. The Association's governing documents provide certain guidelines for controlling its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts on the fund accounting basis. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

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

- B. Real property acquired from the developer and related improvements to such property are not reflected in the Association's financial statements. Those properties are owned in common by the individual unit owners and not by the Association. Common personal property, such as equipment, when acquired, is recorded at cost and depreciated on the straight-line method over its estimated useful life.
- C. Association members are subject to assessments billed monthly to provide funds for the Association's operating expenses and future major repairs and replacements. Assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy includes, among other things, assessing a late charge on delinquent assessments. An allowance for doubtful accounts is created when an account's collectibility is uncertain. Accounts are written off when the Association is notified that it is a bad debt, such as after a bankruptcy or foreclosure proceedings. The Association derives a significant portion of its revenue from assessments that are levied against each lot within the development.
- D. As mentioned in Note 2C. above, association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. The Association has evaluated the impact of FASB ASC 606, Revenue from Contracts with Customers, on its financial statements and has determined that the standard does not apply to transactions with its members related to assessments. Assessment revenue is recognized when earned. All revenues are recognized at amounts that are expected to be collected.
- E. The Association has elected to be taxed on net income as a homeowners association. Member non-exempt revenue can be offset by exempt non-member expenses. In general, assessments allocated for future major repairs and replacements can be set aside on a tax-

# LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

## SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES For the Years Ending December 31, 2022 and 2021

(See Independent Accountants' Compilation Report)

free basis if applicable guidelines are followed. Additionally, other amounts received by the Association, such as investment income, are taxed net of related expenses for federal and state purposes.

- F. It is the policy of the Association to record interest income earned on operating and replacement fund assets, if any, directly in the respective funds. Related income taxes are charged to that fund earning the interest.
- G. For purposes of the Statements of Cash Flows, cash is defined as amounts held in all checking and money market accounts.
- H. Dues paid in advance represents assessments received in the current period applicable to the following period.
- I. The carrying amounts of financial instruments, including cash, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.
- J. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

### 3. Maintenance Contracts

From time to time, the Association enters into contracts with outside companies to perform maintenance services of the common areas, recreation management and other services either specified in the contract or as requested by the Association. Routine maintenance is performed with in-house staff.

### 4. Replacement of Common Areas

The Association's CC&Rs provide for the Association to repair and restore common areas, primarily building components and roofs, asphalt, pools, tennis courts, painting, office equipment, trucks and fencing. It is the Association's present policy to fund replacement costs by accumulating a designated amount of assessments in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular assessments, to levy special assessments, or to delay major repairs and replacements until funds are available.

### 5. Interfund Activity

The Association maintains an operating fund and a replacement fund. The replacement fund assessments are collected by the operating fund and paid over to the replacement fund. At various times during the year, there is a receivable/payable (due to-due from) between the funds.

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

SUMMARY OF SIGNIFICANT ASSUMPTIONS  
AND ACCOUNTING POLICIES

For the Years Ending December 31, 2022 and 2021

(See Independent Accountants' Compilation Report)

6. Summary of Significant Assumptions

A. Nature of the Forecasted Financial Statements

The accompanying financial forecast for the years presented in comparative form presents, to the best of the Board of Directors' knowledge and belief, the Association's financial position, results of operations, and cash flows for the forecast period. Accordingly, the forecast reflects its judgment as of this forecast's date of the expected conditions and its expected course of action. The assumptions disclosed herein are those that the Board of Directors believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

B. 2021 Estimated Actual

The 2020 financial statements were audited by a certified public accountant. Nine months of 2021 historical information was combined with three months of estimated additional spending to arrive at the December 31, 2021, financial position and results of operations and cash flows for the year then ended.

C. 2022 Forecast

Revenues - Member assessments are the primary revenue source for the Association and, within some limits, decided upon by the Board of Directors. Other revenue was based on prior years' history. A 2.8% increase in assessments is scheduled for 2022.

Operating Expenses – Operating expenses are fairly predictable. They are driven by vendor contracts, utility rates, prior years' history and Board of Directors' decisions. Known changes in these elements were incorporated in the second year forecast. The differences between the first and second year revenue and expenses are displayed on the revenue and expense statements.

FORECASTED SUPPLEMENTARY INFORMATION

**LAKE FOREST GLEN HOMEOWNERS ASSOCIATION  
REPLACEMENT FUND FORECASTED CASH FLOW SCHEDULE  
FOR THE YEARS ENDING DECEMBER 31, 2022 THROUGH 2051**

ANNUAL INFLATION %	2.00%	ASSESSMENT ALLOCATION	347,541
ANNUAL ASSESSMENT % INCREASE	varies	ASSUMED INTEREST RATE	0.00%

Year	Year Ending December 31	Beginning Fund Balance	Assessments Allocated	Special Assessment	Interest	Replace- ment Expenditures	Year End Investment Balance
1	2022	\$ 1,650,243	\$347,541	\$ 0	\$ 0	\$ (392,072)	\$ 1,605,712
2	2023	1,605,712	363,037	0	0	(319,842)	1,648,907
3	2024	1,648,907	379,081	0	0	(335,081)	1,692,907
4	2025	1,692,907	395,692	0	0	(23,949)	2,064,651
5	2026	2,064,651	412,889	0	0	(14,685)	2,462,854
6	2027	2,462,854	430,689	0	0	(141,946)	2,751,597
7	2028	2,751,597	449,112	0	0	(705,894)	2,494,814
8	2029	2,494,814	468,178	0	0	(216,025)	2,746,968
9	2030	2,746,968	487,908	0	0	(1,493,938)	1,740,938
10	2031	1,740,938	508,323	0	0	(1,335,588)	913,674
11	2032	913,674	529,445	0	0	(1,211,143)	231,976
12	2033	231,976	551,296	0	0	(134,978)	648,294
13	2034	648,294	573,899	0	0	(132,603)	1,089,590
14	2035	1,089,590	597,279	0	0	(303,423)	1,383,445
15	2036	1,383,445	621,459	0	0	(227,022)	1,777,882
16	2037	1,777,882	646,465	0	0	(190,512)	2,233,835
17	2038	2,233,835	672,324	0	0	(375,872)	2,530,287
18	2039	2,530,287	699,062	0	0	(753,402)	2,475,946
19	2040	2,475,946	726,707	0	0	(492,103)	2,710,550
20	2041	2,710,550	755,287	0	0	(813,701)	2,652,136
21	2042	2,652,136	784,832	0	0	(359,671)	3,077,297
22	2043	3,077,297	815,373	0	0	(98,138)	2,894,531
23	2044	2,894,531	846,939	0	0	(264,435)	3,477,036
24	2045	3,477,036	879,565	0	0	(285,491)	4,071,110
25	2046	4,071,110	913,282	0	0	(95,774)	4,888,618
26	2047	4,888,618	948,125	0	0	(266,670)	5,570,073
27	2048	5,570,073	984,129	0	0	(141,057)	6,413,145
28	2049	6,413,145	1,021,331	0	0	(242,450)	7,192,025
29	2050	7,192,025	1,059,766	0	0	(219,441)	8,032,351
30	2051	8,032,351	1,099,475	0	0	(487,541)	8,644,285

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION  
REPLACEMENT FUND LONG RANGE PLANNING PROGRAM  
FOR THE YEARS ENDING DECEMBER 31, 2022 THROUGH 2051

Replacement Item	Current Replacement Cost	Remaining Life	Life After Replacement	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Total Site Improvement</b>				\$150,000	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Building/Roof</b>	\$3,075,250	9-11	1-22	\$49,000	\$49,000	\$49,000	\$3,000	\$3,000	\$55,500	\$55,750	\$56,000	\$1,152,000	\$858,000	\$913,000	\$49,000	\$49,000	\$49,000	\$49,000
<b>Total Roads</b>	\$1,064,500	18-20	1-25	\$9,500	\$54,500	\$9,500	\$9,500	\$9,500	\$54,500	\$9,500	\$9,500	\$9,500	\$54,500	\$9,500	\$9,500	\$9,500	\$54,500	\$9,500
<b>Total Pool / Spa</b>	\$579,500	7	2-15	\$0	\$49,500	\$100,000	\$9,500	\$0	\$9,500	\$430,000	\$9,500	\$0	\$49,500	\$0	\$9,500	\$0	\$9,500	\$0
<b>Total Tennis Courts</b>	\$141,000	16	5-20	\$0	\$0	\$0	\$0	\$0	\$0	\$18,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Painting</b>	\$450,000	0-3	7	\$112,500	\$112,500	\$112,500	\$0	\$0	\$0	\$112,500	\$112,500	\$112,500	\$112,500	\$0	\$0	\$0	\$112,500	\$112,500
<b>Total Office</b>	\$8,500	2-6	4-8	\$0	\$2,500	\$0	\$0	\$0	\$8,500	\$0	\$0	\$0	\$2,500	\$0	\$0	\$0	\$8,500	\$0
<b>Total Trucks</b>	\$195,000	1-10	10	\$70,000	\$40,000	\$45,000	\$0	\$0	\$0	\$0	\$0	\$0	\$40,000	\$70,000	\$40,000	\$45,000	\$0	\$0
<b>Total Fencing</b>	\$1,000	0-1	1-2	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000
<b>Total All</b>	<b>\$5,514,750</b>			<b>\$392,000</b>	<b>\$313,500</b>	<b>\$322,000</b>	<b>\$22,500</b>	<b>\$13,500</b>	<b>\$128,500</b>	<b>\$626,750</b>	<b>\$188,000</b>	<b>\$1,275,000</b>	<b>\$1,117,500</b>	<b>\$993,500</b>	<b>\$108,500</b>	<b>\$104,500</b>	<b>\$234,500</b>	<b>\$172,000</b>
<b>Inflation Factor</b>				1.00	1.02	1.04	1.06	1.08	1.10	1.13	1.15	1.17	1.20	1.22	1.24	1.27	1.29	1.32
9300 Provisions for Federal Income Tax				36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
9301 Provisions for Franchise Tax				36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
<b>Inflated Replacement Costs</b>				<b>392,072</b>	<b>319,842</b>	<b>335,081</b>	<b>23,949</b>	<b>14,685</b>	<b>141,946</b>	<b>705,894</b>	<b>216,025</b>	<b>1,493,938</b>	<b>1,335,588</b>	<b>1,211,143</b>	<b>134,978</b>	<b>132,603</b>	<b>303,423</b>	<b>227,022</b>

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION  
REPLACEMENT FUND LONG RANGE PLANNING PROGRAM  
FOR THE YEARS ENDING DECEMBER 31, 2022 THROUGH 2051

Replacement Item	Current Replacement Cost	Remaining Life	Life After Replacement	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
<b>Total Site Improvement</b>				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Building/Roof</b>	\$3,075,250	9-11	1-22	\$9,500	\$9,750	\$56,000	\$49,000	\$49,000	\$49,000	\$3,000	\$3,000	\$49,000	\$49,000	\$55,500	\$55,750	\$10,000	\$3,000	\$49,000
<b>Total Roads</b>	\$1,064,500	18-20	1-25	\$9,500	\$9,500	\$329,500	\$294,500	\$459,500	\$9,500	\$54,500	\$9,500	\$9,500	\$9,500	\$54,500	\$9,500	\$9,500	\$9,500	\$54,500
<b>Total Pool / Spa</b>	\$579,500	7	2-15	\$9,500	\$0	\$149,500	\$0	\$9,500	\$0	\$439,500	\$0	\$9,500	\$0	\$49,500	\$0	\$9,500	\$0	\$9,500
<b>Total Tennis Courts</b>	\$141,000	16	5-20	\$0	\$141,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,000	\$0	\$0	\$0
<b>Total Painting</b>	\$450,000	0-3	7	\$112,500	\$112,500	\$0	\$0	\$0	\$112,500	\$112,500	\$112,500	\$112,500	\$0	\$0	\$0	\$112,500	\$112,500	\$112,500
<b>Total Office</b>	\$8,500	2-6	4-8	\$0	\$0	\$2,500	\$0	\$0	\$0	\$8,500	\$0	\$0	\$0	\$2,500	\$0	\$0	\$0	\$8,500
<b>Total Trucks</b>	\$195,000	1-10	10	\$0	\$0	\$0	\$0	\$40,000	\$70,000	\$40,000	\$45,000	\$0	\$0	\$0	\$0	\$0	\$0	\$40,000
<b>Total Fencing</b>	\$1,000	0-1	1-2	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500	\$1,000	\$500
<b>Total All</b>	<b>\$5,514,750</b>			\$141,500	\$273,750	\$538,000	\$344,500	\$558,500	\$242,000	\$658,500	\$171,000	\$181,000	\$59,500	\$162,500	\$84,250	\$142,000	\$126,000	\$274,500
<b>Inflation Factor</b>				1.35	1.37	1.40	1.43	1.46	1.49	1.52	1.55	1.58	1.61	1.64	1.67	1.71	1.74	1.78
9300 Provisions for Federal Income Tax				36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
9301 Provisions for Franchise Tax				36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
<b>Inflated Replacement Costs</b>				<b>190,512</b>	<b>375,872</b>	<b>753,402</b>	<b>492,103</b>	<b>813,701</b>	<b>359,671</b>	<b>998,138</b>	<b>264,435</b>	<b>285,491</b>	<b>95,774</b>	<b>266,670</b>	<b>141,057</b>	<b>242,450</b>	<b>219,441</b>	<b>487,541</b>



LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION AND REQUIRED DISCLOSURES

(See Independent Accountants' Compilation Report)

1. Replacement Fund Forecasted Cash Flow Schedule

- A. The Replacement Fund Forecasted Cash Flow Schedule has been prepared using the following steps:
1. Estimate the beginning balance as of January 1st of the forecast year.
  2. Calculate the annual provision to be included in the annual budget in accordance with the funding policy of the Association.
  3. Estimate the interest earned on the replacement fund designated accounts. It is currently budgeted that interest income net of income taxes of 0% will be earned on the average.
  4. Deduct the amounts determined in steps 1 through 3 from the estimated replacement costs for each year as determined from the Replacement Fund Long Range Planning Program.
- B. The annual provision for the replacement of common areas is an amount that will result in the replacement fund having at least a positive balance over the 30 year period, which approximates the life cycles of the common area components.

2. Replacement Cost Long Range Planning Program

The following are the general procedures used for the calculation of the components in the replacement cost long-range planning program.

- A. The common areas by component, which the Association is obligated to replace in the future, have been identified in the Schedule of Replacement Cost Long Range Planning Program. They do not include the reconstruction of the buildings and certain other buildings in the project, including, but not limited to, walls, electrical, plumbing, foundation, floors and siding of the buildings; drainage system; automatic irrigation system; swimming pool shell; water system; and other similar items. These items have been excluded as their lives and costs are not predictable.

Also, unless part of a group of similar items, common area items with current replacement costs of less than \$500 have been excluded and will be included in normal maintenance costs of the Association's annual budget.

- B. The current replacement costs, the remaining useful lives and the useful lives after replacement have been based on historical original costs and contractors' and manager's estimates.
- C. The Replacement Cost Long Range Planning Program Schedule has been prepared for the common areas identified in "A" above and the estimated cost and year of replacement as set forth in "B" above. The total dollar amount of replacement by year in current dollars is then calculated.

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION AND REQUIRED DISCLOSURES

(See Independent Accountants' Compilation Report)

- D. An inflation factor ranging from 3.8% to 4.5% has been included for the assessments allocated to the replacement fund. An inflation factor of 2.0% has been included for a majority of the replacement costs of common areas. The Association's policy of annually updating the study will also adjust for inflation based on inflation costs on a year-by-year basis.
- E. When it becomes apparent that excluded items will be replaced in the future, and the amounts and timing can be determined with a reasonable degree of accuracy, the common area items can be added to the replacement study and the annual provision adjusted to provide funds over the remaining useful life of the item.

The Association will either include in the operating budget or in special assessments the cost of common area items requiring replacement which are unplanned because their replacement cost cannot be forecasted.

3. Percent Funded Disclosure

California statutes, as interpreted, require that a disclosure be made of the funding (cash plus amounts due from the operating fund, if any) estimated to be on hand at December 31, 2021 (\$1,650,243), as expressed as a percentage when compared to the hypothetical amount of wear and tear on common area components presently being reserved for as determined under the "straight-line liability" method (\$2,843,816). Based on the information contained in this forecast, 58% of this hypothetical amount is on hand at December 31, 2021.

Refer to Note 1.B for further explanation of the Association's policy of using the cash flow method to determine the required funding for replacements. The cash flow method typically results in a funding percentage described above of less than 100%.

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION AND REQUIRED DISCLOSURES

(See Independent Accountants' Compilation Report)

4. California Assessment and Reserve Funding Disclosure Summary

**NOTE: THE INFORMATION CONTAINED IN THIS DISCLOSURE IS A FORECAST ONLY. Because the reserve study is a forecast, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (I) future inflation rates, (II) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.**

(1) The current assessment for 2021 per ownership interest is \$ 380 per month.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and members/or members:

<u>Date due</u>	<u>Amount per Ownership Interest</u>	<u>Purpose</u>
	N/A	

(3) Based on the most recent reserve study and other information available to the Board of Directors, will current projected reserve account balances be sufficient at the end of the year to meet the association's obligations for repair and/or replacement of major components during the next 30 years?

Yes  X  NO

(4) If the answer to #3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years?

<u>Approximate date assessment will be due</u>	<u>Amount per ownership interest</u>
N/A	N/A

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$2,844,000, based in whole or in part on the last reserve study updated by the Association in October 2021. The projected reserve fund cash and receivable balance at the end of the current fiscal year is \$1,650,000, resulting in reserves being 58% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is the same as in the last reserve study noted above.

The alternative generally accepted method used by the association is the composite "cash flow" method. This method provides funding so the funded reserve balance remains positive over the 30 year period as common area components are replaced.

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION  
 SUPPLEMENTARY INFORMATION AND REQUIRED DISCLOSURES

(See Independent Accountants' Compilation Report)

4. California Assessment and Reserve Funding Disclosure Summary (Continued)

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in the table below, and the projected reserve fund cash balance in each of those years is presented in the table below, leaving the reserve percent funding as presented in the table below.

Year Ending	Fully Funded Balance	Reserve Ending Balance With Scheduled Increases	Percent Funded With Scheduled Increases		Reserve Ending Balance Without Scheduled Increases	Percent Funded Without Scheduled Increases
12/31/22	\$2,818,685	\$1,605,712	57%		\$1,605,712	57%
12/31/23	\$2,880,462	\$1,648,907	57%		\$1,633,412	57%
12/31/24	\$2,942,265	\$1,692,907	58%		\$1,660,252	56%
12/31/25	\$3,331,075	\$2,064,651	62%		\$2,014,799	60%
12/31/26	\$3,745,660	\$2,462,854	66%		\$2,395,202	64%

Note: The financial representations set forth in this summary are based on the best estimates of the Association at that time. The estimates are subject to change.

4. Additional Financial Disclosures Required by the California Civil Code

The current deficiency in reserve funding per ownership interest, as calculated by statutory formula, is \$5,100. This is calculated as the current estimate of the straight-line liability as of the beginning of the 2022 fiscal year, less the current amount of accumulated cash reserves plus amounts due from the operating fund actually set aside as of that date, divided by 234. Refer to Note 1.B for further explanation of the Association's policy of using the cash flow method to determine the required funding for replacements. The cash flow method typically results in a funding percentage described above of less than 100%.

Section 5300 (b)(4) The Association's Board of Directors has deferred or determined not to undertake repairs or replacements over the next 30 years as follows: None.

Section 5300 (b)(5) The Association's Board of Directors as of the date of the study, does not anticipate the levy of a special assessment for the repair, replacement or restoration of the major components.

Section 5300 (b)(8) The Association has outstanding loans as follows: None.

LAKE FOREST GLEN HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION AND REQUIRED DISCLOSURES

(See Independent Accountants' Compilation Report)

5. Insurance Disclosure

The California civil code requires that the Association inform the membership about the various insurance policies. This information is located on a summary page attachment.

The following disclosure is required and should be read in conjunction with the summary of various insurance policies.

**This summary of the Association's policies of insurance provides only certain information, as required by Section 5300 of the civil code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance do not cover your property or real property improvements around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.**