

***Audited
Financial Statements***

**PGA WEST RESIDENTIAL
ASSOCIATION, INC.**

DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
PGA West Residential Association, Inc.
La Quinta, California

Opinion

We have audited the accompanying financial statements of PGA West Residential Association, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of comprehensive income, changes in fund balances, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PGA West Residential Association, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PGA West Residential Association, 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 PGA West Residential Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Board of Directors and Members
PGA West Residential Association, Inc.
La Quinta, California

(Continued)

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PGA West Residential Association, 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 PGA West Residential Association, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenses and replacement fund balances on pages 12 - 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors and Members
PGA West Residential Association, Inc.
La Quinta, California

(Continued)

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements on page 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Carlson + Ferris, APC

Palm Springs, California

February 22, 2024

PGA WEST RESIDENTIAL ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

ASSETS

	Operating Fund	Property Fund	Replacement Fund	TOTALS	
				2023	2022
ASSETS					
Cash and cash equivalents	\$ 191,534	\$ -	\$ 2,663,859	\$ 2,855,393	\$ 1,129,447
Certificates of deposit	-	-	150,010	150,010	-
Investments	1,152,530	-	12,635,829	13,788,359	14,864,518
Assessments receivable, less allowance for doubtful accounts of \$65,521 in 2023 and \$58,214 in 2022	71,427	-	-	71,427	54,081
Accrued interest receivable	18,992	-	78,061	97,053	30,840
Prepaid expense	773,647	-	(10,295)	763,352	668,038
Investment in foreclosed unit	422,072	-	-	422,072	306,831
Inter-fund receivable/payable	(10,940)	-	10,940	-	-
Property and equipment, net	-	613,768	-	613,768	648,730
	<u>\$ 2,619,262</u>	<u>\$ 613,768</u>	<u>\$ 15,528,404</u>	<u>\$ 18,761,434</u>	<u>\$ 17,702,485</u>

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	\$ 405,283	\$ -	\$ -	\$ 405,283	\$ 280,418
Accrued payroll	157,745	-	-	157,745	132,962
Prepaid assessments	297,443	-	-	297,443	348,424
Construction deposits	133,860	-	-	133,860	124,760
Rental deposits	-	-	-	-	6,220
	<u>994,331</u>	<u>-</u>	<u>-</u>	<u>994,331</u>	<u>892,784</u>
FUND BALANCES					
Operating fund	1,623,661	-	-	1,623,661	1,936,750
Property and equipment fund	-	613,768	-	613,768	648,730
Replacement fund	-	-	15,542,443	15,542,443	14,902,928
Accumulated other comprehensive income	1,270	-	(14,039)	(12,769)	(678,707)
	<u>1,624,931</u>	<u>613,768</u>	<u>15,528,404</u>	<u>17,767,103</u>	<u>16,809,701</u>
	<u>\$ 2,619,262</u>	<u>\$ 613,768</u>	<u>\$ 15,528,404</u>	<u>\$ 18,761,434</u>	<u>\$ 17,702,485</u>

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

PGA WEST RESIDENTIAL ASSOCIATION, INC.

**STATEMENTS OF COMPREHENSIVE INCOME AND
CHANGES IN FUND BALANCES**

YEAR ENDED DECEMBER 31, 2023

	Operating Fund	Property Fund	Replacement Fund	Totals
REVENUES				
Member assessments	\$ 9,148,680	\$ -	\$ 2,300,820	\$ 11,449,500
Interest income	49,403	-	197,354	246,757
Late fees and other	115,670	-	-	115,670
	<u>9,313,753</u>	<u>-</u>	<u>2,498,174</u>	<u>11,811,927</u>
EXPENSES				
Utilities	2,147,303	-	-	2,147,303
Landscape maintenance	4,162,395	-	-	4,162,395
Pools and spas	433,180	-	-	433,180
Lake complex	63,694	-	-	63,694
Common area maintenance	1,007,172	-	-	1,007,172
Street and drive maintenance	39,598	-	-	39,598
Trash removal	59,878	-	-	59,878
Pest control	105,118	-	-	105,118
General and administrative	829,784	-	60,387	890,171
Insurance	778,720	-	-	778,720
Depreciation	-	58,640	-	58,640
Replacement fund expenditures	-	-	1,774,594	1,774,594
	<u>9,626,842</u>	<u>58,640</u>	<u>1,834,981</u>	<u>11,520,463</u>
Excess (deficiency) of revenues over expenses	<u>(313,089)</u>	<u>(58,640)</u>	<u>663,193</u>	<u>291,464</u>
OTHER COMPREHENSIVE INCOME				
Net unrealized gains on investments	20,117	-	645,821	665,938
TOTAL COMPREHENSIVE INCOME	<u>\$ (292,972)</u>	<u>\$ (58,640)</u>	<u>\$ 1,309,014</u>	<u>\$ 957,402</u>
FUND BALANCES, beginning of the year	\$ 1,917,903	\$ 648,730	\$ 14,243,068	\$ 16,809,701
COMPREHENSIVE INCOME				
Excess (deficiency) of revenues over expenses	(313,089)	(58,640)	663,193	291,464
Net unrealized gains on investments	20,117	-	645,821	665,938
TOTAL COMPREHENSIVE INCOME	<u>(292,972)</u>	<u>(58,640)</u>	<u>1,309,014</u>	<u>957,402</u>
Inter-fund transfers	-	23,678	(23,678)	-
FUND BALANCES, end of the year	<u>\$ 1,624,931</u>	<u>\$ 613,768</u>	<u>\$ 15,528,404</u>	<u>\$ 17,767,103</u>

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

PGA WEST RESIDENTIAL ASSOCIATION, INC.

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES**

YEAR ENDED DECEMBER 31, 2022

	Operating Fund	Property Fund	Replacement Fund	Totals
REVENUES				
Member assessments	\$ 8,341,772	\$ -	\$ 2,132,752	\$ 10,474,524
Interest income	14,293	-	80,879	95,172
Gain/(loss) on sale of equipment	-	(8,885)	33,200	24,315
Late fees and other	179,460	-	-	179,460
	<u>8,535,525</u>	<u>(8,885)</u>	<u>2,246,831</u>	<u>10,773,471</u>
EXPENSES				
Utilities	2,055,522	-	-	2,055,522
Landscape maintenance	3,841,682	-	-	3,841,682
Pools and spas	358,939	-	-	358,939
Lake complex	60,221	-	-	60,221
Common area maintenance	560,654	-	-	560,654
Street and drive maintenance	28,145	-	-	28,145
Trash removal	49,785	-	-	49,785
Pest control	87,054	-	-	87,054
General and administrative	756,582	-	40,672	797,254
Insurance	718,246	-	-	718,246
Depreciation	-	58,821	-	58,821
Replacement fund expenditures	-	-	901,724	901,724
	<u>8,516,830</u>	<u>58,821</u>	<u>942,396</u>	<u>9,518,047</u>
Excess (deficiency) of revenues over expenses	<u>18,695</u>	<u>(67,706)</u>	<u>1,304,435</u>	<u>1,255,424</u>
OTHER COMPREHENSIVE INCOME				
Net unrealized losses on investments	<u>(23,662)</u>	<u>-</u>	<u>(691,750)</u>	<u>(715,412)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ (4,967)</u>	<u>\$ (67,706)</u>	<u>\$ 612,685</u>	<u>\$ 540,012</u>
FUND BALANCES, beginning of the year	\$ 1,922,870	\$ 716,436	\$ 13,630,383	\$ 16,269,689
COMPREHENSIVE INCOME				
Excess (deficiency) of revenues over expenses	18,695	(67,706)	1,304,435	1,255,424
Net unrealized losses on investments	<u>(23,662)</u>	<u>-</u>	<u>(691,750)</u>	<u>(715,412)</u>
TOTAL COMPREHENSIVE INCOME	<u>(4,967)</u>	<u>(67,706)</u>	<u>612,685</u>	<u>540,012</u>
FUND BALANCES, end of the year	<u>\$ 1,917,903</u>	<u>\$ 648,730</u>	<u>\$ 14,243,068</u>	<u>\$ 16,809,701</u>

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

PGA WEST RESIDENTIAL ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	Operating Fund	Property Fund	Replacement Fund	TOTALS	
				2023	2022
NET CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenses	\$ (313,089)	\$ (58,640)	\$ 663,193	\$ 291,464	\$ 1,255,424
Adjustments to reconcile net revenues over expenses to net cash flow from operating activities:					
Depreciation	-	58,640	-	58,640	58,821
(Gain) loss on sale of equipment	-	-	-	-	(24,315)
(Increase) Decrease in:					
Assessments receivable	(17,346)	-	-	(17,346)	(9,184)
Accrued interest receivable	(18,992)	-	(47,221)	(66,213)	(8,367)
Prepaid expense	(111,980)	-	16,666	(95,314)	(84,273)
Inter-fund receivable/payable	(12,913)	-	12,913	-	-
Increase (Decrease) in:					
Accounts payable	124,865	-	-	124,865	72,645
Accrued payroll	24,783	-	-	24,783	(3,071)
Prepaid assessments	(50,981)	-	-	(50,981)	(49,896)
Construction deposits	9,100	-	-	9,100	(35,145)
Rental deposits	(6,220)	-	-	(6,220)	6,220
Net cash provided (used) by operating activities	<u>(372,773)</u>	<u>-</u>	<u>645,551</u>	<u>272,778</u>	<u>1,178,859</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of equipment	-	-	-	-	33,200
Purchase of equipment	-	(23,678)	-	(23,678)	-
Sale of investments	1,890,387	-	9,445,197	11,335,584	3,215,789
Purchase of investments	(1,345,074)	-	(8,398,423)	(9,743,497)	(6,409,859)
Investment in foreclosed unit	(115,241)	-	-	(115,241)	(47,463)
Net cash used by investing activities	<u>430,072</u>	<u>(23,678)</u>	<u>1,046,774</u>	<u>1,453,168</u>	<u>(3,208,333)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Inter-fund transfer	-	23,678	(23,678)	-	-
Net cash provided (used) by financing activities	<u>-</u>	<u>23,678</u>	<u>(23,678)</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	57,299	-	1,668,647	1,725,946	(2,029,474)
CASH AND CASH EQUIVALENTS, beginning of year	<u>134,235</u>	<u>-</u>	<u>995,212</u>	<u>1,129,447</u>	<u>3,158,921</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 191,534</u>	<u>\$ -</u>	<u>\$ 2,663,859</u>	<u>\$ 2,855,393</u>	<u>\$ 1,129,447</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION**

Cash paid during the year for:
Income taxes

\$ - \$ -

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

PGA WEST RESIDENTIAL ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The PGA West Residential Association, Inc. is a statutory condominium association organized as a not-for-profit corporation for purposes of maintaining and preserving common property of the condominium. The PGA West Residential Association consisted of 1422 units at December 31, 2023, occupying a site of approximately 245 acres located in La Quinta, California. The Association began its operations in December 1985.

Accounting Method

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

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

Property Fund – This fund is used to account for the property and equipment capitalized by the Association.

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

Cash Equivalents

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments consist of U.S. treasuries, municipal bonds, corporate bonds, exchange traded funds and municipal bond funds that are held for an indefinite period and thus classified as available for sale and recorded at market value.

Property and Equipment

Personal property and equipment and real property purchased by the Association are recorded at cost and are depreciated over their estimated useful lives using the straight-line method of depreciation. Real property and common areas acquired from the developer and related improvements to such property are not recognized as assets on the Association's financial statements. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for purposes of financial reporting.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent.

PGA WEST RESIDENTIAL ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Homeowners' associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a homeowner association for 2023 and 2022. The Association is taxed on non-membership income, such as interest earnings.

The Association's policy is to record income tax related interest and penalties in operating expenses. For the years ended December 31, 2023 and 2022 there was no interest or penalties expense recorded and no accrued interest or penalties.

Date of Management's Review

Subsequent events have been evaluated through February 22, 2024, which is the date the financial statements were available to be issued.

Fair Value of Financial Instruments

The Association's investments are measured using fair value measurements, which, among other things, establish a hierarchal framework for disclosure of and measurement of investments at fair value defined as Level I, II, and III inputs. These inputs are based on a number of factors, including the type of investment and the characteristics specific to the investment. The Association's investments are all considered to be Level I inputs as they are based on quoted market prices.

NOTE 1: OWNERS' ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to paying assessments to fund the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment's receivable at December 31, 2023 and 2022 represent assessments and other fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments, including liens on the owner's unit, foreclosing on the unit owner, or obtaining a judgment on other assets of the unit owner. The Association uses the allowance method for estimating uncollectable assessments.

Monthly assessments to condominium owners were \$572 - \$916 in 2023 and \$523 - \$842 in 2022, depending on location. Of those amounts, \$86 - \$174 in 2023 and \$46 - \$143 in 2022 were designated to the replacement fund.

Monthly assessments to custom homes and lots owners were \$128 - \$507 in 2023 and \$115 - \$475 in 2022, depending on location. Of those amounts, \$48 - \$56 in 2023 and 2022 were designated to the replacement fund.

The annual budget and owner's assessments are determined and approved by the Board of Directors. The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

PGA WEST RESIDENTIAL ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 2: COMMON PROPERTY

On December 31, 2023 and 2022 the Association held title to common real property consisting of land, roads, pools and spas, lakes, and greenbelts on approximately 245 acres of land. The Association is responsible for preserving and maintaining the properties and may not dispose of them. In conformity with industry practice, the Association's common property is not recognized as assets.

NOTE 3: INVESTMENTS

Investments are stated at market value based on quoted market prices and are considered to be available for sale. The investments are comprised of US treasuries, corporate bonds, agency securities, municipal bonds and municipal bond mutual funds, with maturities of one to ten years.

The Association's investments consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Municipal bonds	\$ 2,694,203	\$ 885,964
U.S. treasuries	5,365,740	5,118,239
Agency securities	1,347,974	-
Corporate bonds	647,313	195,980
Exchange traded funds	1,102,300	4,594,949
Municipal mutual bond funds	<u>2,630,829</u>	<u>4,069,386</u>
Total investments	<u>\$13,788,359</u>	<u>\$14,864,518</u>

Included in investment income are realized losses of \$198,038 in 2023 and \$173,686 in 2022, resulting from sales and bond redemptions. Included in other comprehensive income are unrealized gains of \$665,939 for the year ended December 31, 2023 and unrealized losses of \$715,412 for the year ended December 31, 2022. Included in accumulated other comprehensive income are unrealized losses of \$12,769 and \$678,708 as of December 31, 2023 and December 31, 2022, respectively.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Office/maintenance facility	\$ 1,428,469	\$ 1,428,469
Maintenance trucks and equipment	312,542	288,864
Irrigation equipment	25,722	25,722
Office equipment	<u>73,224</u>	<u>73,224</u>
	1,839,957	1,816,279
Less: Accumulated depreciation	<u>(1,226,189)</u>	<u>(1,167,549)</u>
	<u>\$ 613,768</u>	<u>\$ 648,730</u>

NOTE 5: INTER-FUND TRANSFER

During the year ended December 31, 2023, interfund transfers consisted of \$23,678 of equipment purchased by the replacement fund and capitalized in the property fund.

PGA WEST RESIDENTIAL ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for expenditures for normal operations.

The Board of Directors engaged an outside consultant to conduct a study in November 2023 to estimate the remaining useful lives and the replacement costs of the components of common property.

The study is based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.0 percent and interest of 4.0 percent before income taxes, on amounts funded for future major repairs and replacements. The table included on page 15 in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$2,384,203 has been included in the 2024 budget.

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.

NOTE 7: SIMPLE IRA PLAN

The Association offers its employees, who have been employed for a minimum of ninety days and have made at least \$5,000, the opportunity to voluntarily participate in a Simple IRA Plan. The Association matched employee contributions up to 3% of the employees' annual income. Amounts contributed to the employees' plans by the Association were \$37,092 and \$36,734 for 2023 and 2022, respectively.

PGA WEST RESIDENTIAL ASSOCIATION, INC.

SCHEDULES OF EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
UTILITIES		
Electricity	\$ 345,084	\$ 320,260
Gas	504,463	429,404
Water	455,172	497,152
Cable television and internet	<u>842,584</u>	<u>808,706</u>
	<u>\$ 2,147,303</u>	<u>\$ 2,055,522</u>
LANDSCAPE MAINTENANCE		
Landscape contract	\$ 3,122,201	\$ 2,868,030
Landscape management	145,640	132,509
Irrigation labor	350,128	294,445
Plant replacement	82,653	95,956
Color	89,238	108,399
Landscape other	176,637	164,478
Irrigation maintenance	71,934	66,373
Tree service	<u>123,964</u>	<u>111,492</u>
	<u>\$ 4,162,395</u>	<u>\$ 3,841,682</u>
POOLS AND SPAS		
Pool contract maintenance	\$ 199,304	\$ 141,492
Pool extras/supplies	144,093	132,356
Pool deck labor and expense	45,935	41,243
Licenses	<u>43,848</u>	<u>43,848</u>
	<u>\$ 433,180</u>	<u>\$ 358,939</u>
LAKE COMPLEX		
Labor	\$ 29,673	\$ 24,607
Lake supplies and chemicals	<u>34,021</u>	<u>35,614</u>
	<u>\$ 63,694</u>	<u>\$ 60,221</u>
COMMON AREA MAINTENANCE		
Labor	\$ 387,588	\$ 298,624
Common area repairs, materials and supplies	82,873	85,185
Lighting materials and supplies	3,549	4,308
Roof repairs, materials and supplies	<u>533,162</u>	<u>172,537</u>
	<u>\$ 1,007,172</u>	<u>\$ 560,654</u>

PGA WEST RESIDENTIAL ASSOCIATION, INC.

SCHEDULES OF EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

(CONTINUED)

	<u>2023</u>	<u>2022</u>
STREET AND DRIVE MAINTENANCE		
Supplies, truck fuel, and miscellaneous	<u>\$ 39,598</u>	<u>\$ 28,145</u>
TRASH REMOVAL		
Truck driver labor	\$ 21,044	\$ 13,855
Trash supplies	7,194	7,753
Waste dump fees	<u>31,640</u>	<u>28,177</u>
	<u>\$ 59,878</u>	<u>\$ 49,785</u>
PEST CONTROL		
Pest control labor	\$ 89,018	\$ 73,822
Chemicals and supplies	12,232	10,755
Termite inspection/treatment	<u>3,868</u>	<u>2,477</u>
	<u>\$ 105,118</u>	<u>\$ 87,054</u>
GENERAL AND ADMINISTRATIVE		
Administrative payroll costs	\$ 611,103	\$ 551,416
Legal and accounting fees	83,089	69,910
Reproduction and supplies	22,610	25,408
Postage	10,428	9,827
Office expense	64,862	52,456
Other	10,880	13,094
Bad debt expense (recovery)	(2,593)	7,655
Telephone	15,407	13,673
Personnel safety and training	<u>13,998</u>	<u>13,143</u>
	<u>\$ 829,784</u>	<u>\$ 756,582</u>
INSURANCE		
Insurance expense	<u>\$ 778,720</u>	<u>\$ 718,246</u>

PGA WEST RESIDENTIAL ASSOCIATION, INC.

SCHEDULE OF REPLACEMENT FUND BALANCES

YEAR ENDED DECEMBER 31, 2023

	<u>Balance Jan 1, 2023</u>	<u>Additions</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Balance Dec 31, 2023</u>
Common areas	\$ 7,144,899	\$ 1,018,121	\$ 1,253,953	\$ 16,529	\$ 6,925,596
Pools	1,549,261	434,635	172,360	-	1,811,536
Champions	978,424	225,192	135,244	-	1,068,372
Legends	1,701,935	308,656	112,562	-	1,898,029
SRS2 Homes & lots	264,437	14,962	-	-	279,399
Classics	353,490	43,344	-	-	396,834
Medalists	11,900	2,061	-	-	13,961
Galleries	528,510	49,728	-	-	578,238
Fairways	604,211	25,747	-	-	629,958
Fairways lake	34,887	21,608	-	-	56,495
Montecito	233,749	19,846	-	-	253,595
Tournament	328,332	25,788	-	-	354,120
Laurels	52,048	7,355	-	-	59,403
Greens	763,280	78,405	100,475	-	741,210
SRP1 & SRP2 lakes	252,131	21,773	-	-	273,904
Highlands	6,417	765	-	-	7,182
Lake SRS 1 & lots	54,810	2,834	-	-	57,644
Interest, net of tax	<u>40,207</u>	<u>197,354</u>	<u>60,387</u>	<u>(40,207)</u>	<u>136,967</u>
	<u><u>\$ 14,902,928</u></u>	<u><u>\$ 2,498,174</u></u>	<u><u>\$ 1,834,981</u></u>	<u><u>\$ (23,678)</u></u>	<u><u>\$ 15,542,443</u></u>

PGA WEST RESIDENTIAL ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

DECEMBER 31, 2023

(UNAUDITED)

The Board of Directors engaged an outside consultant to conduct a study in November 2023 to estimate the remaining useful lives and the replacement costs of the components of common property. The study is based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.0 percent and interest of 4.0 percent before income taxes, on amounts funded for future major repairs and replacements.

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

Components	Estimated Remaining Useful Lives (In Years)	Estimated Current Replacement Costs	2024 Funding Requirements	Components of Fund Balance at Dec. 31, 2023
Common area	0 - 35	\$10,581,855	\$ 1,035,633	\$ 6,925,596
Pools & spas	0 - 19	4,717,777	451,628	1,811,535
Champions	0 - 28	3,295,840	236,700	1,068,371
Legends	0 - 21	5,655,640	325,940	1,898,029
SRS2 homes & lots	1 - 26	1,531,000	16,908	279,399
Classics	0 - 14	843,700	45,802	396,833
Medalists	0 - 6	18,301	2,130	13,961
Galleries	0 - 21	622,100	53,209	578,238
Fairways	0 - 15	703,330	43,859	629,958
Lake Fairways SRP3	5 - 23	344,900	7,524	56,495
Montecito	2 - 14	231,000	20,774	253,597
Tournament	0 - 9	255,360	26,747	354,120
Laurels	3 - 21	96,200	7,646	59,402
Greens	0 - 14	893,850	81,988	741,210
Greens Lakes SRP1 & 2	1 - 33	1,356,560	23,700	273,905
Highland	0 - 20	18,070	879	7,184
Lake SRS1 & lots	1 - 31	223,000	3,136	57,644
Interest, net of tax	-	-	-	136,966
		<u>\$31,388,483</u>	<u>\$ 2,384,203</u>	<u>\$15,542,443</u>