

BIRCH BAY VILLAGE COMMUNITY CLUB, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

Birch Bay Village Community Club, Inc.

Table of Contents

INDEPENDENT AUDITOR’S REPORT 1-2

FINANCIAL STATEMENTS

 Balance Sheet3

 Statement of Revenues and Expenses4

 Statement of Changes in Fund Balance5

 Statement of Cash Flows6

 Notes to Financial Statements 7-11

SUPPLEMENTARY INFORMATION

 Supplementary Information on Future Major Repairs and Replacements (Unaudited) 12-16

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Birch Bay Village Community Club, Inc.
Blaine, Washington

Opinion

We have audited the financial statements of Birch Bay Village Community Club, Inc., which comprise the balance sheet as of December 31, 2021, and the related statements of revenues and expenses, changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Birch Bay Village Community Club, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Birch Bay Village Community Club, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Birch Bay Village Community Club, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

12300 SE MALLARD WAY, SUITE 275
MILWAUKIE, OR 97222

503.227.1165 phone ♦ 503.227.1423 fax
cpa@schwindtco.com

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Birch Bay Village Community Club, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Birch Bay Village Community Club, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on pages 12 through 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Milwaukie, Oregon
September 29, 2022

A handwritten signature in black ink, appearing to read "Summitt-6", is written over a horizontal line.

Birch Bay Village Community Club, Inc.
Balance Sheet
December 31, 2021

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash, including interest bearing deposits	\$ 993,387	\$ 1,493,135	\$ 2,486,522
Investments	402,547	2,417,623	2,820,170
Accounts receivable, net of allowance for doubtful accounts of \$3,681	47,286	-	47,286
Interest receivable	2,642	10,502	13,144
Income tax refund receivable	8,280	-	8,280
Inventory	11,916	-	11,916
Prepaid insurance	65,601	-	65,601
Other prepaid expenses	9,668	-	9,668
Property and equipment, net of accumulated depreciation of \$3,678,225	1,907,064	-	1,907,064
Interfund balance	695,947	(695,947)	-
Total assets	\$ 4,144,338	\$ 3,225,313	\$ 7,369,651
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 844,215	\$ -	\$ 844,215
Assessments received in advance	513,893	-	513,893
Other fees received in advance	6,097	-	6,097
Deferred contributions	7,436	-	7,436
Refundable deposits	81,775	-	81,775
Lease liabilities	8,662	-	8,662
Contract liabilities	-	3,211,689	3,211,689
Total liabilities	1,462,078	3,211,689	4,673,767
Fund balance	2,682,260	13,624	2,695,884
Total liabilities and fund balance	\$ 4,144,338	\$ 3,225,313	\$ 7,369,651

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

Birch Bay Village Community Club, Inc.
Statement of Revenues and Expenses
For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 1,159,580	\$ 906,824	\$ 2,066,404
Marina income	420,989	-	420,989
Transfer fees	51,500	-	51,500
Golf course income	94,800	-	94,800
Snack shack income	11,641	-	11,641
Yard maintenance income	29,355	-	29,355
Maintenance income	258	-	258
Interest income	9,276	45,908	55,184
Member late fees and partial payment fees	15,672	-	15,672
Swimming pool income	15,160	-	15,160
Real estate proceeds	10,698	-	10,698
Clubhouse rental fees	1,600	-	1,600
Gain on disposal of asset	6,480	-	6,480
Other income	27,435	-	27,435
Total revenues	1,854,444	952,732	2,807,176
EXPENSES			
Property maintenance	354,617	-	354,617
Major repairs and replacements			
General	-	24,579	24,579
Golf	226,629	-	226,629
Marina	145,685	-	145,685
Parks	3,882	-	3,882
Pool	62,139	-	62,139
Roads and drainage	51,825	-	51,825
Clubhouse	7,485	-	7,485
Snack shack	61,322	-	61,322
Security	328,294	-	328,294
Administration and office expense	515,701	-	515,701
Depreciation	211,467	-	211,467
Amortized premium on investments	-	848	848
Income taxes	7,354	-	7,354
Bad debt expense	3,681	-	3,681
Real estate expenses	7,636	-	7,636
Total expenses	1,987,717	25,427	2,013,144
Excess of revenues over (under) expenses	\$ (133,273)	\$ 927,305	\$ 794,032

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

Birch Bay Village Community Club, Inc.
Statement of Changes in Fund Balance
For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Fund balance, as of December 31, 2020	\$ 1,813,701	\$ 88,151	\$ 1,901,852
Excess of revenues over (under) expenses	(133,273)	927,305	794,032
Interfund transfers	<u>1,001,832</u>	<u>(1,001,832)</u>	<u>-</u>
Fund balance, as of December 31, 2021	<u>\$ 2,682,260</u>	<u>\$ 13,624</u>	<u>\$ 2,695,884</u>

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

Birch Bay Village Community Club, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over (under) expenses	\$ (133,273)	\$ 927,305	\$ 794,032
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities:			
Depreciation expense	211,467	-	211,467
Amortized discounts on investments	(97)	(176)	(273)
Amortized premiums on investments	-	848	848
Decrease (Increase) in assets:			
Accounts receivable, net of allowance for doubtful accounts	45,887	-	45,887
Interest receivable	(1,026)	1,845	819
Income tax refund receivable	(4,322)	-	(4,322)
Inventory	(52)	-	(52)
Prepaid insurance	(8,412)	-	(8,412)
Other prepaid expenses	230,544	-	230,544
Property available for sale	45,088	-	45,088
Increase (Decrease) in liabilities:			
Accounts payable	773,815	-	773,815
Assessments received in advance	(237,593)	-	(237,593)
Other fees received in advance	2,083	-	2,083
Deferred contributions	(1,970)	-	(1,970)
Refundable deposits	8,125	-	8,125
Interest on mortgage payable	(3,383)	-	(3,383)
Contract liabilities	-	(305,685)	(305,685)
Income taxes payable	(7,037)	-	(7,037)
Net cash provided by operating activities	919,844	624,137	1,543,981
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(1,014,876)	-	(1,014,876)
Purchase of investments	(203,323)	(1,024,000)	(1,227,323)
Maturity of investments	-	1,036,000	1,036,000
Net cash provided (used) from investing activities	(1,218,199)	12,000	(1,206,199)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund balance	(872,644)	872,644	-
Interfund transfer	1,001,832	(1,001,832)	-
Payments on lease liability	(2,588)	-	(2,588)
Net cash provided (used) by financing activities	126,600	(129,188)	(2,588)
NET INCREASE (DECREASE) IN CASH	(171,755)	506,949	335,194
CASH AND CASH EQUIVALENTS, BEGINNING	1,165,142	986,186	2,151,328
CASH AND CASH EQUIVALENTS, ENDING	\$ 993,387	\$ 1,493,135	\$ 2,486,522

Income taxes paid amounted to \$10,500.

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

Birch Bay Village Community Club, Inc.
Notes to Financial Statements
December 31, 2021

Note 1 - Nature of Organization

Birch Bay Village Community Club, Inc. (“The Club”) was organized in 1966 and is subject to the provisions of Washington Nonprofit Corporation Law and the Washington Homeowners’ Association Act. The Club is responsible for the operation and maintenance of the common property within the development including, paved roads, common area lots, undeveloped acreage, tidelands, golf course, cart paths, and recreational facilities. The development consists of 1129 residential units located in Blaine, Washington.

Note 2 - Summary of Significant Accounting Policies

Accounting Method

The Club prepares its year-end financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned, and expenses are recognized when goods or services are received, whether paid or not.

Fund Accounting

The Club'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 Club 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 Club.

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

Member Assessments

The Club members are subject to annual assessments to provide funds for the Club’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Club’s performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Club’s policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are two months past due and to retain legal counsel on the properties of homeowners whose assessments are 18 months or more delinquent. Any excess assessments at year-end are retained by the Club for use in future years. The Club treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Club’s control. The balances of assessments receivable as of the beginning and end of the year are \$93,354 and \$50,880, respectively and are reported in accounts receivable. Non-member accounts receivable as of the beginning and end of the year are \$15,155 and \$7,976, respectively.

Allowance for Doubtful Accounts

The Club has provided for an allowance for doubtful accounts as of December 31, 2021. The Club generally considers assessments receivable collectible until the unit has filed for bankruptcy.

Contract Liabilities

The Club recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Club has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities as of the beginning and end of the year are \$3,517,374 and \$3,211,689, respectively.

Birch Bay Village Community Club, Inc.
Notes to Financial Statements – Continued
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Cash Equivalents

For purposes of the statements of cash flows, the Club considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Valuation of Inventory

The Club reports its inventory at the lower of cost or market and uses the first in, first out method.

Use of Estimates

The preparation of financial statement 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.

Capitalization and Depreciation

The Club records capitalized assets at cost and depreciation on the straight-line basis over the estimated useful life of the asset.

Note 3 - Income Taxes

The Club may be taxed either as a homeowner association or as a non-exempt membership organization. For the year ended December 31, 2021, the Club elected to be taxed as a non-exempt membership organization. Under IRC Section 277, Common Interest Realty Associations may be taxed on both net membership and net non-membership income, at applicable federal and state tax rates. Associations that appropriately vote on revenue ruling 70-604 and adhere to certain restrictions and requirements may elect to defer net membership income to the following year. The Club has chosen to not adopt FASB ASC 606, Revenue from Contract with Customers for tax accounting method purposes but continues recognizing revenues per IRS revenue recognition rules. The Club files returns in the U.S. federal jurisdiction. Tax filings are generally subject to federal examination for three years after they are filed.

Note 4 - Future Major Repairs and Replacements

The Club's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds of \$3,211,689, which are reported as contract liabilities and \$13,624, which are reported as the replacement fund balance at December 31, 2021, are generally not available for operating purposes. The Washington Homeowners' Associations Act restricts the permanent transfer of funds from the replacement fund. The Club levied reserve assessments of \$601,139 for the year ended December 31, 2021.

The Club engaged a consultant who conducted studies in the year 2018 to estimate the remaining useful lives and the replacement costs of the common property components. The excerpts included in the unaudited Supplementary Information on Future Major Repairs and Replacements are based on the studies. The Club is currently in the process of a reserve study update, which will be used for the 2023 budget.

The Club is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. The funding scenario for the marina components includes a recommendation for special assessments of \$670,000 for 9 years beginning in 2019.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures and investment income, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Club has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Birch Bay Village Community Club, Inc.
Notes to Financial Statements – Continued
December 31, 2021

Note 5 - Investments

The Club's investments consist of bonds and certificates of deposit (CDs). The Club has 16 long-term certificates of deposit with maturity values between \$44,000 and \$245,000 and terms between 13 months and 36 months bearing interest rates of 0.5% to 2.8%. The Club also has bonds with a total face value of \$500,000 earning interest at a rate of 3.0% and maturing in April 2049. The Club has the positive intent and ability to hold these investments to maturity. Investments are carried on the Club's books at cost plus unamortized discounts and premiums, plus capitalized interest. Interest earned, but not yet received as of December 31, 2021 is \$13,144.

Note 6 - Concentrations of Credit Risk

The Club maintains its cash, CD, and bond balances in four financial institutions located in the Blaine, Washington area. The cash and CD balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. The bonds totaling \$500,000, are insured by AGM, that provides financial guaranty insurance for U.S. municipal bonds. As of December 31, 2021, the Club's cash balances not federally insured totaled \$97,307. The Club holds cash and invests in CDs in various banks, which are managed by one of the financial institutions, and each of the various banks has a balance of less than \$250,000, thus keeping these federally insured.

Note 7 - Sale of Property

In 2019, the Club began foreclosure proceedings on a property within the development for nonpayment of delinquent assessments. In 2020, the Club acquired the unit through a sheriff's sale and assumed the mortgage. The property was reported at fair market value as of December 31, 2020. The Club paid the mortgage in full in February 2021 and the property was sold in March 2021. The Club is reporting \$10,698 proceeds and \$7,636 expenses related to the sale.

Note 8 - Property and Equipment

Real property and common areas acquired by the original homeowners from the developer are not capitalized on the Club's financial statements. Although these properties are owned by the Club, the assets are not recognized under generally accepted accounting principles, due to the fact that the Club will not, in the ordinary course of business, dispose of the property. Capitalized improvements to these assets are reported in the financial statements. Common areas are restricted to use by Club members, their tenants, and guests. The Club's formal policy is to expense all personal property acquisitions and improvements to the common areas costing less than \$5,000. Capitalized personal property and equipment includes furnishings and equipment necessary for the Club's operations and use of facilities. Property and equipment as of December 31, 2021 included:

Maintenance, lot service and roads	\$ 2,187,234
Marina	1,821,809
Parks, recreation and pool	493,336
Administration	375,647
Security	287,202
Golf course	360,743
Land and building	59,318
Accumulated depreciation	<u>(3,678,225)</u>
Total	<u>\$ 1,907,064</u>

Depreciation expense for the year ended December 31, 2021 was \$211,467.

Note 9 - Interfund Balance

As of December 31, 2021, \$695,947 of operating fund cash was held in the replacement fund.

Birch Bay Village Community Club, Inc.
Notes to Financial Statements – Continued
December 31, 2021

Note 10 - Deferred Contributions

During the year 2018, contributions were received to pay for accessibility projects, including a pool lift that was purchased in 2018. During 2021, \$1,970 of deferred contributions were recognized as income to match with 2021 expense. Deferred contributions will be used for other pool access improvements in the future.

Note 11 - Refundable Deposits

As of December 31, 2021, refundable deposits consisted of:

Construction deposits	\$ 53,400
Key deposits	\$ 28,150
Fuel-card deposits	\$ 200
Heater deposits	\$ 25

Note 12 - Capital Lease Liability

In 2020, the Club approved a copier lease contract and signed a 5-year non-cancellable copier equipment lease with a term ending in March 2025. Monthly payments are \$245 plus tax. The Club is also billed fees of \$0.0078 for each black and white copy and \$0.0728 for each color copy. Each monthly payment will reduce the capital lease liability and record lease interest expense. Total payments made on the photocopier lease during 2021 amounted to \$3,185. The future minimum lease payments are as follows:

	Interest Expense	Present Value of Lease Payment	Total
2022	\$ 452	\$ 2,488	\$ 2,940
2023	299	2,641	2,940
2024	136	2,804	2,940
2025	7	729	736
	\$ 894	\$ 8,662	\$ 9,556

Note 13 - Transfer Fees

Transfer fees are collected when a unit is sold to a new owner or when a unit is rented to a new tenant and are used to pay for related administrative costs. Transfer fees of \$42,400 related to sales and \$9,100 related to rentals were received in 2021.

Note 14 - Other Income

Other income includes construction fees, advertisement income, fines and traffic citation income, notary fees, gate access charges, rebates and discounts, returned check fees, pickleball fees, and other miscellaneous income.

Note 15 - Interfund Transfers

During the year 2021, the Club transferred \$1,001,832 from the replacement fund to the operating fund for the purchase of fixed assets included as components in the reserve study.

Note 16 - Employee Benefit Plan

The Club maintains a Simple IRA Employee Benefit Plan which allows employees to defer certain amounts of compensation for income tax purposes under Section 408(p) of the Internal Revenue Code. Under the plan, the Club contributes 2% of the qualified employee's total salary. Qualified employees are regular employees who work at least 30 hours per week. The Club's contribution to the plan totaled \$10,547 for the year ended December 31, 2021.

Birch Bay Village Community Club, Inc.
Notes to Financial Statements – Continued
December 31, 2021

Note 17 - Subsequent Event

At the August 18, 2022 board meeting, the Board of Directors approved borrowing up to \$3,500,000 to help fund the dock replacement project. The membership will vote on and is expected to ratify a \$3,100 per unit special assessment at the November 4, 2022 meeting.

Note 18 - Contingencies and Concentrations

The Club's legal counsel has advised there are several matters of pending litigation, claims or assessments related to homeowner assessment lien foreclosure and covenant violation disputes. There are no matters that, in the opinion of management, will have a material adverse effect on the financial position, results of operations or cash flows of the Club. As a member-owned club, the Club's assessments receivable are due from members that live principally in the community.

Note 19 - Global Pandemic

The COVID-19 global pandemic has caused business disruption through mandated and voluntary closings for services and production across a range of industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent of the impact of COVID-19 will depend on certain developments and may negatively impact certain financial conditions, however, it cannot be reasonably estimated at this time.

Note 20 - Date of Board of Directors' Review

In preparing the financial statements, the Club has evaluated events and transactions for potential recognition or disclosure through September 29, 2022, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Birch Bay Village Community Club, Inc.
Supplementary Information on Future Major Repairs
And Replacements (Unaudited)
December 31, 2021

The Club engaged a consultant who conducted reserve study updates, including on-site reviews in the year 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The reserve study consultant determines useful life and replacement costs estimates from visual inspections, the consultant’s database and experience, actual installation dates and previous life cycle information, vendor evaluations and recommendations, actual costs or current proposals, comparisons with other similar entities, and reliable national industry cost estimating guidebooks. Replacement costs were based on the estimated costs to repair or replace the common property components on the dates of the studies assuming an annual inflation rate of 3.0% and a rate of return on investments of 1.5% without a provision for income taxes. The studies used the full-funding method for marina components, the threshold method for roads and drainage with a threshold of \$27,340, and the threshold method for general components with a threshold of \$37,655. The funding scenario for the marina components includes a recommendation for special assessments of \$670,000 for 9 years beginning in 2019. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The Club is currently in the process of a reserve study update, which will be used for the 2023 budget.

The attached excerpt on pages 13 to 16 includes significant information about the components of common property. The reserve study should be read in its entirety.

Replacement Funding Summary for the Year Ended December 31, 2021:

Current year’s assessments		
Reserve assessments levied	\$	601,139
Amount recommended by reserve study		<u>555,318</u>
Difference	\$	<u>45,821</u>
Replacement fund balance at end of year	\$	<u>13,624</u>
Contract liabilities at end of year	\$	<u>3,211,689</u>

Executive Summary

7667-1

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Site & Grounds			
106 Gravel Areas - Refurbish	7	1	\$12,000
109 Wood Deck - Replace	25	0	\$25,000
110 Wood Stairs - Repair/Replace	25	7	\$50,000
140 Wood Fence - Replace	20	5	\$5,000
142 Maintenance Yard Fence	25	12	\$12,000
155 Perimeter Link Fence - Replace	30	7	\$175,000
180 Aerator System	10	4	\$70,000
Guard House & Gates			
310 Guard House Refurbish	15	9	\$7,500
314 Gate Opener - Front Gate	12	5	\$6,500
367 Barcode Decals	8	2	\$13,500
367 Barcode Reader	15	9	\$14,000
Golf & Recreation			
110 Golf Course Irrigation	25	14	\$42,500
115 Golf Cart Paths	10	1	\$10,000
120 Golf Course Bridge	35	0	\$40,000
300 Pool Deck - Resurface	40	9	\$80,000
301 Pool Fence - Repair/Replace	40	9	\$9,000
303 Pool - Resurface (Paint)	7	0	\$60,000
307 Pool Equipment - Partial Replace	10	0	\$6,500
308 Pool Solar Heating System	15	3	\$19,000
314 Pool Winter Cover - Replace	15	2	\$9,000
322 Play Courts - Renovate	40	9	\$70,000
324 Play Courts Fence - Replace	40	9	\$22,500
340 Play Equipment - Replace 1	15	12	\$27,500
340 Play Equipment - Replace 2	20	11	\$27,500
340 Play Equipment - Replace 3	20	1	\$27,500
350 Covered BBQ Areas	15	5	\$35,000
Building Exteriors			
910 Siding & Windows, All Bldg's	40	1	\$200,000
940 Old Maint Bldg Roof - Replace	20	10	\$19,200
950 Pool Bldg Roof - Replace	20	11	\$13,200
970 Pro Shop Roof - Replace	20	12	\$8,000
980 Admin Bldg Roof - Replace	20	14	\$7,400
990 Clubhouse Roof - Replace	20	13	\$14,080
995 Clubhouse Patio Roof - Replace	20	13	\$6,000
997 Rec Area Bathrooms - Refurbish	10	1	\$30,000
Building Interiors			
1040 Maintenance Bldg Improvements	10	3	\$10,000
1050 Pool Bldg Locker Rooms & Front	30	2	\$90,000
1070 Pro Shop Improvements	10	2	\$7,000
1080 Admin Bldg Improvements	10	3	\$10,000
1081 Office Equipment	5	4	\$8,000
1082 Security Equipment	5	1	\$8,500
1090 Clubhouse Improvements	10	5	\$12,500

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Vehicles & Equipment				
60	Used Ryan GA 30 Aerator	25	4	\$5,000
113	Turf Aerator	20	2	\$5,000
211	Utility Truck Workman	12	1	\$8,500
213	Toro 3100 Greensmaster	14	2	\$29,000
215	Dakota Top Dresser	18	6	\$17,500
233	Trailer	12	1	\$6,000
234	Above Ground Storage Tank	30	18	\$32,500
236	Kubota Mini Excav & Buckets	15	4	\$30,000
244	Ford Ranger	12	1	\$25,000
245	Toro 5200 Mower	13	3	\$9,000
269	Drill Press, Welder, Chipper, Comp	18	9	\$8,000
272	Dump Truck	10	1	\$37,500
298	325 D Mower	12	4	\$24,000
318	Tractor	11	4	\$32,500
319	Used Workman Sprayer	11	4	\$12,500
322	Used Toro 3150 Greens Master	10	4	\$22,000
353	Security Truck	5	0	\$23,500
354	Maintenance Truck	10	4	\$40,000
355	One Cart & Enclosure	7	1	\$5,600
356	Smithco Trap Rake	23	6	\$6,500
370	Toro 5200 Reel Master	8	3	\$17,500
371	Chipper	15	10	\$5,000
378	Ford Escape	10	6	\$24,000
384	Dodge Ram	8	5	\$21,500
385	Three Utility Carts	5	2	\$21,500
386	Zero Turn Mower	5	2	\$5,000
391	Zero Turn Mower	5	2	\$15,500
393	Toro 3100	5	4	\$13,500
403	Skid Steer	16	13	\$34,500
70	Total Funded Components			

Note 1: Yellow highlighted line items are expected to require attention in this initial year, green highlighted items are expected to occur within the first-five years.

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Marina			
200 Dredging - Permits, 10 yr cycle	10	5	\$57,500
201 Dredging - 3 year cycle	3	1	\$182,000
203 Pilings - Replace	50	8	\$126,000
204 Fuel Dock, Grated - Replace	50	49	\$137,500
205 Fuel Pump, Housing, Tank	50	0	\$150,000
206 Dock D System - Replace	50	5	\$1,631,580
207 Dock A System - Replace	50	6	\$1,243,415
208 Dock B System - Replace	50	7	\$1,374,940
209 Dock C System - Replace	50	8	\$1,925,830
210 Launch Dock - Replace	25	18	\$160,000
211 Gangways - Repair/Replace	30	15	\$140,000
215 Marina Maintenance Boat - Replace	20	8	\$12,500
12 Total Funded Components			

Note 1: Yellow highlighted line items are expected to require attention in this initial year, green highlighted items are expected to occur within the first-five years.

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Roads & Drainage			
120 Asphalt - Mill & Overlay (1)	30	15	\$850,000
120 Asphalt - Mill & Overlay (2)	30	10	\$850,000
120 Asphalt - Mill & Overlay (3)	30	5	\$850,000
121 Asphalt - Slurry Seal 1 & 2, 2019		0	\$350,000
121 Asphalt - Slurry Seal 1, 2025		6	\$175,000
121 Asphalt - Slurry Seal 2, 2024		5	\$175,000
121 Asphalt - Slurry Seal 3, 2029		10	\$175,000
121 Asphalt - Slurry Seal all, 2039	5	20	\$525,000
182 Culvert, Drain Sys - Maintain	1	0	\$25,000
185 Seagate Culvert	30	16	\$325,000
186 Duckbill Tide Gate	30	3	\$25,000
187 Overflow Pump & Conveyance		0	\$150,000
12 Total Funded Components			

Note 1: Yellow highlighted line items are expected to require attention in this initial year, green highlighted items are expected to occur within the first-five years.