

CALABAY PARC AT TOWER LAKE HOMEOWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Real and Common Area Property

Real and common area property acquired by the original homeowners from the developer is not capitalized on the Association's financial statements, since it is owned by the individual owners in common and not by the Association. As a result, improvements to the real property and common areas are expensed as incurred.

5. Estimates

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 and disclosure of contingent 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 estimates.

6. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less.

7. Allocation of Revenues and Expenses to Owners

Revenue and expenses are allocated equally among all of the owners within the Association.

8. Subsequent Events - Date of Management's Review

In preparing these financial statements, the Association has evaluated subsequent events and transactions for potential recognition and disclosure through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

C. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts and certificates of deposit with balances not in excess of amounts insured by the Federal Deposit Insurance Corporation (\$250,000) and member assessments receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote.

The Association's major source of revenue is member assessments, which are receivable from its members and may be secured by a lien on their property. The Association monitors the collectibility of these receivables and pursues collection. Management routinely assesses the uncollectibility of these receivables and provides for an allowance for doubtful accounts based on this assessment.

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D. COMMITMENTS

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to help with the Association's administration. These contracts have different expiration dates and renewal terms.

E. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. The funds are segregated and held primarily in interest-bearing accounts. The Association's Board of Directors has estimated the remaining useful lives and replacement costs of common property components.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on current estimates of replacements costs considering amounts previously accumulated 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, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

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Member's equity designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows:

<u>Components</u>	<u>Balance 1/1/20</u>	<u>Fund Additions</u>	<u>Major Repairs/ Replacements</u>	<u>Balance 12/31/20</u>
Wall	\$ 2,355	\$ -	\$ -	\$ 2,355
Paving	11,023	-	-	11,023
Irrigation	2,102	-	-	2,102
Interest	260	39	-	299
Pooled funds	<u>229,336</u>	<u>46,000</u>	<u>74,100</u>	<u>201,236</u>
	<u>\$ 245,076</u>	<u>\$ 46,039</u>	<u>\$ 74,100</u>	<u>\$ 217,015</u>

SUPPLEMENTARY INFORMATION
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CALABAY PARC AT TOWER LAKE HOMEOWNERS' ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR

REPAIRS AND REPLACEMENTS

DECEMBER 31, 2020

The Association's Board of Directors has estimated the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study which was last updated by the Board of Directors in 2020. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>	<u>Component Balance 12/31/20</u>	<u>2021 Approved Annual Funding</u>
Pooled Reserves	--	\$ -	\$ 217,015	\$ 44,795
Interior Building	various	103,920	-	-
Exterior Building	various	99,275	-	-
Building Services Elements	various	104,500	-	-
Property Site Elements	various	2,097,190	-	-
Reserve Study	various	<u>2,750</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 2,407,635</u>	<u>\$ 217,015</u>	<u>\$ 44,795</u>