



MAGEE RANCH

HOMEOWNERS ASSOCIATION

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c/o Homeowner Association Services ♦ 2266 Camino Ramon, San Ramon, CA 94583  
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**DATE:** April 2024  
**TO:** All Magee Ranch Homeowners  
**FROM:** Board of Directors  
**RE:** Annual Financial Statements

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Enclosed are your Financial Statements and Accountant's Review Report for the year ending December 31, 2023. State law requires that we provide this information to each owner on an annual basis. Please review this information and keep it with your other Association records.

Please call the management company at the number above if you have any questions concerning this material.

**NO ACTION IS REQUIRED: If your primary mailing address remains your Association property address AND you do not wish to change your email consent status.**

## Member Contact Information

On January 1, 2017, the California legislature enacted Civil Code §4041 regarding member contact information. Members are required to provide notice of their current mailing address and other information **annually** to the Association.

Specifically, the code states:

An owner of a separate interest shall, on an annual basis, provide written notice to the association of all of the following:

1. The address or addresses to which notices from the association are to be delivered.
2. An alternate or secondary address to which notices from the association are to be delivered.
3. The name and address of his or her legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the owner's extended absence from the separate interest.
4. Whether the separate interest is owner-occupied, is rented out, if the parcel is developed but vacant, or if the parcel is undeveloped land.

Pursuant to the section discussed above, the Association is requesting you update your contact information to the Management Company via Caliber Portal. **Please follow the below instructions to make any necessary changes to your contact information.**

**You are legally required to notify the Association of any changes to your mailing address annually.**

### To Register/Access the Online Portal

**Step 1:** Go directly to the portal at <https://online.hoaservices.net> or click the "Homeowner Login" button on the left hand side of the HOA Services webpage ([www.HOAServices.net](http://www.HOAServices.net)).

**Step 2:** Click the link to "Register for a Login" below the login section.

**Step 3:** Enter your account number and your email address. You will be sent a confirmation email with a link to continue creating your account by setting a password.

If you have previously registered, simply enter your Username and Password to log in.

### To Set Your Contact Information

Once in the online portal, click the 'Profile' button at the top navigation bar. On the left will be options for adding email addresses, phone numbers, and mailing addresses. **Please confirm all entered contact information is correct and update anything that has changed.**

Be sure to click the "Save Changes" button at the bottom of the page before exiting.

Any changes that you make within the online portal are directly linked back to the offices at Homeowner Association Services and vice-versa; any changes made in our system are immediately viewable from within the portal.

# **MAGEE RANCH HOMEOWNERS ASSOCIATION**

INDEPENDENT ACCOUNTANT'S REVIEW REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023

# Magee Ranch Homeowners Association

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of  
**Magee Ranch Homeowners Association**  
San Ramon, California

We have reviewed the accompanying financial statements of **Magee Ranch Homeowners Association** (the Association) which comprise the balance sheet as of December 31, 2023 and the related statement of revenues, expenses and changes in fund balances, and the statement of 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 the 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

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.

### 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(s) 11 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

*Lara Accountancy Group, Inc.*

Redwood City, CA  
April 16, 2024

# Magee Ranch Homeowners Association

## Balance Sheet as of December 31, 2023

	<u>Note</u>	2023		
		Operations Fund	Replacement Fund	Total Funds
<b>Assets</b>				
Cash and cash equivalents	2.3	\$ 40,803	\$ 484,639	\$ 525,442
Special assessments receivable	3	-	100,795	100,795
Member receivables	2.5	8,097	-	8,097
Prepaid insurance		4,392	-	4,392
Due from operations fund		-	83,879	83,879
Due to replacement fund		<u>(83,879)</u>	<u>-</u>	<u>(83,879)</u>
<b>Total Assets</b>		<u>\$ (30,587)</u>	<u>\$ 669,313</u>	<u>\$ 638,726</u>
<b>Liabilities</b>				
Contract liabilities (deferred revenue)	2.11	\$ -	\$ 666,246	\$ 666,246
Assessments received in advance		28,072	-	28,072
Income taxes payable	2.9	<u>-</u>	<u>3,067</u>	<u>3,067</u>
<b>Total Liabilities</b>		<u>28,072</u>	<u>669,313</u>	<u>697,385</u>
<b>Fund Balance (Deficit)</b>		<u>(58,659)</u>	<u>-</u>	<u>(58,659)</u>
<b>Total Liabilities and Fund Balance</b>		<u>\$ (30,587)</u>	<u>\$ 669,313</u>	<u>\$ 638,726</u>

See independent accountant's review report and accompanying notes.

# Magee Ranch Homeowners Association

## Statement of Revenues, Expenses and Changes in Fund Balances for the Year Ended December 31, 2023

		2023		
	Note	Operations Fund	Replacement Fund	Total Funds
<b>Revenues</b>				
GHAD-Emergency special assessments	3	\$ -	\$ 884,446	\$ 884,446
Member assessments	2.7	261,146	44,190	305,336
Late charges and other income		13,382	-	13,382
Interest income	2.8	14	12,812	12,826
Insurance claim settlements		6,818	-	6,818
<b>Total Revenues</b>		281,360	941,448	1,222,808
<b>Expenses</b>				
<b><u>Administration</u></b>				
Legal, accounting and consulting		41,789	-	41,789
Management		28,750	-	28,750
Office, printing and postage		12,172	-	12,172
Insurance		9,549	-	9,549
Income taxes	2.9	-	3,067	3,067
Reserve study		495	-	495
<b>Total administration</b>		92,755	3,067	95,822
<b><u>Common Area Maintenance</u></b>				
Landscape maintenance		154,298	-	154,298
Security services		10,438	-	10,438
Lighting and electrical		10,111	-	10,111
Other maintenance and repairs		1,618	-	1,618
<b>Total Common Area Maintenance</b>		176,465	-	176,465
<b><u>Utilities</u></b>				
Water and sewer		53,958	-	53,958
Gas and electricity		2,639	-	2,639
<b>Total Utilities</b>		56,597	-	56,597

See independent accountant's review report and accompanying notes.

# Magee Ranch Homeowners Association

Statement of Revenues, Expenses  
and Changes in Fund Balances  
for the Year Ended December 31, 2023

		2023		
<u>Note</u>	<u>Operations</u>	<u>Replacement</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	
<b><u>Major Repairs and Replacements</u></b>				
GHAD-hillside repairs	3	-	933,981	933,981
Other major repairs and replacements		-	4,400	4,400
<b>Total Major Repairs and Replacements</b>		-	938,381	938,381
<b>Total Expenses</b>		325,817	941,448	1,267,265
<b>Excess (Deficiency) of Revenues Over Expenses</b>		(44,457)	-	(44,457)
<b>Fund Balance (Deficit), Beginning of Year</b>		(14,202)	-	(14,202)
<b>Fund Balance (Deficit), End of Year</b>		\$ (58,659)	\$ -	\$ (58,659)

See independent accountant's review report and accompanying notes.



# Magee Ranch Homeowners Association

## Statement of Cash Flows for the Year Ended December 31, 2023

	2023		
	Operations Fund	Replacement Fund	Total Funds
<b><u>Operating Activities</u></b>			
Excess (Deficiency) of Revenues Over Expenses	\$ (44,457)	\$ -	\$ (44,457)
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating Activities:			
Decrease (Increase) in Assets:			
Member receivables	(7,116)	-	(7,116)
Prepaid insurance	4,246	-	4,246
Special assessments receivable	-	(100,795)	(100,795)
Due from operations fund	-	(83,879)	(83,879)
Due to replacement fund	83,879	-	83,879
Increase (Decrease) in Liabilities			
Assessments received in advance	(21,364)	-	(21,364)
Income taxes payable	-	3,067	3,067
Contract liabilities (deferred revenue)	-	47,214	47,214
Total Adjustments	59,645	(134,393)	(74,748)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>15,188</b>	<b>(134,393)</b>	<b>(119,205)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>15,188</b>	<b>(134,393)</b>	<b>(119,205)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>25,615</b>	<b>619,032</b>	<b>644,647</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 40,803</b>	<b>\$ 484,639</b>	<b>\$ 525,442</b>

See independent accountant's review report and accompanying notes.

# Magee Ranch Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2023

## 1. Nature of Organization

**Magee Ranch Homeowners Association** (the Association) is a common interest development located in San Ramon, California which consists of 259 residential dwellings and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation on October 16, 1989 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

## 2. Summary of Significant Accounting Policies

**2.1 Method of Accounting.** 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.

**2.2 Fund Accounting.** The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose.

**Operations Fund** - This fund is used to account for the financial resources available for the general day-to-day operations of the Association.

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

**2.3 Cash and Cash Equivalents.** For purposes of the balance sheet and the statement of cash flows, the Association considers cash on hand, demand deposits with financial institutions, money market accounts and all short-term investments with original maturities of three months or less to be included in cash and cash equivalents.

See independent accountant's review report.

# Magee Ranch Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2023

**2.4 Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

**2.5 Member Receivables** at the balance sheet date represent aggregate amounts due from unit owners which may include regular assessments, late fees, fines, reimbursement assessments and other charges. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The Association 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 Association's control.

It is the opinion of the Board of Directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for delinquent accounts is deemed necessary.

**2.6 Real and Personal Common Property** acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

**2.7 Member Assessments.** Association members are subject to annual assessments, payable in equal quarterly installments, to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is 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. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board of Directors under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Quarterly assessments for the year ended December 31, 2023 were as follows:

	Quarterly		
	Operations	Replacement	Total
	Fund	Fund	
Member assessments	\$ 251.77	\$ 88.23	\$ 340.00

See independent accountant's review report.

# Magee Ranch Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2023

**2.8 Interest Earned** on operating and replacement funds, net of related income taxes, is retained in said respective funds.

**2.9 Income Taxes.** The Association elects annually to be taxed as either a regular corporation under Internal Revenue Code (IRC) § 277 or as a homeowners association under IRC § 528 in its tax filing with the Internal Revenue Service (IRS). Form 1120 is used when filing as a regular corporation and Form 1120-H is used when filing as a homeowners association.

For the year ended December 31, 2023 the Association elected to file Form 1120 and be taxed as a regular corporation. By doing so, the Association is taxed at a flat 21% rate on net nonmembership income (generally investment interest income), less directly related expenses.

The Association is taxed by the California Franchise Tax Board (FTB) at a rate of 8.84% on its net nonmembership income.

The Association has qualified as a tax-exempt entity with the FTB under California Revenue and Taxation Code § 23701. To maintain tax-exempt status with FTB the Association must, among other things, file an annual informational return known as Form 199.

The Association's income tax returns are subject to examination by various taxing authorities. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

**2.10 Fair Value of Financial Instruments.** The carrying amounts of financial instruments, including cash and cash equivalents, member receivables, and accounts payable, if any, approximate their fair value due to the short term maturities of these instruments.

**2.11 Contract Liabilities (Deferred Revenue).** The Association's policies related to assessment revenues, contract liabilities and the replacement fund adhere to guidance issued by the Financial Accounting Standards Board (FASB), Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Accordingly, the Association recognizes replacement fund revenue from members as the related performance obligations are satisfied (i.e. matching replacement fund revenues with replacement fund expenses, on an annual basis). Performance obligations in contracts with customers (members) are typically satisfied as services are rendered or upon completion of the service. A contract liability (deferred revenue) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

The balances of contract liabilities (deferred revenue) as of December 31, 2023 and 2022 are \$666,246 and \$619,032, respectively. The effect of the change in contract liabilities on replacement fund revenues

See independent accountant's review report.

# Magee Ranch Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2023

## Contract liabilities (continued)

is illustrated below:

<u>Revenue Reconciliation</u>	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Assessment revenue, per budget	\$ 261,146	\$ 91,404	\$ 352,550
GHAD Emergency special assessment (note 3)	-	884,446	884,446
Adjustment to assessments to match expenses	-	(47,214)	(47,214)
Assessment revenue, per financial statements	<u>\$ 261,146</u>	<u>\$ 928,636</u>	<u>\$ 1,189,782</u>

### 3. GHAD Emergency Special Assessments

In October 2023 the Association's Board of Directors exercised rights afforded to them in California Civil Code section 5610 to impose an emergency special assessment without a membership vote. The special assessment totaled \$884,446, or \$3,414.85 per unit, and was levied to fund the Magee Ranch Geologic Hazard Abatement District (GHAD) so that matters threatening the personal health and safety of the members could be addressed as soon as possible. The special assessment was due in full on October 23, 2023.

### 4. Concentrations of Credit Risk

The Association maintains its deposits with what management believes to be high credit quality financial institutions and attempts to limit the amount of credit exposure to any one particular institution. The balances in those accounts may occasionally exceed the current Federal Deposit Insurance Corporation (FDIC) insurance protection of up to \$250,000 per depositor per institution. Amounts held with broker-dealers are not usually insured by the FDIC, but rather they are privately insured by the Securities Investor Protection Corporation (SIPC).

### 5. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$666,246, and are presented on the accompanying balance sheet as a contract liability (deferred revenue) at December 31, 2023, are required to be held in separate accounts and are generally not available for operating purposes.

In September 2023 a component study update, with a site-visit was completed by Association Reserves to estimate the remaining useful lives and the replacement costs of the components of common property.

See independent accountant's review report.

# Magee Ranch Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2023

## **Future major repairs and replacements (continued)**

The estimates were based on current estimated replacement costs. Funding requirements consider an annual component cost inflation rate of 4.00% and an interest rate of 1.50%, net of taxes, earned on cash and investments on amounts funded for future major repairs and replacements. The table on page(s) 11 on future major repairs and replacements is based on the aforementioned 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 Board has approved an annual contribution of \$113,376 in the 2024 operating budget. Additional information regarding the Association's funding model may be found in the annually-prepared pro forma operating budget and/or the assessment and reserve funding disclosure summary.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacement of common property components. Actual expenditures and investment income 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 all future needs for major repairs and replacements. If additional funds are needed, the association has the right, subject to the constraints in its governing documents and California civil code, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

## **6. Commitments**

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

## **7. Date of Management's Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 16, 2024, the date that the financial statements were available to be issued.

See independent accountant's review report.

# Magee Ranch Homeowners Association

Supplementary Information on Future  
Major Repairs and Replacements  
December 31, 2023  
(Compiled Without Audit or Review)

In September 2023 a component study update, with a site-visit was completed by Association Reserves to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. Funding requirements consider an annual component cost inflation rate of 4.00% and an interest rate of 1.50%, net of taxes, earned on cash and investments on amounts funded for future major repairs and replacements.

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

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Fire Road - Seal/Repair	0	\$ 80,000
Concrete - Repair	0	\$ 7,000
Lights, Flag Pole and Pillars	2-18	\$ 78,500
Railings and Walls	0-2	\$ 41,600
Irrigation and Landscaping	0-19	\$ 610,950
Painting	1-3	\$ 16,000
Signage	2-11	\$ 45,850
Dog Stations - Replace	2	\$ 8,250
GHAD Expenses		
Administration and professional services	1	\$ 12,000
Maintenance and operations	1-15	\$ 507,791
Capital improvements	15-75	\$ 2,613,500
Major repairs	8	\$ 200,000
	<b>TOTAL</b>	<b>\$ 4,221,441</b>
Estimated cash reserves necessary to repair, replace, restore, or maintain the major components (*) as of December 31, 2023		<u>\$ 683,000</u>
Estimated cash reserves necessary to repair, replace, restore, or maintain the GHAD major components (*) as of December 31, 2023		<u>\$ 165,000</u>
Replacement fund cash and investments at December 31, 2023		<u>\$ 484,639</u>
Contract liabilities balance at December 31, 2023		<u>\$ 666,246</u>
2024 Budgeted reserve contributions		<u>\$ 113,376</u>

\*Figure obtained from the Association's most recent component study update, with a site-visit prepared by Association Reserves. Detailed information can be found in that report, dated September 2023.

See independent accountant's review report.