

PINEWOOD LAKE OWNERS' ASSOCIATION

December 1, 2018

Pinewood Lake Owners' Association Owners

Re: **2019 DISCLOSURES OR SUPPLEMENTAL INFORMATION – Policy Statement** **2019 DISCLOSURES AND SUPPLEMENTAL INFORMATION – Annual Budget Report**

Dear Owners:

Please find enclosed the above referenced disclosures and supplemental information, most of which are required under California Civil Code; and the First Restated Declaration of Covenants, Conditions, and Restrictions of Pinewood Lake Owners' Association, Inc. recorded on February 15, 1996, as document number 0196020111 in the Office Records of the Kern County Recorder's Office (the "CC&Rs"). Each section that follows identifies the authority mandating disclosures as appropriate. The name of the association for our community is the Pinewood Lake Owners' Association, Inc. ("PLOA"). The words "Owner" and "Members" are used interchangeably in this notice.

The Board of Directors approved the 2019 Pro Forma Operating Budget. **The Regular Assessment for 2019 shall remain at \$315.00 per month.** Billing will be sent monthly on the 1st of the month unless the 1st falls on a weekend or holiday, then the billing will be mailed on the first weekday prior to the weekend or holiday. Payment is due on the 1st of each month regardless of receipt of monthly invoice and will be considered past due on the 16th of each month.

All actions taken by the Board of Directors shall be consistent with the CC&Rs and governing law. PLOA has contracted with HOA Management Solutions, Inc. to provide its association management services ("Management").

All Owners are invited to the Board of Directors meetings, which are set forth in the enclosed 2019 Calendar of Events for PLOA. Please refer to www.hoacity.com/pinewoodlake for meeting updates, agendas, meeting minutes, governing documents, rules and regulations, forms, and much more.

Meeting agendas will be posted a week prior to the meeting but in no case less than four days prior to the meetings. Meeting minutes will be posted within 30 days of the meeting. Meeting locations vary, however, when weather permits, will be held at the Pinewood Lake pool area, 3500 Akers Road, Bakersfield, California 93309; a nearby school, or the offices of Management.

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Board terms are staggered starting and ending in January for a period of three years. The name, title, and term of your 2018 Board of Directors are: Ty Morris, President (2017-2020); Steven Rhoades, Vice President (Summer/2017-2019); Lou Doozan, Secretary (2017-2020); Shawn Beyeler, Treasurer (2015-2018); Ron Steinman, Member at Large (July/2018-2018); Red LeCain, Member at Large (2015-2018); Don English, Member at Large (2016-2019); Barry Berman, Member at Large (Fall/2017-2020); and Jeanene Champieux (2018-2020).

The annual election of the Board of Directors was changed to April of each year in 2018, and therefore, the names of your 2019 Board of Directors will be mailed to you in the May 2019 newsletter.

PLOA Board of Directors can be any Member nominated by the Nominating Committee and elected by Owners during annual elections of alternating vacancies.

The primary purpose of these disclosures is to provide you with annual policy statements and budget reports at PLOA so you understand why you pay assessments, how much you pay, and how the money is utilized by PLOA. The documents and information that follow provide additional details. You may express any comments you have regarding these disclosures by contacting PLOA.

This Annual Disclosure also provides the financials statements for 2016 and 2017 that were delayed due to the transition of management companies and the accountant's requisite review. In the future, your financial statements will be sent at the end of April of each year.

Although an effort to ensure the accuracy of these administrative and financial disclosures was made, the Board of Directors reserves the right to correct, update, or otherwise modify these disclosures. References to California Civil Code sections are taken from the Condominium Bluebook and from www.davis-stirling.com.

If you have any questions, please call, or email me at the contact reference on this letterhead.

Respectfully submitted,



Mario Valenzuela, President
HOA Management Solutions, Inc. for
Pinewood Lake Owners' Association

MV:

Enclosures

11-28-18 PLOA 2019 Annual Disclosures Final

PINEWOOD LAKE OWNERS' ASSOCIATION

DISCLOSURES OR SUPPLEMENTAL INFORMATION – Policy Statement

- **Declaration, Articles, & Bylaws (Governing Documents) Availability**

If requested by an Owner in writing, within 10 days, PLOA will provide a true and correct copy of the CC&Rs; Bylaws, and Community Manual, or other related documents. There is a nominal fee for this request if a physical copy is desired. Complimentary copies are available online at www.hoacity.com/pinewoodlake.

- **Designated Recipient for Pinewood Lake Owners' Association**

You are hereby notified pursuant to California Civil Code § 4035, that PLOA has designated HOA Management Solutions, Inc. to receive official communications on its behalf.

Mailing Address

HOA Management Solutions, Inc.

Attention: Pinewood Lake

Post Office Box 12710

Bakersfield, California 93389-2710

Physical Address* (Overnight Mail/Deliveries)

HOA Management Solutions, Inc.

Attention: Pinewood Lake

1430 Truxtun Avenue, Fifth Floor

Bakersfield, California 93301-5243

*Reception personnel are available during business hours. Appointments are encouraged for Management.

- **Right to Submit Second Address**

You are hereby notified pursuant to California Civil Code § 4040(b), that you have the right to designate a second address for purposes of receiving certain documents set forth in California Civil Code § 5300, Annual Budget Report; California Civil Code § 5650, Debt of Owner; Late Charges and Interest; and California Civil Code § 5710, Foreclosure Procedure. You must submit your request in writing.

- **Owner Requirement to Update Contact Information and Property Status**

You are hereby notified pursuant to California Civil Code § 4041, to provide an annual update to your contact information and property status.

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More specifically, your address or addresses to which notices from PLOA are to be delivered; An alternate or secondary address to which notices from PLOA are to be delivered; the name and address of your legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of your extended absence; and the status of your property, such as whether you are the owner-occupier, the property is rented out, the parcel is developed but vacant, or if the parcel is undeveloped land.

- **General Notice Location**

You are hereby notified pursuant to California Civil Code § 4045(a)(3), the location designated for posting of a general notice will be on or adjacent to the mailbox structures for PLOA. Additionally, information and notices will be available online at www.hoacity.com/pinewoodlake.

- **Right to Individual Delivery**

You are hereby notified pursuant to California Civil Code § 4040(b), that you have the right to have general notices delivered individually. Individual delivery includes first-class mail, postage prepaid, registered, or certified mail, express mail, or overnight delivery by an express service carrier. If a recipient consents in writing, individual delivery includes E-mail, facsimile, or other electronic means. The consent may be revoked, in writing, by the recipient.

- **Right to Attend Meetings & Receive Minutes**

Every Member has the right to attend board meetings. Pinewood Lake Owners' Association is a transparent organization that complies with Common Interest Development Open Meeting Act California Civil Code § 4900.

You have the right to receive copies of the Minutes pursuant to California Civil Code § 4950(b).

Copies of all minutes, except executive sessions, are available to all Owners within (30) days of a meeting and are posted online at www.hoacity.com/pinewoodlake.

- **Collection and Lien Policy**

You are hereby notified pursuant to California Civil Code § 5730 of the assessment collection policy, as follows:

PINEWOOD LAKE OWNERS' ASSOCIATION

POLICY AND PROCEDURE FOR COLLECTION OF DELINQUENT ASSESSMENTS, FEES, CHARGES AND COSTS

ASSESSMENT COLLECTION POLICY FOR PINEWOOD LAKE OWNERS' ASSOCIATION

The effective and prompt collection of assessments is vital to the existence, maintenance and operation of our Association. In compliance with the law, this Collection Policy ("Policy") is distributed to the members of our Association to inform you of our policies and practices in enforcing our legal right to collect assessments from members.

1. Assessments. Regular assessments are due on the first day of each month. Special assessments are due according to the terms of the special assessment imposed under the Association's CC&Rs.
2. Delinquent Assessments. Assessments are delinquent 15 days after they are due. A late charge of not to exceed 10% of the delinquent assessment, or \$10.00, whichever is greater, unless the CC&Rs specify a smaller amount, which smaller amount would then apply, will be charged for each delinquent assessment, i.e., if payment is not received within 15 days of the due date. In addition, assessments delinquent for over 30 days are subject to interest at twelve percent (12%) per annum. Interest on all sums, including assessments, late charges, fees and costs of collection, and attorney's fees will accrue from the time the delinquent assessment is 30 days past due, and will continue to accrue on the unpaid balances until the account is paid in full.
3. Member's Obligation to Pay Assessments and Charges. Regular and special assessments, with late charges, fees and cost of collection, attorney's fees, interest, determined under California Civil Code § 5650(b), are a debt of the owner of the separate interest (Member) when the assessment or other sums are levied. (California Civil Code §5650(a).) Because these assessments and related charges constitute a personal obligation of each Member, the Association has a right to look to the Member, personally, to pay the debt and may pursue collection of that debt in a court action. If the Member is delinquent in the payment of assessment obligations and a lien is recorded against the Member's property, the Association may seek recovery of the delinquent assessment from the sale of the unit by foreclosure.
 - a. *Address for Overnight Payment.* Unless the Association provides a different address in its Annual Policy Statement, overnight payments of assessments shall be sent to the following address:

PINEWOOD LAKE OWNERS' ASSOCIATION

HOA Management Solutions, Inc.

Attention: Pinewood Lake

1430 Truxtun Avenue, Fifth Floor

Bakersfield, California 93301-5243

- b. *Receipt of Payment.* When a Member makes a payment, the Association will provide a receipt upon a Member's request.
- c. *Returned Checks.* Returned checks are subject to a service fee in the same amount incurred by the Association.
- 4. Notice of Assessment Lien. When assessments become delinquent by over 30 days, the Association may send the Member a pre-lien letter giving notice of the delinquency and requesting immediate payment.
 - a. *Cost to Prepare and Send.* The Member will be charged the cost incurred by the Association for preparing and sending this letter. The amount will be specified in the pre-lien letter and/or the itemization sent with the letter.
 - b. *Service of Notice.* Pre-lien letter will be sent by certified mail to the Member's unit address unless the Member provides the Association with a different mailing address. Notices must also be sent to a secondary address if so requested by the Member in writing.
 - c. *Contents of Notice.* The pre-lien letter will include this information and any other information required by law.
 - i. A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount claimed to be owed;
 - ii. A statement that the notified Member may inspect the Association's records under California Civil Code § 5205;
 - iii. A statement in 14-point boldface type (or capital letters if typed):

“IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENT, IT MAY BE SOLD WITHOUT COURT ACTION.”

HOA MANAGEMENT SOLUTIONS, INC.

POST OFFICE BOX 12710 | BAKERSFIELD, CALIFORNIA 93389-2710

OFFICE & FACSIMILE (661) 704-4366

WWW.HOACITY.COM/PINEWOODLAKE | PINEWOOD@HOACITY.COM

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- iv. An itemized statement of the charges owed by the Member, including items on the statement which indicate any delinquent assessments, the fees and reasonable costs of collection, reasonable attorneys' fees, any late charges, and interest, if any;
 - v. A statement that the Member will not be liable to pay the charges, interest and costs of collection, if it is determined that the assessment was paid on time to the Association;
 - vi. A statement that the notified Member has a right to meet with the Board as provided in California Civil Code § 5665 and as described in paragraph 6, below;
 - vii. A statement that the Member may dispute the assessment debt by submitting a written request for dispute resolution to the Association under the Association's "meet and confer" program required by California Civil Code §5900 et seq.; and
 - viii. A statement that the Member may request alternative dispute resolution with a neutral third party under California Civil Code § 5925 et seq. before the Association may initiate foreclosure against the Member's separate interest, except that binding arbitration will not be available if the Association intends to initiate a judicial foreclosure.
5. Application of Payments. Any payments made by the owner of a separate interest (Member) toward a debt for a regular or special assessment and any late charges, reasonable fees and cost of collection, reasonable attorney's fees and interest will first be applied to the assessments owed, and, only after the assessments owed are paid in full will the payments be applied to the fees and costs of collection, attorney's fees, late charges, or interest. (California Civil Code § 5655.)
6. Member's Rights. On receipt of the pre-lien letter described in paragraph 4, the noticed Member has the following rights:
- a. *Payment Plan.* The noticed Member may submit a written request to meet with the Board to discuss a payment plan for the debt noticed. (California Civil Code § 5665.)
 - i. The Board will meet with the Member in executive session within 45 days of the postmark of the request, if the request is mailed within 15 days of the postmark of the notice, unless there is no regularly scheduled board meeting within that period, in which case the Board may designate a committee of one or more directors to meet with the Member.

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- ii. Payment plan requests will be considered on a case-by-case basis. The Board reserves the right to decline a Member's request.
 - iii. Payment plans may incorporate any assessments that accrue during the payment plan period. Additional late fees will not accrue during the payment plan period if the Member complies with the payment plan.
 - iv. If a default on any payment plan occurs, the association may resume its efforts to collect the delinquent assessments from the time prior to entering the payment plan.
 - v. Payment plans will not impede an association's ability to record a lien on the Member's separate interest to secure payment of delinquent assessments.
- b. *Meet and Confer Program.* The noticed Member may dispute the assessment debt by submitting a written request for dispute resolution to the Association under the Association's "meet and confer" program. If no policy has been adopted, then the following will apply under California Civil Code § 5915:
- i. The party may request the other party to meet and confer to resolve the dispute. The request will be in writing.
 - ii. A Member of the Association may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.
 - iii. The Board must designate one director to meet and confer.
 - iv. The parties will meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith to resolve the dispute.
 - v. The parties may be assisted by an attorney or another person at their own cost when conferring. A member intending to bring an attorney or another person to an IDR must inform the Association at least ten days prior to the meeting. The Association is represented by counsel. If a member brings an attorney or other person without the Association's prior knowledge, the IDR will be rescheduled to a later date, so the Association can be properly represented at the meeting.

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- vi. A resolution of the dispute agreed to by the parties will be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association.
 - vii. An agreement reached by the parties in the meet and confer process will bind the parties and is judicially enforceable if signed by both parties and both these conditions are satisfied:
 - 1. The agreement is not in conflict with law or the governing documents of the common interest development or Association.
 - 2. The agreement is consistent with the authority granted by the Board of Directors to its designee or the agreement ratified by the Board.
 - viii. A member of the Association may not be charged a fee to participate in IDR.
- c. *Alternative Dispute Resolution.* The noticed Member may request alternative dispute resolution with a neutral third party under California Civil Code § 5925 et seq.
7. Payment under Protest. If a dispute exists between the owner of a separate interest (Member) and the Association regarding any disputed charge or sum levied by the Association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and the amount in dispute does not exceed the jurisdictional limits of the small claims court stated in Sections 116.220 and 116.221 of the California Code of Civil Procedure, the owner of the separate interest (Member) may, besides pursuing dispute resolution under California Civil Code § 5925, et seq., pay under protest the disputed amount and all other amounts levied, including any fees and reasonable costs of collection, reasonable attorney's fees, late charges, and interest under California Civil Code § 5650(b), and commence an action in small claims court under California Code of Civil Procedure § 116.110, et seq.
8. Association's Collection Rights. The Association's debt collection procedures are:
- a. *Delinquent Less than \$1,800 and Fewer Than 12 Months.* If the unpaid regular or special assessments are less than \$1,800 (not including any accelerated assessments, late charges, fees and costs of collection, attorney's fees, or interest) and fewer than twelve (12) months delinquent, the Association may attempt to collect or secure that debt in one or more of these ways:

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- i. If the delinquent assessments, late charges, interest, and all costs of collection, including attorney's fees, are not paid in full within thirty (30) days of the pre-lien notice, by recording a lien on the Member's separate interest.
 - ii. By filing a civil action in small claims court. If the Association proceeds by an action in small claims court, and prevails, it may enforce the judgment as permitted by law as provided in California Code of Civil Procedure, §116.810, et seq. The amount that may be recovered in small claims court to collect upon a debt for delinquent assessments may not exceed the jurisdictional limits of the small claims court and will be the sum of the following:
 1. The amount owed as of the date of filing the complaint in the small claims court proceeding.
 2. In the discretion of the court, an additional amount to that described in subparagraph (1) equal to the amount owed for the period from the date the complaint is filed until satisfaction of the judgment, which total amount may include accruing unpaid assessments and any reasonable late charges, fees and costs of collection, attorney's fees, and interest, up to the jurisdictional limits of the small claims court.
 - iii. By any other manner provided by law, except for judicial or nonjudicial foreclosure.
- b. *Delinquent at Least \$1,800 or More Than 12 Months.* If the unpaid regular or special assessments are delinquent at least \$1,800 (not including any accelerated assessments, late charges, fees and cost of collection, attorney's fees, or interest) and/or more than 12 months delinquent, the Association may attempt to collect or secure that debt in any of these ways:
- i. If the delinquent assessments, late charges, interest, and all costs of collection, including attorney's fees are not paid in full within thirty (30) days of the pre-lien notice, by recording a lien on the Member's separate interest and, if desired, initiating either judicial or nonjudicial foreclosure of the lien.
 - ii. Collect the delinquent assessments, late fees, interest, and all costs of collection, by filing a legal action in small claims court or superior court. An abstract of any judgment for the Association may be recorded and may affect the Member's credit.
 - iii. By any other manner provided by law.

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- c. *Board Decision to Record Lien.* The decision to record a lien for delinquent assessments will be made only by the Board and may not be delegated to an agent of the association. The Board will approve the decision by a majority vote of the directors in an open meeting. The Board will record the vote in the minutes of that meeting. (California Civil Code § 5673.)
- d. *Fee Incurred to Prepare and Record Lien.* The Member will be charged the actual cost the Association incurs for the preparation and recording of the lien. This amount includes the cost of releasing the lien upon verification of payment in full.
- e. *Lien Contents.* The recorded copy of the lien (notice of delinquent assessment) must include this information:
 - i. The amount of the assessment and other sums imposed under California Civil Code § 5650(b);
 - ii. A legal description of the Member's separate interest in the common interest development against which the assessment and other sums are levied;
 - iii. The name of the record owner of that separate interest in the common interest development against which the lien is imposed;
 - iv. If the lien is to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Association to enforce the lien by sale.

The itemized statement of the charges owed by the Member, as described in California Civil Code § 5660(b) will be recorded with the notice of delinquent assessment.

The notice of delinquent assessment will be signed by the persons designated in the Declaration or by the Association for that purpose, or if no one is designated, by the president of the Association.

A copy of the recorded notice of delinquent assessment will be mailed by certified mail to every person whose name is shown as an owner of the separate interest in the Association's records, and the notice will be mailed by 10 calendar days after recordation.

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9. Release of Lien upon Payment. Within 21 days of the payment of the sums specified in the notice of delinquent assessment, the association will record or cause to be recorded in the office of the county recorder in which the notice of delinquent assessment is recorded a lien release or notice of rescission and provide the owner of the separate interest (Member) a copy of the lien release or notice that the delinquent assessment has been satisfied.
10. Pursuit of Nonjudicial Foreclosure to Collect Assessments. After the expiration of 30 days following recording a lien created under California Civil Code § 5675, the lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the notice of delinquent assessment, or sale by a trustee substituted under California Civil Code § 2934a. (California Civil Code § 5700(a).) Any sale by a trustee in a nonjudicial foreclosure must be conducted in accordance with California Civil Code §§ 5710, 2924, 2924b, and 2924c, applicable to the exercise of powers of sale in mortgages or deed of trusts, and the fees of the trustee may not exceed the amounts prescribed in California Civil Code §§ 5710(c)(1) and (c)(2), 2924c and 2924d. (California Civil Code § 5710.)
11. Alternative of Pursuing Collection in a Small Claims Court Proceeding. Instead of pursuing a lien and foreclosure remedies, the Association may sue delinquent Members personally, or take a deed in lieu of foreclosure. (California Civil Code §§ 5700(b) and 5720(b)(1) and (3).)
12. Annual Notice to Members of Assessment and Assessment Collection Rules. The Association will distribute its collection policy to each member no fewer than 30 days or more than 90 days immediately preceding the beginning of the Association's fiscal year.
13. Notice Required by California Civil Code §5730

“NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENT AND FORECLOSURE

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Assessments become delinquent 15 days after they are due unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either because of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the California Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or member's guests, if the governing documents provide for this. (Section 5725 of the California Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the California Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the California Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the California Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the California Civil Code)

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The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the California Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the California Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the California Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the California Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the California Civil Code).

The Board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform to the payment plan standards of the association if they exist. (Section 5665 of the California Civil Code)”

- **Rules Enforcement Policy**

PINEWOOD LAKE OWNERS' ASSOCIATION

You are hereby notified pursuant to California Civil Code § 5850 of the rules enforcement policy, as follows:

COMPLIANCE

The Board shall ensure compliance with the Governing Documents in accordance with the procedures contained in the Compliance Policy and Schedule of Fines listed in the “Penalties” section below.

PENALTIES

COMPLIANCE POLICY AND SCHEDULE OF FINES

I. Procedures for Uncovering Violations of the Governing Documents

- A. Survey Teams. The Board of Directors shall appoint Survey Teams consisting of two (2) to three (3) members each, all of whom shall be Directors. The Survey Teams shall perform a walk-around of the development as deemed necessary by the Board of Directors for the purpose of determining whether any lots are not in compliance with the Association’s Governing Documents. Upon completion of their walk-around, the Survey Teams shall submit their findings to the Board of Directors for review.
- B. Compliance Coordinator. The Board of Directors (or the President at the Board’s direction) shall appoint a Compliance Coordinator.
 1. Appointment of Assistant Coordinators: The Compliance Coordinator may (but is not required to) appoint up to two (2) assistant coordinators who shall first be pre-approved by the Board of Directors to assist the Compliance Coordinator in his or her duties. Collectively, the Compliance Coordinator and any assistant coordinators shall be referred to as the “Compliance Coordination Team.”
 2. Purpose of the Compliance Coordination Team: The Compliance Coordinator shall work to help streamline interactions between the Board of Directors and the Management Company as well as act as the liaison between residents, Survey Teams, and Board Representatives.
 3. Duties of the Compliance Coordination Team: If the Board of Directors reviews the findings of the Survey Teams and determines that a resident or a resident’s lot is potentially in

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violation of the Association's Governing Documents, it shall direct the Compliance Coordination Team to inform the offending resident of the violation and to direct them to remedy the violation in question. The Compliance Coordination Team shall have the discretion to determine whether to inform the offending resident through the sending of a formal Notice of Noncompliance from the Property Manager or by facilitating a meeting between the offending resident and his/her Board Representative or another Director. The Compliance Coordination Team (at the direction of the Compliance Coordinator) shall also keep track of all violations of the Governing Documents, including keeping files on each issue with all accompanying documentation. The file on each violation shall not be closed until the violation is remedied.

- C. Failure to Comply. If the offending resident fails to remedy the violation within thirty (30) days of their receipt of the aforementioned notice, the Board of Directors may levy discipline against them.
- D. Member Complaints. Nothing in the Rules and Regulations shall be construed to mean that the Board shall not act on complaints of violations submitted by entities other than the Survey Teams such as those submitted by individual residents, vendors, employees, or law enforcement.

II. Procedures for Uncovering Violations of the Governing Documents

- A. Violation Defined. A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day.
- B. Remedies for Violations of the Governing Documents
 - 1. To enforce the governing documents, the Board of Directors may impose one or more of the following remedies as it deems appropriate to be effective: (i) warning letters, (ii) monetary penalties, (iii) suspension of membership privileges, (iv) suspension of voting rights, (v) the exercise of the Association's Right of Entry pursuant to Article IX, Section 3 of the CC&Rs, (vi) Internal Dispute Resolution, (vii) Alternative Dispute Resolution, (viii) recordation of a lien enforceable through foreclosure, or (ix) litigation (including the institution of an action for unlawful detainer in the event that the offending resident is a tenant). The

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selection of one remedy does not preclude the Association's right to pursue other remedies.

2. Failure to pay fines within thirty (30) days after the Association's imposition of them may result in legal action to collect fines. If the Association is forced to retain an attorney to ensure compliance, collect fines, etc., the Owner may be liable for those attorney fees and all related expenses in addition to the fines.

C. Notice and Hearing Procedures. The following notice and hearing procedures will be used whenever the Board of Directors meets to consider an alleged violation which could result in disciplinary action against an owner:

1. Opportunity to Cure: In the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action, the Owner or tenant responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the noncomplying condition, request that the owner or tenant correct the condition within a reasonable time specified in the notice and advise the Owner or tenant of his or her appeal rights.
2. Notice of Hearing: No penalty or temporary suspension of rights shall be imposed pursuant to this Article unless the Owner alleged to be in violation is given at least 15 days prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board of Directors or appropriate committee established by the Board of Directors with respect to the alleged violation(s) at a hearing conducted at least five (5) days before the effective date of the proposed disciplinary action. Notice will be given either personally or by prepaid first-class mail to the most recent address shown in the Association's records. The notice shall contain, at a minimum, the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents, a reference to the specific Governing Document provision alleged to have been violated, and a statement that the Owner has a right to attend and may address the Board of Directors at the meeting.
3. Opportunity to Be Heard: Owners have the right to send a letter or appear in person to present evidence or to explain why they should not be disciplined. The hearing will be held in executive session.

PINEWOOD LAKE OWNERS' ASSOCIATION

4. Rescheduled Hearing: Upon timely written request (at least 5 days before a scheduled hearing) and for worthy cause, a party may be granted a continuance to a new hearing date. The Board of Directors cannot promise it will be able to reschedule a hearing. In the event a person fails to appear for a hearing, the Board of Directors will review the evidence presented and makes its decision accordingly.
5. Notice of Decision: Within fifteen (15) days of the Board of Director's decision, the Owner will be sent a written notice of the decision.
6. Conflicts of Interest: If members of the Board of Directors have a conflict of interest (i.e., they filed the complaint, the complaint was filed against them, or they were involved in the complaint in some other manner) such persons may not vote on the issue.
7. Correction of Violation: In the event the violation is corrected prior to the hearing date, the Board of Directors may, if appropriate, cancel the hearing or discontinue the proceedings.

D. Fine Schedule. The following fine schedule shall apply to all violations of the Association's governing documents. Such violations may result in a warning letter, fine, suspension of privileges, and/or continuing fines as the Board of Directors may determine to be appropriate to the situation and as provided for in the fine schedule below.

1 st violation:	Warning or \$100
2 nd violation (same offense):	\$250
3 rd violation (same offense):	\$350
Additional violations (same offense):	\$500
Safety Violation:	Warning or fine up to \$500
Assessment:	May be levied to reimburse HOA expenses.
Continuing Violations:	

PINEWOOD LAKE OWNERS' ASSOCIATION

Daily, weekly, or monthly fines in the amount listed above may be imposed until the violation is cured. The Board of Directors will inform the members in its hearing notice if a continuing violation penalty is being considered. The Board of Directors will inform the members in its hearing results what frequency of continuing violation penalty was imposed.

Suspension of Privileges:

The Board of Directors, after a hearing, may suspend privileges to use the common areas, suspend voting rights, or suspend any other privileges allowed by the governing documents or law. The Association will not suspend a member's rights of ingress and egress to their lot. The Association may pursue one or more remedies simultaneously. The selection of one remedy does not preclude the Association's right to pursue others. In addition to fines, the Board of Directors may file a lawsuit seeking judicial relief. The imposition of penalties and suspension of privileges will be subject to notice and hearing procedures as prescribed in Subsection (C) above.

- E. Due Process Requirements for Violations by Tenants. Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to the Properties or to preserve the rights of quiet enjoyment of other owners, the Association shall have no right to initiate disciplinary action against an owner-lessor (or the owner's lessee or tenant) on account of the misconduct of the owner's lessee or tenant unless and until the following conditions have been satisfied: (i) The Owner has received written notice from the Board of Directors or the Association's property manager detailing the nature of the lessee's or tenant's alleged infraction or misconduct; (ii) the Owner has been given a reasonable opportunity to take corrective action on a voluntary basis; (iii) the Owner has failed to prevent or correct the tenant's objectionable actions or misconduct; and (iv) the Owner is called to a hearing pursuant to the procedures described in Subsection (C) above.

- **Dispute Resolution Procedures Summary**

You are hereby notified pursuant to California Civil Code §§ 5965, 5850 of the dispute resolution procedures, as follows:

Alternative Dispute Resolution Notice required under California Civil Code § 5965.

PINEWOOD LAKE OWNERS' ASSOCIATION

The Alternate Dispute Resolution requirements are set forth in detail in the Article XVII, Breach and Default, Section 7, Court Actions; Alternative Dispute Resolution. Notwithstanding the requirements of Article XIX, an association or a member may not file an enforcement action in court unless the parties submit their dispute to alternative dispute resolution under Article XIX of the CC&Rs. Alternative dispute resolution does not apply to Small Claims actions and other limitations may apply.

"Failure of a member of the association to comply with the alternative dispute resolution requirements of § 5930 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

Internal Resolution Procedure, California Civil Code § 5915.

“5915. (a) This section applies in an association that does not otherwise provide a fair, reasonable, and expeditious dispute resolution procedure. The procedure provided in this section is fair, reasonable, and expeditious, within the meaning of this article.

(b) Either party to a dispute within the scope of this article may invoke the following procedure:

(1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

(2) A member of an association may refuse a request to meet and confer. The association may not refuse a request to meet and confer.

(3) The association's board of directors shall designate a member of the board to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(c) An agreement reached under this section binds the parties and is judicially enforceable if both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board of directors to its designee or the agreement is ratified by the board of directors.

PINEWOOD LAKE OWNERS' ASSOCIATION

(d) A member of the association may not be charged a fee to participate in the process.”

- **Architectural Review Procedures**

You are hereby notified pursuant to California Civil Code § 4765 that PLOA has detailed procedures for any architectural request. No structural alterations or modifications to the exterior are permitted without the prior written consent of the Architectural Control Committee (ACC) as provided in the Association’s CC&Rs.

The architectural procedures are set forth in detail with the Architectural Application and Review Form that is available by written request.

- **Community Rules and Regulations**

PLOA provides Community Rules and Regulations, which are available at www.hoacity.com/pinewoodlake with further information on many policies, including the Pinewood Handbook, General Rules, Architectural Procedures, Enforcement and Fines, Swimming Pool Rules, and more. The Community Rules and Regulation outline is not exhaustive and is a progressive document that should be consulted often.

- **Calendar**

All regular board meeting locations will vary, however, when weather permits, will be held at the Pinewood Lake pool complex, located at 3500 Akers Road, Bakersfield, California 93309; a nearby school, or the offices of Management, unless otherwise indicated. Meeting times or changes to be posted at Pinewood Lake front entry gate at least 4 days prior to meeting.

2019 Calendar of Events

JANUARY	<ul style="list-style-type: none">• Wednesday, January 16, 2019, Board Meeting
FEBRUARY	<ul style="list-style-type: none">• Wednesday, February 20, 2019, Board Meeting
MARCH	<ul style="list-style-type: none">• Wednesday, March 20, 2019, Board Meeting
APRIL	<ul style="list-style-type: none">• Wednesday, April 17, 2019, Annual Board Meeting / Elections

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PINEWOOD LAKE OWNERS' ASSOCIATION

MAY	<ul style="list-style-type: none"> • Wednesday, May 15, 2019, Board Meeting
JUNE	<ul style="list-style-type: none"> • Wednesday, June 19, 2019, Board Meeting
JULY	<ul style="list-style-type: none"> • Wednesday, July 17, 2019, Board Meeting
AUGUST	<ul style="list-style-type: none"> • Wednesday, August 21, 2019, Board Meeting
SEPTEMBER	<ul style="list-style-type: none"> • Wednesday, September 18, 2019, Board Meeting
OCTOBER	<ul style="list-style-type: none"> • Wednesday, October 16, 2019, Board Meeting
NOVEMBER	<ul style="list-style-type: none"> • Wednesday, November 20, 2019, Board Meeting
DECEMBER	<ul style="list-style-type: none"> • No meeting.

DISCLOSURES AND SUPPLEMENTAL INFORMATION – Annual Budget Report

- **2019 PLOA Operating Budget**

The pro forma operating budget is required under California Civil Code § 5300(b)(1). The 2019 PLOA Pro Forma Operating Budget is set forth below for your review.

Pinewood Lake Owners' Association 2019 Operating Budget January - December 2019

	Total
Income	
4105 Pinewood Lake Owners' Association	355,320.00
Total Income	\$ 355,320.00
Gross Profit	\$ 355,320.00

PINEWOOD LAKE OWNERS' ASSOCIATION

Expenses

6020 Accounting Services		800.00
6033 Regulatory Licenses / Permits		800.00
6035 Management		22,500.00
6040 Insurance		4,700.00
6050 Legal Services		2,500.00
6055 Other Miscellaneous Service Cost		600.00
6056 Reserve Study Update		175.00
6057 Reserve Study Full Report		800.00
6058 Meeting Expense		1,000.00
6059 Collection Expense		500.00
6060 Office Expenses		600.00
6061 Office Supplies		600.00
6062 Copying & Printing		1,000.00
6063 Postage & Shipping		1,200.00
6068 Janitorial Service		3,000.00
6070 Telephone		1,500.00
6072 Internet		1,500.00
6073 Electricity		42,000.00
6074 Water		46,000.00
6076 Pool / Spa Service		3,400.00
6077 Pool / Spa Repair		1,200.00
6079 Lake Chemicals		3,200.00
6080 Outside Services		4,000.00
6081 Gate Contract		1,080.00
6082 Gate Cards		500.00
6083 Gate Repairs		500.00
6085 Repairs & Maintenance		2,000.00
6087 Landscaping Maintenance		120,000.00
6088 Landscaping Repairs		6,000.00
6089 Tree Maintenance		15,000.00
6090 Landscaping Supplies		10,000.00
6094 Lake Maintenance		1,500.00
6095 Miscellaneous		250.00
6096 Water District		8,600.00
Total Expenses	\$	309,005.00
Net Operating Income	\$	46,315.00
Other Expenses		

PINEWOOD LAKE OWNERS' ASSOCIATION

9100 Reserve Expenses		
9105 Reserves Funding Allocation		46,315.00
Total 9100 Reserve Expenses	\$	46,315.00
Total Other Expenses	\$	46,315.00
Net Other Income	-\$	46,315.00
Net Income	\$	0.00

- **Reserve Study Summary / Funding Plan / Major Component Repairs / Calculations / Assessment & Reserve Form**

This reserve study summary notice is provided pursuant to California Civil Code § 5300(b)(3) in conformance with California Civil Code § 5565.

A copy of the November 2017 Reserve Study Update summary disclosures pages for 2017 performed by Scherer Consulting Services are included below. A new full-scale reserve study report will be procured in 2019. PLOA may procure updates to the reserve study annually or as needed. The 2019 Pro Forma Operating Budget incorporates most of the annual reserve allocation proposed in the Reserve Study Update. The Reserve Study Update proposes \$47,339 for 2019 toward the recommended reserve allocation at current funding levels and PLOA has allocated \$46,315 for reserve allocation in the 2019 Operating Budget. However, current funding levels will not be sufficient in 2020, and PLOA will have to take a comprehensive review of the full-scale reserve study in 2019 Operating Budget. The 2019 Operating Budget may require an assessment increase to correspond with recommended funding levers. Surplus income funds that are traditionally earned from such revenue sources as late fees, interest, or ancillary fees that is generally not factored in the proforma annual budgets, nor the reserve funding. Any Member may receive the full or updated reserve study report upon request from PLOA or from the PLOA website.

PLOA funds reserves from the monthly assessments. An unforeseen event could cause the PLOA to consider a special assessment and/or a loan to deal with such unforeseen event.

The reserve study summary notice provides calculations utilized to create the reserve study projections.

The Assessment & Reserve Form provided pursuant to California Civil Code § 5570 is included in the reserve summary below.

PINEWOOD LAKE OWNERS' ASSOCIATION

Pinewood Lake Owners Association
Assessment and Reserve Funding Disclosure Summary

- (1) The current regular assessment per ownership interest per month is: \$325.00
- (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/or members:

Date Assessment will be due:	Amount per ownership interest per month or year	Purpose of the assessment:
None	None	N/A
	Total: \$0.00	

- (3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances, at the current funding levels, be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes ___ No X

- (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 that have not yet been approved by the board or the members?

Contribution Increases / Assessments:	Amount per ownership interest per month or year:
Monthly reserve contribution increase	\$10.49/unit/month for FY 2018
Annual reserve contribution increase	25.0% per year starting in FY 2018
Projected Special Assessments:	None at this time
Total Additional Reserve Contributions	Total: \$2,081.66/unit over next 30 years

- (5) All major components are included in the reserve study and 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 \$639,625, based in whole or in part on the last reserve study or update prepared by Scherer Consulting Services as of September 2015. The projected reserve fund cash balance at the end of the current fiscal year is \$190,871, resulting in reserves being 30% funded at this date.

PINEWOOD LAKE OWNERS' ASSOCIATION

Pinewood Lake Owners Association Assessment and Reserve Funding Disclosure Summary

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the table below shows the estimated amount required in the reserve fund at the end of each of the next five budget years; the projected reserve cash fund balance in each of those years, taking into account only assessments already approved and other known revenues; the percent funded of the reserve based on the estimated & project amounts above; the projected reserve fund cash balance and new projected percent funded if the reserve funding plan is approved by the association and implemented:

End of Fiscal Year	Estimated Reserve Fund Required	Projected Reserve Balances with approved Assessments & Revenues	Percent Funded based on Current Funding	Projected Reserve Balances if Funding Plan is Approved by the HOA and implemented.	Projected Percent Funded based on Funding Plan Implementation
2018	\$615,092	\$138,699	23%	\$150,545	24%
2019	\$526,576	\$19,857	4%	\$49,458	9%
2020	\$493,251	\$(48,957)	-10%	\$1,652	0%
2021	\$549,427	\$(31,410)	-6%	\$43,626	8%
2022	\$582,211	\$(40,845)	-7%	\$62,208	11%

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at this time. These estimates are subject to change at any time due to forces or conditions outside of their control or knowledge.

PINWOOD LAKE OWNERS' ASSOCIATION

Pinewood lake HOA, 94 Units RESERVE PLAN PROJECTIONS

30 Year Reserve Plan Projections: At Current Funding Levels

November 2017

Fiscal Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Is Balance Sufficient for FFB?	Annual Reserve Contribs.	Special Asses'ts / Reimburse	Interest Income	Reserve Expenses	Is Balance Sufficient for Exp?
2017	\$ 175,083	\$ 593,436	29.5%	No	\$ 15,780	\$ -	\$ 8	\$ -	Yes
2018	\$ 190,871	\$ 639,625	29.8%	No	\$ 47,339	\$ -	\$ 16	\$ 99,528	Yes
2019	\$ 138,699	\$ 615,092	22.5%	No	\$ 47,339	\$ -	\$ 7	\$ 166,188	Yes
2020	\$ 19,857	\$ 526,576	3.8%	No	\$ 47,339	\$ -	\$ -	\$ 116,153	No
2021	\$ (48,957)	\$ 493,251	-9.9%	No	\$ 47,339	\$ -	\$ -	\$ 29,792	No
2022	\$ (31,410)	\$ 549,427	-5.7%	No	\$ 47,339	\$ -	\$ -	\$ 56,774	No
2023	\$ (40,845)	\$ 582,211	-7.0%	No	\$ 47,339	\$ -	\$ -	\$ 68,549	No
2024	\$ (62,055)	\$ 605,677	-10.2%	No	\$ 47,339	\$ -	\$ -	\$ 44,100	No
2025	\$ (58,817)	\$ 656,769	-9.0%	No	\$ 47,339	\$ -	\$ -	\$ 38,392	No
2026	\$ (49,869)	\$ 717,018	-7.0%	No	\$ 47,339	\$ -	\$ -	\$ 82,512	No
2027	\$ (85,043)	\$ 735,629	-11.6%	No	\$ 47,339	\$ -	\$ -	\$ 246,352	No
2028	\$ (284,056)	\$ 588,901	-48.2%	No	\$ 47,339	\$ -	\$ -	\$ 102,579	No
2029	\$ (339,296)	\$ 588,058	-57.7%	No	\$ 47,339	\$ -	\$ -	\$ 68,818	No
2030	\$ (360,775)	\$ 624,038	-57.8%	No	\$ 47,339	\$ -	\$ -	\$ 66,403	No
2031	\$ (379,839)	\$ 665,688	-57.1%	No	\$ 47,339	\$ -	\$ -	\$ 38,207	No
2032	\$ (370,706)	\$ 739,633	-50.1%	No	\$ 47,339	\$ -	\$ -	\$ 41,928	No
2033	\$ (365,296)	\$ 814,024	-44.9%	No	\$ 47,339	\$ -	\$ -	\$ 348,206	No
2034	\$ (666,162)	\$ 578,813	-115.1%	No	\$ 47,339	\$ -	\$ -	\$ 158,811	No
2035	\$ (777,634)	\$ 534,384	-145.5%	No	\$ 47,339	\$ -	\$ -	\$ 49,207	No
2036	\$ (779,503)	\$ 603,786	-129.1%	No	\$ 47,339	\$ -	\$ -	\$ 49,430	No
2037	\$ (781,594)	\$ 677,356	-115.4%	No	\$ 47,339	\$ -	\$ -	\$ 33,674	No
2038	\$ (767,928)	\$ 771,644	-99.5%	No	\$ 47,339	\$ -	\$ -	\$ 102,925	No
2039	\$ (823,514)	\$ 800,104	-102.9%	No	\$ 47,339	\$ -	\$ -	\$ 153,117	No
2040	\$ (929,292)	\$ 780,695	-119.0%	No	\$ 47,339	\$ -	\$ -	\$ 201,113	No
2041	\$ (1,083,065)	\$ 714,544	-151.6%	No	\$ 47,339	\$ -	\$ -	\$ 75,225	No
2042	\$ (1,110,951)	\$ 778,785	-142.7%	No	\$ 47,339	\$ -	\$ -	\$ 100,428	No
2043	\$ (1,164,040)	\$ 821,887	-141.6%	No	\$ 47,339	\$ -	\$ -	\$ 112,915	No
2044	\$ (1,229,617)	\$ 856,430	-143.6%	No	\$ 47,339	\$ -	\$ -	\$ 118,621	No
2045	\$ (1,300,899)	\$ 889,233	-146.3%	No	\$ 47,339	\$ -	\$ -	\$ 49,753	No
2046	\$ (1,303,312)	\$ 996,770	-130.8%	No	\$ 47,339	\$ -	\$ -	\$ 101,195	No

PINWOOD LAKE OWNERS' ASSOCIATION

Pinewood lake HOA, 94 Units	RESERVE PLAN PROJECTIONS
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30 Year Reserve Plan Projections: At Recommended Funding Levels, with annual contribution increases. November 2017

Fiscal Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Is Balance Sufficient for FFB?	Annual Reserve Contribs.	Special Asses'ts / Reimburse	Interest Income	Reserve Expenses	Is Balance Sufficient for Exp?	Annual Contrib. Increases
2017	\$ 175,083	\$ 593,436	29.5%	No	\$ 15,780	\$ -	\$ 18	\$ -	Yes	
2018	\$ 190,881	\$ 639,625	29.8%	No	\$ 59,174	\$ -	\$ 17	\$ 99,528	Yes	25.00%
2019	\$ 150,545	\$ 615,092	24.5%	No	\$ 65,091	\$ -	\$ 10	\$ 166,188	Yes	10.00%
2020	\$ 49,458	\$ 526,576	9.4%	No	\$ 68,346	\$ -	\$ 2	\$ 116,153	Yes	5.00%
2021	\$ 1,652	\$ 493,251	0.3%	No	\$ 71,763	\$ -	\$ 2	\$ 29,792	Yes	5.00%
2022	\$ 43,626	\$ 549,427	7.9%	No	\$ 75,351	\$ -	\$ 5	\$ 56,774	Yes	5.00%
2023	\$ 62,208	\$ 582,211	10.7%	No	\$ 79,119	\$ -	\$ 7	\$ 68,549	Yes	5.00%
2024	\$ 72,784	\$ 605,677	12.0%	No	\$ 83,075	\$ -	\$ 9	\$ 44,100	Yes	5.00%
2025	\$ 111,768	\$ 656,769	17.0%	No	\$ 87,228	\$ -	\$ 14	\$ 38,392	Yes	5.00%
2026	\$ 160,619	\$ 717,018	22.4%	No	\$ 91,590	\$ -	\$ 17	\$ 82,512	Yes	5.00%
2027	\$ 169,713	\$ 735,629	23.1%	No	\$ 96,169	\$ -	\$ 9	\$ 246,352	Yes	5.00%
2028	\$ 19,539	\$ 588,901	3.3%	No	\$ 100,978	\$ -	\$ 2	\$ 102,579	Yes	5.00%
2029	\$ 17,939	\$ 588,058	3.1%	No	\$ 106,027	\$ -	\$ 4	\$ 68,818	Yes	5.00%
2030	\$ 55,152	\$ 624,038	8.8%	No	\$ 111,328	\$ -	\$ 8	\$ 66,403	Yes	5.00%
2031	\$ 100,085	\$ 665,688	15.0%	No	\$ 116,894	\$ -	\$ 14	\$ 38,207	Yes	5.00%
2032	\$ 178,787	\$ 739,633	24.2%	No	\$ 122,739	\$ -	\$ 22	\$ 41,928	Yes	5.00%
2033	\$ 259,620	\$ 814,024	31.9%	No	\$ 128,876	\$ -	\$ 14	\$ 348,206	Yes	5.00%
2034	\$ 40,305	\$ 578,813	7.0%	No	\$ 135,320	\$ -	\$ 3	\$ 158,811	Yes	5.00%
2035	\$ 16,816	\$ 534,384	3.1%	No	\$ 142,086	\$ -	\$ 7	\$ 49,207	Yes	5.00%
2036	\$ 109,701	\$ 603,786	18.2%	No	\$ 149,190	\$ -	\$ 16	\$ 49,430	Yes	5.00%
2037	\$ 209,478	\$ 677,356	30.9%	No	\$ 156,650	\$ -	\$ 28	\$ 33,674	Yes	5.00%
2038	\$ 332,481	\$ 771,644	43.1%	No	\$ 164,482	\$ -	\$ 37	\$ 102,925	Yes	5.00%
2039	\$ 394,076	\$ 800,104	49.3%	No	\$ 172,706	\$ -	\$ 41	\$ 153,117	Yes	5.00%
2040	\$ 413,706	\$ 780,695	53.0%	No	\$ 181,342	\$ -	\$ 40	\$ 201,113	Yes	5.00%
2041	\$ 393,975	\$ 714,544	55.1%	No	\$ 190,409	\$ -	\$ 46	\$ 75,225	Yes	5.00%
2042	\$ 509,205	\$ 778,785	65.4%	No	\$ 199,929	\$ -	\$ 56	\$ 100,428	Yes	5.00%
2043	\$ 608,762	\$ 821,887	74.1%	No	\$ 209,926	\$ -	\$ 66	\$ 112,915	Yes	5.00%
2044	\$ 705,839	\$ 856,430	82.4%	No	\$ 220,422	\$ -	\$ 76	\$ 118,621	Yes	5.00%
2045	\$ 807,716	\$ 889,233	90.8%	No	\$ 231,443	\$ -	\$ 91	\$ 49,753	Yes	5.00%
2046	\$ 989,497	\$ 996,770	99.3%	No	\$ 243,015	\$ -	\$ 107	\$ 101,195	Yes	5.00%

PINWOOD LAKE OWNERS' ASSOCIATION

Pinewood lake HOA, 94 Units RESERVE PLAN PROJECTIONS

Fully Funded 30 Year Reserve Plan Projections: With Special Assessments & Annual Reserve Increases of: 4.50%
November 2017

Fiscal Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Is Balance Sufficient for FFB?	Annual Reserve Contribs.	Required Special Asses'ts	Interest Income	Reserve Expenses	Is Balance Sufficient for Exp?
2017	\$ 175,083	\$ 593,436	29.5%	No	\$ 15,780	\$ 448,750	\$ 18	\$ -	Yes
2018	\$ 639,631	\$ 639,625	100.0%	Yes	\$ 49,469	\$ 25,460	\$ 61	\$ 99,528	Yes
2019	\$ 615,095	\$ 615,092	100.0%	Yes	\$ 51,695	\$ 25,920	\$ 55	\$ 166,188	Yes
2020	\$ 526,578	\$ 526,576	100.0%	Yes	\$ 54,022	\$ 28,760	\$ 49	\$ 116,153	Yes
2021	\$ 493,255	\$ 493,251	100.0%	Yes	\$ 56,453	\$ 29,460	\$ 51	\$ 29,792	Yes
2022	\$ 549,427	\$ 549,427	100.0%	Yes	\$ 58,993	\$ 30,520	\$ 55	\$ 56,774	Yes
2023	\$ 582,221	\$ 582,211	100.0%	Yes	\$ 61,648	\$ 30,300	\$ 58	\$ 68,549	Yes
2024	\$ 605,677	\$ 605,677	100.0%	Yes	\$ 64,422	\$ 30,710	\$ 62	\$ 44,100	Yes
2025	\$ 656,771	\$ 656,769	100.0%	Yes	\$ 67,321	\$ 31,260	\$ 67	\$ 38,392	Yes
2026	\$ 717,027	\$ 717,018	100.0%	Yes	\$ 70,350	\$ 30,700	\$ 71	\$ 82,512	Yes
2027	\$ 735,637	\$ 735,629	100.0%	Yes	\$ 73,516	\$ 26,040	\$ 64	\$ 246,352	Yes
2028	\$ 588,905	\$ 588,901	100.0%	Yes	\$ 76,824	\$ 24,860	\$ 58	\$ 102,579	Yes
2029	\$ 588,068	\$ 588,058	100.0%	Yes	\$ 80,281	\$ 24,450	\$ 60	\$ 68,818	Yes
2030	\$ 624,041	\$ 624,038	100.0%	Yes	\$ 83,894	\$ 24,100	\$ 64	\$ 66,403	Yes
2031	\$ 665,695	\$ 665,688	100.0%	Yes	\$ 87,669	\$ 24,410	\$ 69	\$ 38,207	Yes
2032	\$ 739,637	\$ 739,633	100.0%	Yes	\$ 91,614	\$ 24,630	\$ 77	\$ 41,928	Yes
2033	\$ 814,030	\$ 814,024	100.0%	Yes	\$ 95,737	\$ 17,190	\$ 68	\$ 348,206	Yes
2034	\$ 578,820	\$ 578,813	100.0%	Yes	\$ 100,045	\$ 14,280	\$ 55	\$ 158,811	Yes
2035	\$ 534,389	\$ 534,384	100.0%	Yes	\$ 104,547	\$ 14,010	\$ 57	\$ 49,207	Yes
2036	\$ 603,795	\$ 603,786	100.0%	Yes	\$ 109,252	\$ 13,680	\$ 64	\$ 49,430	Yes
2037	\$ 677,361	\$ 677,356	100.0%	Yes	\$ 114,168	\$ 13,720	\$ 72	\$ 33,674	Yes
2038	\$ 771,648	\$ 771,644	100.0%	Yes	\$ 119,306	\$ 12,000	\$ 78	\$ 102,925	Yes
2039	\$ 800,107	\$ 800,104	100.0%	Yes	\$ 124,675	\$ 8,960	\$ 79	\$ 153,117	Yes
2040	\$ 780,704	\$ 780,695	100.0%	Yes	\$ 130,285	\$ 4,600	\$ 74	\$ 201,113	Yes
2041	\$ 714,550	\$ 714,544	100.0%	Yes	\$ 136,148	\$ 3,240	\$ 75	\$ 75,225	Yes
2042	\$ 778,788	\$ 778,785	100.0%	Yes	\$ 142,274	\$ 1,180	\$ 80	\$ 100,428	Yes
2043	\$ 821,895	\$ 821,887	100.0%	Yes	\$ 148,677	\$ -	\$ 84	\$ 112,915	Yes
2044	\$ 857,740	\$ 856,430	100.2%	Yes	\$ 155,367	\$ -	\$ 88	\$ 118,621	Yes
2045	\$ 894,575	\$ 889,233	100.6%	Yes	\$ 162,359	\$ -	\$ 96	\$ 49,753	Yes
2046	\$ 1,007,276	\$ 996,770	101.1%	Yes	\$ 169,665	\$ -	\$ 105	\$ 101,195	Yes

- Anticipated Special Assessments Statement**

Right to receive a statement as to whether the Board anticipates a special assessment is required under California Civil Code § 5300(b)(4).

The Board of Directors does anticipate levying a special assessment in 2019 and may have an emergency assessment. Discussions are underway by the Board of Directors. A special assessment is needed due to water line breaks and emergency repairs and a slurry seal for the roadway. More information will be provided as the special assessment amount is determined.

PINEWOOD LAKE OWNERS' ASSOCIATION

- **Deferred Maintenance**

The Board does not have any plans to defer maintenance within the PLOA community.

- **Loans**

There are no existing loans to PLOA at this time by a third party.

- **Current Insurance Summary**

This insurance summary notice is provided pursuant to California Civil Code § 4920.

The insured is: Pinewood Lake Owners' Association
The type of insurance coverage, policy limit, and deductible are: Pool Building, \$38,200; Pool, \$57,100; Lights \$35,700; Fence, walls, etc., \$73,100; Gates, \$73,100; Fence, walls, etc., \$369,400; Tennis Courts, \$46,600; Water Storage Tank & Pump, \$73,100
Inflation Coverage Index: 165.9
Basic Deductible \$1,000
Special Deductibles:
Money and Securities \$250
Equipment Breakdown \$1,000
Employee Dishonesty \$250
Extensions of Coverage – Limit of insurance – Each Described Premises:
Collapse, Included
Damage to Non-Owned Buildings from Theft, Burglary or Robbery, Coverage B Limit
Debris Removal, 25% of covered loss
Equipment Breakdown, Included
Fire Department Service Charge, \$5,000
Fire Extinguisher Systems Recharge Expenses \$5,000
Glass Expenses, Included
Increased Cost of Construction and Demolition Costs, 10%
New Acquired Business Personal Property, \$100,000
New Acquired or Constructed Buildings, \$250,000
Ordinance or Law – Equipment Coverage, Included
Preservation of Property, 30 Days

PINEWOOD LAKE OWNERS' ASSOCIATION

Water Damage, Other Liquids, Powder or Molten Material
Change, Included

Extensions of Coverage – Limit of insurance – Each Complex:

Accounts Receivable, On Premises \$50,000; Off Premises \$15,000

Arson Reward, \$5,000

Forgery or Alteration, \$10,000

Money and Securities (Off Premises), \$5,000

Money and Securities (On Premises), \$10,000

Money Orders and Counterfeit Money, \$1,000

Outdoor Property, \$25,000

Personal Effects, \$2,500

Personal Property, Off Premises, \$15,000

Pollutant Clean Up and Removal, \$10,000

Property of Others, \$2,500

Signs, \$2,500

Valuable Papers and Records, On Premises \$10,000; Off Premises
\$5,000

Extensions of Coverage – Limit of insurance – Per Policy:

Back-Up Sewer or Drain, Included

Employee Dishonesty, \$25,000

Los of Income and Extra Expenses, Actual Loss Sustained – 12
months

Liability:

Business Liability, \$1,000,000

Medical Expenses, \$5,000

Damage to Premises Rented To You, \$300,000

Directors and Officers Liability, \$2,000,000

Aggregate Limits:

Products/Completed Operations Aggregate, \$2,000,000

General Aggregate, \$2,000,000

Directors and Officers Aggregate, \$2,000,000

Various Endorsements

The carrier is: State Farm General Insurance Company
The policy number is: 90-WF-8401-7

PINEWOOD LAKE OWNERS' ASSOCIATION

The insured is: Pinewood Lake Owners' Association
The type of insurance coverage, policy limit, and deductible are: Commercial Liability Umbrella Policy:
Business Liability, Each Occurrence, \$1,000,000
Business Liability, Annual Aggregate, \$1,000,000
Business Liability, Bodily Injury (Per Occurrence), \$500,000
Business Liability, Bodily Injury (Annual Aggregate), \$1,000,000
Business Liability, Property Damage (Per Occurrence and Annual Aggregate), \$100,000
Employers Non-Owned Auto Liability, Bodily Injury and Property Damage (Per Occurrence), \$500,000
Employers Non-Owned Auto Liability, Bodily Injury and Property Damage (Annual Aggregate), \$1,000,000
Employers Non-Owned Auto Liability, Bodily Injury (Each Person/Each Accident), \$500,000/\$500,000
Employers Non-Owned Auto Liability, Property Damage (Each Accident), \$100,000
Employers Non-Owned Auto Liability, Bodily Injury and Property Damage (Each Accident), \$500,000
Various Endorsements
Hired Auto Liability, Bodily Injury and Property Damage (Each Occurrence), \$500,000
Hired Auto Liability, Bodily Injury and Property Damage (Annual Aggregate), \$1,000,000 or
Hired Auto Liability, Bodily Injury (Each Person/Each Accident), \$500,000/\$500,000
Hired Auto Liability, Property Damage (Each Accident), \$100,000
or
Hired Auto Liability, Bodily Injury and Property Damage (Each Accident), \$500,000
The carrier is: State Farm General Insurance Company
The policy number is: 90-NT-4488-8

“This summary of the association's policies of insurance provides only certain information, as required by subdivision (a-b) of § 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

PINEWOOD LAKE OWNERS' ASSOCIATION

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 may not cover your property, including personal property or, real property improvements to or 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."

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Corrections or updates to this Annual Disclosures will be updated via the newsletter, mailing inserts, or the PLOA website.

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PINEWOOD LAKE OWNERS' ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year ended December 31, 2017

PINEWOOD LAKE OWNERS' ASSOCIATION
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Year ended December 31, 2017

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JERRY KEMP, CPA

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MEMBER
CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

November 1, 2018

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors PINEWOOD LAKE OWNERS' ASSOCIATION

We have reviewed the accompanying financial statements of Pinewood Lake Owners' Association, which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

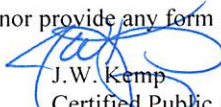
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information in the Schedules of Fund Revenues and Expenses-Budget vs Actual and Fund Revenue and Expenses-Variance, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information (except for the budget information, which was not subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of management, on which we do not express an opinion or provide any assurance) and based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles accepted in the United States of America. We have not audited the information and, accordingly do not express an opinion on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 12 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, 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 compiled the required supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, conclusion, nor provide any form of assurance on it


J.W. Kemp
Certified Public Accountant

PINEWOOD LAKE OWNERS' ASSOCIATION
BALANCE SHEET
December 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash & cash equivalents	\$ 1,946	\$ 169,840	\$ 171,786
Accounts Receivable	<u>12,230</u>	<u>-</u>	<u>12,230</u>
TOTAL ASSETS	<u><u>\$ 14,176</u></u>	<u><u>\$ 169,840</u></u>	<u><u>\$ 184,016</u></u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 18,289	\$ -	\$ 18,289
Prepaid Association Dues	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>18,289</u>	<u>-</u>	<u>18,289</u>
Fund Balances (Deficit)	<u>(4,113)</u>	<u>169,840</u>	<u>165,727</u>
TOTAL LIABILITES AND FUND BALANCE	<u><u>\$ 14,176</u></u>	<u><u>\$ 169,840</u></u>	<u><u>\$ 184,016</u></u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
Year ended December 31, 2017

	Operating Fund	Replacement Fund	Total
<u>REVENUES</u>			
Member Assessments	\$ 308,121	\$ 47,339	\$ 355,460
Service Fees	100		100
Other Income	8,361		8,361
Interest Income	183	129	312
Total Revenues	<u>316,765</u>	<u>47,468</u>	<u>364,233</u>
<u>EXPENSES</u>			
Bank Charge	223		223
Copying & Mailing	1,041	-	1,041
Electricity	38,968	-	38,968
Gate Cards	360	-	360
Gate Contract	2,390	-	2,390
Gate Repairs	2,719	-	2,719
Insurance	4,915	-	4,915
Internet	1,623	-	1,623
Janitorial	1,888	-	1,888
Lake Chemicals	3,522	-	3,522
Lake Maintenance	7,964	-	7,964
Landscape Maintenance	137,883	-	137,883
Landscape Repair/Supplies	1,873	-	1,873
Legal Expense	2,560	-	2,560
Licenses/Permits	800	-	800
Management Fee	18,851	2,095	20,946
Misc. Service Costs	988	-	988
Miscellaneous Expense	118	-	118
Office Supplies & Expense	1,349	-	1,349
Outside Services	1,890	-	1,890
Pool/Spa Service	3,875	-	3,875
Postage & Shipping	631	-	631
Repairs & Maintenance	27,202	-	27,202
Reserve Study	175	-	175
Telephone	879	-	879
Tree Maintenance	39,397	-	39,397
Water	39,086	-	39,086
Water District	7,774	-	7,774
Total Expenses	<u>350,944</u>	<u>2,095</u>	<u>353,039</u>
EXCESS or (DEFICIENCY) OF REVENUES OVER EXPENSES	(34,179)	45,373	11,194
Transfers between funds	18,385	(18,385)	-
INCREASE (DECREASE) IN FUND BALANCES	(15,794)	26,988	11,194
BEGINNING FUND BALANCES (DEFICIT)	11,681	142,852	154,533
ENDING FUND BALANCES (DEFICIT)	<u>\$ (4,113)</u>	<u>\$ 169,840</u>	<u>\$ 165,727</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (34,179)	\$ 45,373	\$ 11,194
(Increase) decrease in:			
Accounts receivable	(11,421)	-	(11,421)
Increase (decrease) in:			
Accounts payable	1,062	-	1,062
	<u>1,062</u>	<u>-</u>	<u>1,062</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(44,538)	45,373	835
Transfers between funds	18,385	(18,385)	-
	<u>18,385</u>	<u>(18,385)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(26,153)	26,988	835
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	28,099	142,852	170,951
	<u>28,099</u>	<u>142,852</u>	<u>170,951</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,946</u>	<u>\$ 169,840</u>	<u>\$ 171,786</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2017

NOTE A – NATURE OF ORGANIZATION

The Pinewood Lake Owners' Association is a California Corporation organized for the purpose of maintaining and preserving common property of the Pinewood Lake Owners' Association. The Pinewood Lake Owners' Association complex consists of 94 residential units located in Bakersfield California. The association began its operations on November 9, 1977.

NOTE B – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 1, 2018, the date that the financial statements were available to be issued.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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 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.

Basis of Presentation

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

Cash and Cash Equivalents

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

Member Assessments

Members are subject to monthly assessments that vary per unit. All assessments were designated to expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from unit owners. The Association retains any excess assessments at year-end for use in the succeeding year.

The organization's funding policy is to fund near term future major repairs and replacements from the regular monthly assessments and through special assessments annually. Each year the board of directors evaluates the funding requirements for the next few years and determines how much should be transferred from the operating fund to the replacement fund. In the current year the amount was \$47,339.

PINEWOOD LAKE OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2017

Income Taxes

Homeowners' associations may be taxed either as homeowners' association or as regular corporations. For the year ended December 31, 2017, the Association elected to be taxed as homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

As of December 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2015.

Concentrations of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution.

Interest Income

Interest income is allocated to the replacement funds, which carries the interest-bearing deposits of the Association.

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.

Investments

Investments consist of a certificate of deposit with an original maturity of more than ninety days. It is considered to be a held-to-maturity investment and is carried at cost, which approximates its fair market value.

Bad Debts

The Association uses the direct write-off method of recording bad debts. Although generally accepted accounting principles dictate the allowance method, the Association's minimal bad debt experience indicates the direct write-off method closely approximates the allowance method. There was no bad debt written off during the fiscal year ended December 31, 2017.

Capitalization Policy and Depreciation

In accordance with industry standards, the Association does not capitalize the common area real property, as all beneficial rights of ownership belong to the unit owners. Replacements and improvements to the real property are charged to the operating fund in the period incurred. Personal property not directly associated with the units, such as office equipment, is capitalized and depreciated over their estimated useful lives on the straight-line basis.

**PINEWOOD LAKE OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2017**

NOTE D – FUTURE MAJOR REPAIRS AND REPLACEMENTS

Major repairs and maintenance of the common areas are funded from the replacement fund. The Association currently funds anticipated future repair and replacement costs through the accumulation of homeowner capital assessments and earnings on such funds.

Replacement funds are amounts to be spent on future repair and replacement of selected Association common areas. A long-term formal funding program is one that is based on a study that identifies specific common area components such as lights, street, landscaping, etc, the expected replacement costs and expected remaining service lives of each and provide plans for accumulating over time the funds that will be needed to replace each major item at the time that replacement becomes necessary.

A study to determine the adequacy of the current funding program for the replacement of Association common areas was prepared by Scherer Consulting on August 21, 2015. The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, 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.

SUPPLEMENTARY INFORMATION

PINEWOOD LAKE OWNERS' ASSOCIATION
SCHEDULE OF FUNDS REVENUES AND EXPENSES
BUDGET vs. ACTUAL
Year ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
<u>REVENUES</u>			
Member Assessments	\$ 355,320	\$ 355,460	\$ 140
Service Fees	-	100	100
Other Income	-	8,361	8,361
Interest Income	-	312	312
Total Revenues	<u>355,320</u>	<u>364,233</u>	<u>8,913</u>
<u>EXPENSES</u>			
Accounting	800	-	800
Bank Charges	1,000	223	777
Collection Expense	1,000	-	1,000
Copying & Printing	1,400	1,041	359
Corporation Regulatory Fees	50	-	50
Electricity	36,000	38,968	(2,968)
Federal / State Taxes	10	-	10
Gate Cards	1,000	360	640
Gate Contract	1,080	2,390	(1,310)
Gate Repairs	500	2,719	(2,219)
Insurance	4,700	4,915	(215)
Internet	-	1,623	(1,623)
Janitorial	1,900	1,888	12
Lake Chemicals	-	3,522	(3,522)
Lake Maintenance	3,000	7,964	(4,964)
Landscape Maintenance	114,000	137,883	(23,883)
Landscape Repairs/Supplies	17,000	1,873	15,127
Legal Services	3,000	2,560	440
Licenses / Permits	800	800	-
Management	20,316	20,946	(630)
Meeting Expense	1,200	-	1,200
Misc. Service Costs	600	988	(388)
Miscellaneous Expense	240	118	122
Office Supplies & Expense	-	1,349	(1,349)
Outside Services	-	1,890	(1,890)
Pool/Spa Repairs & Supplies	1,200	-	1,200
Pool/Spa Service	2,820	3,875	(1,055)
Postage & Shipping	1,000	631	369
Pump Maintenance	5,000	-	5,000
Repairs & Maintenance	2,000	27,202	(25,202)
Reserve Study	1,300	-	1,300
Reserve Study Update	175	175	-
Storm Damage	350	-	350
Telephone	2,740	879	1,861
Tree Maintenance	15,000	39,397	(24,397)

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
SCHEDULE OF FUNDS REVENUES AND EXPENSES
BUDGET vs. ACTUAL
Year ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
<u>EXPENSES cont'd</u>			
Water	58,800	39,086	19,714
Water District	<u>8,000</u>	<u>7,774</u>	<u>226</u>
Total Expenses	<u>307,981</u>	<u>353,039</u>	<u>(45,058)</u>
 EXCESS or (DEFICIENCY) OF REVENUES OVER EXPENSES	 <u>\$ 47,339</u>	 <u>\$ 11,194</u>	 <u>\$ (36,145)</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
SCHEDULE OF FUND REVENUES AND EXPENSES - VARIANCE
Year ended December 31, 2017

	Total all Funds		Variances	% Variances
	12/31/16	12/31/17	Favorable (Unfavorable)	Favorable (Unfavorable)
REVENUES				
Member Assessments	\$ 345,271	\$ 355,460	\$ 10,189	3.0 %
Service Fees	16,701	100	(16,601)	(99.4)
Other Income	8,174	8,361	187	2.3
Interest Income	50	312	262	524.0
	<u>370,196</u>	<u>364,233</u>	<u>(5,963)</u>	<u>(1.6)</u>
EXPENSES				
Accounting	825	-	825	100.0
Bank Charge	65	223	(158)	(243.1)
Copying & Mailing	965	1,041	(76)	(7.9)
Electricity	32,066	38,968	(6,902)	(21.5)
Federal/State Tax	292	-	292	100.0
Gate Cards	1,892	360	1,532	81.0
Gate Contract	900	2,390	(1,490)	(165.6)
Gate Repairs	1,300	2,719	(1,419)	(109.2)
Insurance	8,093	4,915	3,178	39.3
Internet	690	1,623	(933)	(135.2)
Janitorial	534	1,888	(1,354)	(253.6)
Lake Chemicals	-	3,522	(3,522)	-
Lake Maintenance	5,548	7,964	(2,416)	(43.5)
Landscape Maintenance	96,100	137,883	(41,783)	(43.5)
Landscape Repair/Supplies	15,886	1,873	14,013	88.2
Legal Expense	187	2,560	(2,373)	(1,269.0)
Licenses/Permits	800	800	-	-
Management Fee	21,668	20,946	722	3.3
Meeting Expenses	628	-	628	100.0
Misc. Common Area Service	120	-	120	100.0
Misc. Service Costs	1,238	988	250	20.2
Miscellaneous Expense	370	118	252	68.1
Office Supplies & Expense	1,885	1,349	536	28.4
Outside Services	568	1,890	(1,322)	(232.7)
Pool/Spa Repair	210	-	210	100.0
Pool/Spa Service	2,615	3,875	(1,260)	(48.2)
Postage & Shipping	471	631	(160)	(34.0)
Pump/Fountain Repairs	931	-	931	100.0
Repairs & Maintenance	12,865	27,202	(14,337)	(111.4)
Reserve - Cameras	2,052	-	2,052	100.0
Reserve - Gates	2,730	-	2,730	100.0
Reserve - Pool/Spa	750	-	750	100.0
Reserve - Trees	6,980	-	6,980	100.0
Reserve Study	-	175	(175)	-
Telephone	1,766	879	887	50.2
Tree Maintenance	17,538	39,397	(21,859)	(124.6)

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

NEWOOD LAKE OWNERS' ASSOCIATION
SCHEDULE OF FUND REVENUES AND EXPENSES - VARIANCE
Year ended December 31, 2017

	Total all Funds		Variances	% Variances
	12/31/2016	12/31/2017	Favorable (Unfavorable)	Favorable (Unfavorable)
Water	44,024	39,086	4,938	11.2
Water District	8,000	7,774	226	2.8
Website	24	-	24	100.0
	<u>293,576</u>	<u>353,039</u>	<u>(59,463)</u>	<u>(20.3)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 76,620</u>	<u>\$ 11,194</u>	<u>\$ (65,426)</u>	<u>(85.4) %</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

**PINEWOOD LAKE OWNERS' ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (COMPILED)**

December 31, 2017

The Association's board of directors conducted a study on August 21, 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from Scherer Consulting based upon a site visit to the project. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. 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. Estimated future replacement costs consider an estimated after-tax annual interest earning rate of 0.08% on replacement fund cash and investment balances, and an annual inflation rate of 2.5% on major component replacement costs.

COMPONENTS	ESTIMATED REMAINING USEFUL LIFE (Years)	ESTIMATED CURRENT REPLACEMENT COST	ESTIMATED FUTURE REPLACEMENT COST
Pavement	1 to 25	\$ 429,090	\$ 589,984
Fence and walls	2 to 14	65,380	78,147
Lighting	7 to 10	26,650	31,747
Landscape	1 to 29	166,850	218,239
Roofs	10 to 15	2,720	3,610
Painting	1 to 3	12,080	12,853
Cabana/Recreation area	1 to 25	33,910	38,848
Swimming Pool	1 to 28	10,050	13,494
Spa	4 to 28	8,080	12,070
Exterior building repairs	3 to 25	5,150	6,944
Vehicle entranced	3 to 20	28,430	35,949
Miscellaneous components	5 to 29	101,300	135,466
		<hr/>	<hr/>
Estimated replacement liability		889,690	1,177,351
Less replacement fund cash balance		<hr/>	
		169,840	
Unfunded replacement liability		<hr/> <hr/>	
		\$ 42,947	

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year ended December 31, 2016

PINEWOOD LAKE OWNERS' ASSOCIATION
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Year ended December 31, 2016

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CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2018

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors PINEWOOD LAKE OWNERS' ASSOCIATION

We have reviewed the accompanying financial statements of Pinewood Lake Owners' Association, which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information in the Schedules of Fund Revenues and Expenses-Budget vs Actual, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information (except for the budget information, which was not subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of management, on which we do not express an opinion or provide any assurance) and based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles accepted in the United States of America. We have not audited the information and, accordingly do not express an opinion on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on pages 11 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, 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 compiled the required supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, conclusion, nor provide any form of assurance on it


J.W. Kemp
Certified Public Accountant

PINEWOOD LAKE OWNERS' ASSOCIATION
BALANCE SHEET
December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash & cash equivalents	\$ 28,099	\$ 142,852	\$ 170,951
Accounts Receivable	809	-	809
Prepaid Expenses	-	-	-
TOTAL ASSETS	<u>\$ 28,908</u>	<u>\$ 142,852</u>	<u>\$ 171,760</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 17,227	\$ -	\$ 17,227
Prepaid Association Dues	-	-	0
TOTAL LIABILITIES	17,227	-	17,227
Fund Balances (Deficit)	<u>11,681</u>	<u>142,852</u>	<u>154,533</u>
TOTAL LIABILITES AND FUND BALANCE	<u>\$ 28,908</u>	<u>\$ 142,852</u>	<u>\$ 171,760</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
Year ended December 31, 2016

	Operating Fund	Replacement Fund	Total
<u>REVENUES</u>			
Member Assessments	\$ 308,432	\$ 36,839	\$ 345,271
Service Fees	16,701		16,701
Other Income	8,174		8,174
Interest Income		50	50
Total Revenues	<u>333,307</u>	<u>36,889</u>	<u>370,196</u>
<u>EXPENSES</u>			
Accounting	412	413	825
Bank Charge	65		65
Copying & Mailing	965	-	965
Electricity	32,066	-	32,066
Federal/State Tax	292	-	292
Gate Cards	1,892	-	1,892
Gate Contract	900	-	900
Gate Repairs	1,300	-	1,300
Insurance	8,093	-	8,093
Internet	690	-	690
Janitorial	534	-	534
Lake Maintenance	5,548	-	5,548
Landscape Maintenance	96,100	-	96,100
Landscape Repair/Supplies	15,886	-	15,886
Legal Expense	187	-	187
Licenses/Permits	800	-	800
Management Fee	19,501	2,167	21,668
Meeting Expenses	628	-	628
Misc. Common Area Service	120	-	120
Misc. Service Costs	1,238	-	1,238
Miscellaneous Expense	370	-	370
Office Supplies & Expense	1,885	-	1,885
Outside Services	568	-	568
Pool/Spa Repair	210	-	210
Pool/Spa Service	2,615	-	2,615
Postage & Shipping	471	-	471
Pump/Fountain Repairs	931	-	931
Repairs & Maintenance	12,865		12,865
Reserve - Cameras	-	2,052	2,052
Reserve - Gates	-	2,730	2,730
Reserve - Pool/Spa	-	750	750
Reserve - Trees	-	6,980	6,980
Telephone	1,766	-	1,766
Tree Maintenance	17,538	-	17,538
Water	44,024	-	44,024
Water District	8,000	-	8,000
Website	24	-	24
Total Expenses	<u>278,484</u>	<u>15,092</u>	<u>293,576</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES

Year ended December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
EXCESS or (DEFICIENCY) OF REVENUES OVER EXPENSES	54,823	21,797	76,620
Transfers between funds	<u>(44,967)</u>	<u>44,967</u>	<u>-</u>
INCREASE (DECREASE) IN FUND BALANCES	9,856	66,764	76,620
BEGINNING FUND BALANCES (DEFICIT)	<u>1,825</u>	<u>76,088</u>	<u>77,913</u>
ENDING FUND BALANCES (DEFICIT)	<u>\$ 11,681</u>	<u>\$ 142,852</u>	<u>\$ 154,533</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 54,823	\$ 21,797	\$ 76,620
(Increase) decrease in:			
Accounts receivable	12,717	-	12,717
Prepaid Expenses	2,982	-	2,982
Increase (decrease) in:			
Accounts payable	(13,575)	-	(13,575)
Increase (decrease) in:			
Prepaid Assessments	<u>(12,313)</u>	<u>-</u>	<u>(12,313)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	44,634	21,797	66,431
Transfers between funds	<u>(44,967)</u>	<u>44,967</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(333)	66,764	66,431
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>28,432</u>	<u>76,088</u>	<u>104,520</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 28,099</u></u>	<u><u>\$ 142,852</u></u>	<u><u>\$ 170,951</u></u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2016

NOTE A – NATURE OF ORGANIZATION

The Pinewood Lake Owners' Association is a California Corporation organized for the purpose of maintaining and preserving common property of the Pinewood Lake Owners' Association. The Pinewood Lake Owners' Association complex consists of 94 residential units located in Bakersfield California. The association began its operations on November 9, 1977.

NOTE B – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 24, 2018, the date that the financial statements were available to be issued.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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 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.

Basis of Presentation

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

Cash and Cash Equivalents

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

Member Assessments

Members are subject to monthly assessments that vary per unit. All assessments were designated to expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from unit owners. The Association retains any excess assessments at year-end for use in the succeeding year.

The organization's funding policy is to fund near term future major repairs and replacements from the regular monthly assessments and through special assessments annually. Each year the board of directors evaluates the funding requirements for the next few years and determines how much should be transferred from the operating fund to the replacement fund. In the current year the amount was \$36,839.

PINEWOOD LAKE OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2016

Income Taxes

Homeowners' associations may be taxed either as homeowners' association or as regular corporations. For the year ended December 31, 2016, the Association elected to be taxed as homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

As of December 31, 2016, the tax years that remain subject to examination by taxing authorities begin with 2014.

Concentrations of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution.

Interest Income

Interest income is allocated to the replacement funds, which carries the interest-bearing deposits of the Association.

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.

Investments

Investments consist of a certificate of deposit with an original maturity of more than ninety days. It is considered to be a held-to-maturity investment and is carried at cost, which approximates its fair market value.

Bad Debts

The Association uses the direct write-off method of recording bad debts. Although generally accepted accounting principles dictate the allowance method, the Association's minimal bad debt experience indicates the direct write-off method closely approximates the allowance method. There was no bad debt written off during the fiscal year ended December 31, 2016.

Capitalization Policy and Depreciation

In accordance with industry standards, the Association does not capitalize the common area real property, as all beneficial rights of ownership belong to the unit owners. Replacements and improvements to the real property are charged to the operating fund in the period incurred. Personal property not directly associated with the units, such as office equipment, is capitalized and depreciated over their estimated useful lives on the straight-line basis.

**PINEWOOD LAKE OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2016**

NOTE D – FUTURE MAJOR REPAIRS AND REPLACEMENTS

Major repairs and maintenance of the common areas are funded from the replacement fund. The Association currently funds anticipated future repair and replacement costs through the accumulation of homeowner capital assessments and earnings on such funds.

Replacement funds are amounts to be spent on future repair and replacement of selected Association common areas. A long-term formal funding program is one that is based on a study that identifies specific common area components such as lights, street, landscaping, etc, the expected replacement costs and expected remaining service lives of each, and provide plans for accumulating over time the funds that will be needed to replace each major item at the time that replacement becomes necessary.

A study to determine the adequacy of the current funding program for the replacement of Association common areas was prepared by Scherer Consulting on August 21, 2015. The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, 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.

SUPPLEMENTARY INFORMATION

PINEWOOD LAKE OWNERS' ASSOCIATION
SCHEDULE OF FUNDS REVENUES AND EXPENSES
BUDGET vs. ACTUAL
Year ended December 31, 2016

	Budget	Actual	Variances Favorable (Unfavorable)
REVENUES			
Member Assessments	\$ 355,320	\$ 345,271	\$ (10,049)
Service Fees	-	16,701	16,701
Other Income	-	8,174	8,174
Interest Income	-	50	50
Total Revenues	<u>355,320</u>	<u>370,196</u>	<u>14,876</u>
EXPENSES			
Accounting	800	825	(25)
Bank Charges	1,000	65	935
Collection Expense	1,000	-	1,000
Copying & Printing	1,400	965	435
Corporation Regulatory Fees	50	-	50
Electricity	36,000	32,066	3,934
Federal / State Taxes	10	292	(282)
Gate Cards	1,000	1,892	(892)
Gate Contract	1,080	900	180
Gate Repairs	500	1,300	(800)
Insurance	4,700	8,093	(3,393)
Internet	-	690	(690)
Janitorial	1,900	534	1,366
Lake Maintenance	3,000	5,548	(2,548)
Landscape Maintenance	114,000	96,100	17,900
Landscape Repairs/Supplies	22,500	15,886	6,614
Legal Services	3,000	187	2,813
Licenses / Permits	800	800	-
Management	20,316	21,668	(1,352)
Meeting Expense	1,200	628	572
Misc. Service Costs	600	1,358	(758)
Miscellaneous Expense	240	370	(130)
Office Supplies & Expense	-	1,885	(1,885)
Outside Services	-	568	(568)
Pool/Spa Repairs & Supplies	1,200	210	990
Pool/Spa Service	2,820	2,615	205
Postage & Shipping	1,000	471	529
Pump Maintenance	5,000	931	4,069
Repairs & Maintenance	2,000	12,865	(10,865)
Reserve Study	1,300	-	1,300
Reserve Study Update	175	-	175
Reserve - Camera	-	2,052	(2,052)
Reserve - Gates	-	2,730	(2,730)
Reserve - Pool/Spa	-	750	(750)
Reserve - Trees	-	6,980	(6,980)

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

PINEWOOD LAKE OWNERS' ASSOCIATION
SCHEDULE OF FUNDS REVENUES AND EXPENSES
BUDGET vs. ACTUAL
Year ended December 31, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variances Favorable (Unfavorable)</u>
<u>EXPENSES cont'd</u>			
Storm Damage	350	-	350
Telephone	2,740	1,766	974
Tree Maintenance	20,000	17,538	2,462
Water	58,800	44,024	14,776
Water District	8,000	8,000	-
Website	-	24	(24)
	<u>318,481</u>	<u>293,576</u>	<u>24,905</u>
Total Expenses			
	<u>\$ 36,839</u>	<u>\$ 76,620</u>	<u>\$ 39,781</u>
EXCESS or (DEFICIENCY) OF REVENUES OVER EXPENSES			

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

**PINEWOOD LAKE OWNERS' ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (COMPILED)**

December 31, 2016

The Association's board of directors conducted a study on August 21, 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from Scherer Consulting based upon a site visit to the project. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. 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. Estimated future replacement costs consider an estimated after-tax annual interest earning rate of 0.08% on replacement fund cash and investment balances, and an annual inflation rate of 2.5% on major component replacement costs.

COMPONENTS	ESTIMATED REMAINING USEFUL LIFE (Years)	ESTIMATED CURRENT REPLACEMENT COST	ESTIMATED FUTURE REPLACEMENT COST
Pavement	1 to 25	\$ 429,090	\$ 589,984
Fence and walls	2 to 14	65,380	78,147
Lighting	7 to 10	26,650	31,747
Landscape	1 to 29	166,850	218,239
Roofs	10 to 15	2,720	3,610
Painting	1 to 3	12,080	12,853
Cabana/Recreation area	1 to 25	33,910	38,848
Swimming Pool	1 to 28	10,050	13,494
Spa	4 to 28	8,080	12,070
Exterior building repairs	3 to 25	5,150	6,944
Vehicle entranced	3 to 20	28,430	35,949
Miscellaneous components	5 to 29	101,300	135,466
		<hr/>	<hr/>
Estimated replacement liability		889,690	1,177,351
Less replacement fund cash balance		<hr/> 142,852	
Unfunded replacement liability		<hr/> <hr/> \$ 42,947	

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT