

***Audited  
Financial Statements***

CANYON LAKE  
PROPERTY OWNERS  
ASSOCIATION

APRIL 30, 2024

**INDEPENDENT AUDITORS' REPORT**

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

***Opinion***

We have audited the Association financial statements of Canyon Lake Property Owners Association, which comprise the balance sheet as of April 30, 2024, 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.

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, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit 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 Canyon Lake Property Owners Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Canyon Lake Property Owners 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.

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

*(Continued)*

Misstatements, including omissions, 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 Canyon Lake Property Owners 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 Canyon Lake Property Owners 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.

***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 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.



July 25, 2024

Palm Springs, California

**CANYON LAKE PROPERTY OWNERS ASSOCIATION**

**BALANCE SHEET**

**APRIL 30, 2024**

**ASSETS**

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
Cash	\$ 5,138,928	\$ 6,443	\$ 14,120	\$ 11,540	\$ 5,171,031
Certificates of deposit	-	64,926	254,029	60,967	379,922
Investments	449,605	885,420	6,978,259	5,575,755	13,889,039
Assessments and fines receivable, net of allowance for doubtful accounts of \$922,608	1,271,964	-	-	-	1,271,964
Interest receivable	-	3,888	36,139	15,704	55,731
Inventory	93,353	-	-	-	93,353
Prepaid expenses	458,903	-	-	-	458,903
Other assets	229,686	-	-	-	229,686
Note receivable - City of Canyon Lake	-	-	-	468,561	468,561
Inter-fund receivable/(payable)	3,179	(523,433)	(211,973)	732,227	-
Property and equipment, net of accumulated depreciation of \$10,433,993	14,531,580	-	-	-	14,531,580
Right-of-use - Operating lease asset	34,060,519	-	-	-	34,060,519
	<u>\$ 56,237,717</u>	<u>\$ 437,244</u>	<u>\$ 7,070,574</u>	<u>\$ 6,864,754</u>	<u>\$ 70,610,289</u>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable	\$ 1,070,021	\$ -	\$ -	\$ -	\$ 1,070,021
Accrued payroll	513,748	-	-	-	513,748
Income taxes payable	244,890	-	-	-	244,890
Prepaid assessments	1,880,982	-	-	-	1,880,982
Other accrued liabilities	74,650	-	-	-	74,650
Refundable member deposits	542,257	-	-	-	542,257
Operating lease liability	34,060,519	-	-	-	34,060,519
	<u>38,387,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,387,067</u>

**FUND BALANCES**

Fund balance	19,315,314	496,730	7,360,468	7,038,325	34,210,837
Accumulated other comprehensive income (loss)	1,056	(59,486)	(289,894)	(173,571)	(521,895)
	<u>19,316,370</u>	<u>437,244</u>	<u>7,070,574</u>	<u>6,864,754</u>	<u>33,688,942</u>
	<u>\$ 57,703,437</u>	<u>\$ 437,244</u>	<u>\$ 7,070,574</u>	<u>\$ 6,864,754</u>	<u>\$ 72,076,009</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, 2024**

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
<b>REVENUES</b>					
Member assessments	\$ 13,022,123	\$ 500,000	\$ 2,775,000	\$ 2,019,008	\$ 18,316,131
Investment income	114,518	17,570	168,813	120,947	421,848
Administrative fees	1,126,512	-	-	-	1,126,512
Architectural and building fees	118,000	-	-	-	118,000
Sales and user fees	7,143,600	-	-	-	7,143,600
Citations, violations and other income	935,563	-	-	-	935,563
Sale of fire station	-	-	-	1,390,000	1,390,000
	<u>22,460,315</u>	<u>517,570</u>	<u>2,943,813</u>	<u>3,529,955</u>	<u>29,451,653</u>
<b>EXPENSES</b>					
Salaries and related expenses	8,390,310	-	-	-	8,390,310
Outside services	4,047,570	-	-	-	4,047,570
Lake lease	1,732,133	-	-	-	1,732,133
Utilities	1,557,649	-	-	-	1,557,649
Repairs and maintenance	2,013,179	-	-	-	2,013,179
Supplies	885,650	-	-	-	885,650
Rental equipment	24,509	-	-	-	24,509
Property taxes	42,065	-	-	-	42,065
Income taxes	283,106	-	-	-	283,106
Cost of goods sold	1,465,720	-	-	-	1,465,720
General and administrative	852,367	1,680	14,625	9,994	878,666
Insurance	824,073	-	-	-	824,073
Legal fees	616,809	-	-	-	616,809
Bad debt expense	325,009	-	-	-	325,009
Events	316,299	-	-	-	316,299
Major repairs and replacements	-	57,431	-	3,854,849	3,912,280
	<u>23,376,448</u>	<u>59,111</u>	<u>14,625</u>	<u>3,864,843</u>	<u>27,315,027</u>
Excess (Deficiency) of revenues over expenses before depreciation	<u>(916,133)</u>	<u>458,459</u>	<u>2,929,188</u>	<u>(334,888)</u>	<u>2,136,626</u>
Depreciation	<u>1,144,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,144,821</u>
Excess (Deficiency) of revenues over expenses	<u>(2,060,954)</u>	<u>458,459</u>	<u>2,929,188</u>	<u>(334,888)</u>	<u>991,805</u>
OTHER COMPREHENSIVE INCOME					
Unrealized gains on invstmnts	<u>1,056</u>	<u>15,829</u>	<u>177,304</u>	<u>123,109</u>	<u>317,298</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ (2,059,898)</u>	<u>\$ 474,288</u>	<u>\$ 3,106,492</u>	<u>\$ (211,779)</u>	<u>\$ 1,309,103</u>
FUND BALANCES, beginning of the year	\$ 16,121,948	\$ 995,508	\$ 6,720,130	\$ 7,076,533	\$ 30,914,119
COMPREHENSIVE INCOME					
Excess (Deficiency) of revenues over expenses	(2,060,954)	458,459	2,929,188	(334,888)	991,805
Unrealized gains on investments	1,056	15,829	177,304	123,109	317,298
TOTAL COMPREHENSIVE INCOME	(2,059,898)	474,288	3,106,492	(211,779)	1,309,103
Inter-fund transfers	3,788,600	(1,032,552)	(2,756,048)	-	-
FUND BALANCES, end of the year	<u>\$ 17,850,650</u>	<u>\$ 437,244</u>	<u>\$ 7,070,574</u>	<u>\$ 6,864,754</u>	<u>\$ 32,223,222</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, 2024**

	<b>Fund Balances, Beginning of the Year</b>			<b>Year Ended April 30, 2024</b>			<b>Fund Balances, End of the Year</b>		
	<b>Fund Balances</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total Funds</b>	<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>Unrealized Gains</b>	<b>Inter-fund Transfers</b>	<b>Fund Balances</b>	<b>Accumulated Other Comprehensive Income/(Loss)</b>	<b>Total Funds</b>
Operating Fund	\$ 16,121,948	\$ -	\$ 16,121,948	\$ (2,060,954)	\$ 1,056	\$ 3,788,600	\$ 17,849,594	\$ 1,056	\$ 17,850,650
Capital Improvement Fund	1,070,823	(75,315)	995,508	458,459	15,829	(1,032,552)	496,730	(59,486)	437,244
Repair Replacement Fund	7,187,328	(467,198)	6,720,130	2,929,188	177,304	(2,756,048)	7,360,468	(289,894)	7,070,574
Road Reserve Fund	7,373,213	(296,680)	7,076,533	(334,888)	123,109	-	7,038,325	(173,571)	6,864,754
	<u>\$ 31,753,312</u>	<u>\$ (839,193)</u>	<u>\$ 30,914,119</u>	<u>\$ 991,805</u>	<u>\$ 317,298</u>	<u>\$ -</u>	<u>\$ 32,745,117</u>	<u>\$ (521,895)</u>	<u>\$ 32,223,222</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, 2024**

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>					
Excess (Deficiency) of revenues over expenses	\$ (2,059,898)	\$ 474,288	\$ 3,106,492	\$ (211,779)	\$ 1,309,103
Adjustments to reconcile net revenues over expenses to net cash flow from operating activities:					
Depreciation	1,144,821	-	-	-	1,144,821
Gain on sale of assets		-	-	(1,390,000)	(1,390,000)
Unrealized (gain)/loss on investments	(1,056)	(15,829)	(177,304)	(123,109)	(317,298)
(Increase) Decrease in:					
Assessments and fines receivable	(130,545)	-	-	-	(130,545)
Interest receivable	-	(229)	2,827	813	3,411
Inventory	(17,560)	-	-	-	(17,560)
Prepaid expenses	(29,415)	-	-	-	(29,415)
Other assets	(6,948)	-	-	(468,561)	(475,509)
Inter-fund receivable/payable	94,401	589,981	(1,108,950)	424,568	-
Increase (Decrease) in:					
Accounts payable	139,262	-	-	-	139,262
Accrued payroll	87,401	-	-	-	87,401
Income taxes payable	244,890	-	-	-	244,890
Prepaid assessments	(217,266)	-	-	-	(217,266)
Other accrued liabilities	5,349	-	-	-	5,349
Refundable member deposits	(71,993)	-	-	-	(71,993)
Construction defect liability	-	-	-	(1,868,708)	(1,868,708)
Net cash provided (used) by operating activities	<u>(818,557)</u>	<u>1,048,211</u>	<u>1,823,065</u>	<u>(3,636,776)</u>	<u>(1,584,057)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale (purchase) of certificates of deposit	-	(64,926)	(4,029)	(967)	(69,922)
Sale (purchase) of investments	(448,549)	38,957	818,263	(95,819)	312,852
Proceeds from sale of assets	-	-	-	1,390,000	1,390,000
Purchase of property and equipment	<u>(3,788,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,788,600)</u>
Net cash provided (used) by investing activities	<u>(4,237,149)</u>	<u>(25,969)</u>	<u>814,234</u>	<u>1,293,214</u>	<u>(2,155,670)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Inter-fund transfers	<u>3,788,600</u>	<u>(1,032,552)</u>	<u>(2,756,048)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>3,788,600</u>	<u>(1,032,552)</u>	<u>(2,756,048)</u>	<u>-</u>	<u>-</u>
Net decrease in cash	(1,267,106)	(10,310)	(118,749)	(2,343,562)	(3,739,727)
CASH, beginning of the year	<u>6,406,034</u>	<u>16,753</u>	<u>132,869</u>	<u>2,355,102</u>	<u>8,910,758</u>
CASH, end of the year	<u>\$ 5,138,928</u>	<u>\$ 6,443</u>	<u>\$ 14,120</u>	<u>\$ 11,540</u>	<u>\$ 5,171,031</u>

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

**CANYON LAKE  
PROPERTY OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS**

**APRIL 30, 2024**

**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, 2024**

**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, 2024. 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 2024 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, 2024, 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 July 25, 2024, which is the date the financial statements were available to be issued.

**CANYON LAKE  
PROPERTY OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS**

**APRIL 30, 2024**

**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, 2024 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 \$318 in 2024, Of that amount, \$48 was designated to the replacement fund, \$35 to the road reserve fund and \$9 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, 2024 are as follows:

Food and beverage	\$ 86,638
Gasoline - campground	<u>6,715</u>
	<u>\$ 93,353</u>

**CANYON LAKE  
PROPERTY OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS**

**APRIL 30, 2024**

**NOTE 3: CERTIFICATES OF DEPOSIT AND INVESTMENTS**

Certificates of deposit and 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, corporate bonds and government securities.

The Association's certificates of deposit and investments consisted of the following at April 30, 2024:

	<u>Market Value</u>	<u>Amortized Cost Basis</u>	<u>Unrealized Gain(Loss)</u>
Certificates of deposit	\$ 379,922	\$ 374,757	\$ 5,165
Municipal bonds	\$ 1,407,088	\$ 1,436,514	\$ (29,426)
Corporate bonds	10,200,920	10,710,759	(509,839)
Gov't Securities	<u>2,281,031</u>	<u>2,268,925</u>	<u>12,106</u>
Total investments	<u>\$13,889,039</u>	<u>\$14,416,198</u>	<u>\$(527,060)</u>

Included in other comprehensive income are unrealized gains of \$317,298 for the year ended April 30, 2024. Included in accumulated other comprehensive income are unrealized losses of \$521,895 as of April 30, 2024.

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at April 30, 2024:

Land and improvements	\$ 13,511,436
Building	7,202,079
Machinery and equipment	2,366,368
Pools	642,130
Furniture and fixtures	748,782
Vehicles	494,778
Less: Accumulated depreciation	<u>(10,433,993)</u>
Net property and equipment	<u>\$ 14,531,580</u>

**NOTE 5: RIGHT-OF-USE - 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). For the year ended April 30, 2024 the lake lease expense was \$1,732,133. Since the variable amount of the future rent payments is not determinable, the variable amounts will not be included in the measurement of the lease asset and liability. A 4% present value discount rate was used to calculate the measurement of the lease asset and liability.

**CANYON LAKE  
PROPERTY OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS**

**APRIL 30, 2024**

**NOTE 5: RIGHT-OF-USE - OPERATING LEASE (Continued)**

The operating lease balances as of April 30, 2024, were as follows:

Operating lease – right-of-use asset	<u>\$ 34,060,519</u>
Operating lease liability	<u>\$ 34,060,519</u>

The maturities of operating lease liabilities as of June 30, 2024, are as follows:

<u>Years Ending June 30:</u>	
2025	\$ 309,606
2026	321,991
2027	334,870
2028	348,265
Thereafter	<u>\$ 32,745,787</u>
	<u>\$ 34,060,519</u>

**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 March 2024 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 3.5%, interest of 5.0%, and a tax rate of 30%, on amounts funded for future major repairs and replacements.

A separate study was conducted in 2022 and updated in February 2024, 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, \$2,770,000 has been included in the 2024/2025 budget for major repairs and replacements and \$1,700,000 has been included in the 2024/2025 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.

**CANYON LAKE  
PROPERTY OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS**

**APRIL 30, 2024**

**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 \$121,617 during the year ended April 30, 2024.

**NOTE 8: INTER-FUND TRANSFERS**

During the year ended April 30, 2024, interfund transfers consisted of \$3,788,600 of personal property and equipment purchased by the replacement fund and capital improvement fund and capitalized in the operating fund.

**NOTE 9: 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 10: 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  
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**SUPPLEMENTARY INFORMATION ON  
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

**APRIL 30, 2024**

**(UNAUDITED)**

The Board of Directors engaged an outside consultant to conduct a study completed in March 2024, 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 3.5%, interest of 5.0%, and a tax rate of 30%, on amounts funded for future major repairs and replacements.

A separate study was conducted 2022 and updated in February 2024, 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 repair and replacement cost of the roads from 2025 – 2031 is \$20,500,000.

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 – 21	\$ 1,344,474
Bluebird Hall	3 – 12	185,998
Campground	2 – 44	1,634,558
Country Club	0 – 48	1,214,193
Diamond Point	0 – 12	44,219
Docks	0 – 28	1,861,622
East Port	0 – 35	827,454
Entry Gates	2 – 23	917,494
Equestrian Center	0 – 21	973,648
Fairway Estates	0 – 26	163,790
Gault Field	0 – 21	656,548
Golf Course	0 – 28	8,392,023
Grounds	0 – 47	1,924,679
Holiday Harbor	0 – 46	731,065
Indian Beach	0 – 18	375,173
Lake	0 – 21	4,392,393
Lodge	0 – 26	2,691,861
Operations	0 – 24	248,200
Park Areas	0 – 27	1,060,730
Pool Area	1 – 32	846,161
Senior Center	2 – 19	316,482
Ski Slalom	2 – 20	62,790
Tennis Center	0 – 27	326,477
Vacation Park	6 – 38	1,297,972
Vehicles	1 – 13	1,746,675
		\$ 34,236,680