HOMEOWNER
ASSOCIATION SERVICES

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DATE: April 17, 2015

TO: Laguna Oaks of Pleasanton Association Members

FROM: Board of Directors

RE: Annual Financial Statements

Enclosed is your Association's Year-End Financial Statement for 2014. Please review this information and keep it with your other Association records.

Enclosure

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEARS ENDED DECEMBER 31, 2014 AND 2013

LEVY, ERLANGER & COMPANY
Certified Public Accountants
San Francisco, California

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

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YEARS ENDED DECEMBER 31, 2014 AND 2013

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LEVY, ERLANGER & COMPANY
Certified Public Accountants

290 King Street, Suite 12
San Francisco, CA 94107

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board Of Directors
Laguna Oaks Pleasanton Owners Association
Pleasanton, California

We have reviewed the accompanying balance sheets of **Laguna Oaks Pleasanton Owners Association** (the Association) as of December 31, 2014 and 2013 and the related statements of revenues, expenses and changes in fund balances, and cash flows, for the years then ended. 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 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. 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 or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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, 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 not audited, reviewed or compiled the required supplementary information and, accordingly, we do not assume any responsibility for it.

Levy, Erlanger & Company

February 5, 2015

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014			2013
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	$ 50,275	$ 190,842	$ 241,117	$ 214,122
Investment in certificates of deposit (Note 2)				50,000
Assessments receivable (Note 2)	1,725		1,725	667
Prepaid insurance	6,063		6,063	5,823
Total assets	$ 58,063	$ 190,842	$ 248,905	$ 270,612
LIABILITIES				
Accounts payable	$ 1,000	$ -	$ 1,000	$ -
Assessments paid in advance	8,663		8,663	8,939
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	9,663	-	9,663	8,939
COMMITMENTS (NOTE 4)	-	-	-	-
FUND BALANCE (DEFICIT)	48,400	190,842	239,242	261,673
Total liabilities and fund balance	$ 58,063	$ 190,842	$ 248,905	$ 270,612

See independent accountants' review report and accompanying notes.

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments	$ 249,543	$ 59,577	$ 309,120	$ 309,120
Interest income (Note 2)	22	168	190	165
Late charges and other income	920		920	939
Total revenues	250,485	59,745	310,230	310,224
EXPENSES				
Administration				
Insurance	10,450	-	10,450	10,250
Legal and accounting	2,640		2,640	2,640
Management	24,200		24,200	24,200
Office, printing and postage	6,111		6,111	5,076
	43,401	-	43,401	42,166
Maintenance and operations				
Janitorial services	7,980	-	7,980	8,419
Landscape maintenance	111,107		111,107	107,788
Pool and spa maintenance	9,028		9,028	10,925
Security services	1,034		1,034	8,226
Other maintenance and operations	9,305		9,305	4,101
	138,454	-	138,454	139,459
Utilities				
Gas and electricity	26,085	-	26,085	26,267
Water and sewer	47,122		47,122	53,671
	73,207	-	73,207	79,938

See independent accountants' review report and accompanying notes.

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
Major repairs and replacements				
Fences and gates	$ -	$ 3,025	$ 3,025	$ 2,890
Landscaping, trees and irrigation		16,536	16,536	15,812
Painting		43,750	43,750	5,052
Parking lot				2,266
Pool and spa				2,868
Tennis courts				6,329
Other major repairs and replacements		14,288	14,288	620
	-	77,599	77,599	35,837
Total expenses	255,062	77,599	332,661	297,400
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(4,577)	(17,854)	(22,431)	12,824
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	(309)	309	-	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	53,286	208,387	261,673	248,849
FUND BALANCE (DEFICIT), END OF YEAR	$ 48,400	$ 190,842	$ 239,242	$ 261,673

See independent accountants' review report and accompanying notes.

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013
	Operations Fund	Replacement Fund	Total Funds	Total Funds
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	$ (4,577)	$ (17,854)	$ (22,431)	$ 12,824
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Decrease (increase) in assets:				
Assessments receivable	(1,058)	-	(1,058)	(192)
Prepaid insurance	(240)		(240)	(723)
Increase (decrease) in liabilities:				
Accounts payable	1,000		1,000	(2,798)
Assessments paid in advance	(276)		(276)	927
Total adjustments	(574)	-	(574)	(2,786)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(5,151)	(17,854)	(23,005)	10,038
INVESTING ACTIVITIES				
Net (purchase) sale of certificates of deposit	-	50,000	50,000	(50,000)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	50,000	50,000	(50,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,151)	32,146	26,995	(39,962)
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	(309)	309	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	55,735	158,387	214,122	254,084
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 50,275	$ 190,842	$ 241,117	$ 214,122

See independent accountants' review report and accompanying notes.

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013
	Operations Fund	Replacement Fund	Total Funds	Total Funds
Supplemental Disclosures				
Interest paid	$ -	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -	$ -

See independent accountants' review report and accompanying notes.

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. THE ASSOCIATION

Laguna Oaks Pleasanton Owners Association (the Association) is a common interest development located in Pleasanton, California which consists of 161 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in March 1995 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

Assessments. Association members are subject to annual assessments, usually payable in equal monthly installments, to provide funds for operating expenses and major repairs and replacements. 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. Revenues and expenses and information about future major repairs and replacements are explained in greater detail in the annually-distributed pro forma operating budget (pursuant to California Civil Code Section 5300).

Assessments receivable at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed annual statement of collection procedure (pursuant to California Civil Code Section 5730). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible. The estimate of allowance for doubtful accounts, if any, is based, generally, on amounts past due greater than 90 to 120 days.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2014 totaled approximately $-0-.

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.

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. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at graduated rates from 15% to 39% on net nonmember income; in the latter case it is taxed on net nonexempt function income (which is generally similar to net nonmember income) at a flat 30% rate. California income taxes approximate 9% of taxable income.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Interest earned on operations and replacement funds, net of related income taxes, is retained in said respective funds.

Investments consist of federally-insured certificates of deposit stated at cost which approximates market value.

Membership in the Association is mandatory by virtue of unit ownership.

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.

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. 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 or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

4. 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.

5. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 5, 2015, the date that the financial statements were available to be issued.

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2014 (COMPILED WITHOUT AUDIT OR REVIEW)

The following information on common area major components was compiled by John D. Beatty & Company of Discovery Bay, California **as of November 2014** and has served as the basis for the current estimates of replacement reserve funding:

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current Repair/Replace Cost	Estimated Usfl Life	Estimated Rmng Life
BUILDING EXTERIORS:				
1 - Stucco Siding Paint		2,643	10	4
2 - Stucco Siding Repair	2%	455	10	4
3 - Wood Trellis Paint		1,382	5	5
4 - Wood Trellis Repair	5%	832	5	1
5 - Wood Trim Paint		494	5	1
6 - Wood Trim Repair		3,017	5	1
7 - Shower Tile Repairs	15%	445	10	9
8 - Shower Tile Replace		2,966	28	9
BUILDING INTERIORS:				
9 - Clubhouse Paint		2,340	10	4
10 - Kitchen Remodel		12,000	28	9
11 - Restroom Remodel		8,500	28	9
12 - Service Rooms Paint		1,586	10	4
FENCING & WALLS:				
13 - Chain Link Repair	10%	1,489	10	1
14 - Entry Wall w/Brick Repair	10%	3,066	10	5
15 - Masonry Walls Repair	10%	5,016	10	5
16 - Wood Fencing Repl - Shared		8,747	15	9
17 - Wood Fencing Repl - Shared	5%	2,406	1	1
18 - Wrought Iron @ Pool Paint		4,150	5	5
19 - Wrought Iron @ Pool Repair	10%	1,261	5	1
20 - Wrought Iron @ Perimeter Paint		39,454	5	5
21 - Wrought Iron@Perimeter Rep.	5%	8,509	5	1
FLOOR COVERINGS:				
22 - Clubhouse Carpet		3,389	7	3
23 - Service Rooms Vinyl		601	14	9
FURNISHINGS & APPLIANCES:				
24 - Clubhouse Furnishings		3,262	10	2
25 - Kitchen Appliances		2,185	5	3
26 - Pool Deck Furniture - Lounge Chairs		7,212	5	3
27 - Pool Deck Furniture - Tables & Chairs		8,441	5	2
LANDSCAPING:				
28 - Drainage Repairs @ Entry		32,097	15	4
29 - Backflow Devices Repl	25%	5,772	5	2
30 - Irrigation Timers Repl		17,474	15	15
31 - Irrigation Valves Repl	1%	1,257	1	1
32 - Landscape Maintenance		38,491	15	6
33 - Plant Stock - Tennis Court Area		2,368	2	1
34 - Plant Stock - Replant Entry Area		13,792	2	1
35 - Backflow Devices Repl		9,548	8	7
36 - Bark Replacement		1,545	3	2
37 - Metal Benches		5,055	20	3
38 - Plastic & Metal Benches		722	20	1
39 - Wood & Metal Benches	50%	1,204	10	1

See independent accountants' review report and accompanying notes.

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2014 (COMPILED WITHOUT AUDIT OR REVIEW)

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current Repair/Replace Cost	Estimated Usfl Life	Estimated Rmng Life
LIGHT FIXTURES:				
40 - Bollard Lights		4,814	20	1
41 - Building Lights Exterior		4,012	20	1
42 - Building Lights Interior		2,808	25	6
43 - Entry Sign Up-Lights		3,422	10	1
44 - Parking Light Fixtures		5,970	20	14
45 - Path Light Fixtures - Metal	25%	1,194	5	1
46 - Path Light Poles (Metal) - Paint		1,433	10	4
MECHANICAL SYSTEMS:				
47 - Forced Air Furnace		2,006	15	2
48 - Water Heaters		1,354	15	2
PAVED SURFACES:				
49 - Asphalt Overlay		50,960	20	4
50 - Asphalt Repair/Seal		2,457	5	4
51 - Concrete Walkway Repairs	5%	5,730	5	1
52 - Pool Deck Repairs	5%	3,692	5	1
53 - Sport Court Colorcoat		3,800	5	1
54 - Sport Court Overlay		24,071	25	6
55 - Tennis Court Colorcoat		6,153	5	4
56 - Tennis Court Overlay		46,224	25	9
57 - V-Ditch Repairs		3,329	5	1
RECREATION FACILITIES:				
58 - Sport Court Fixtures		6,684	10	8
59 - Tennis Court Fixtures		1,351	5	3
60 - Tot Lot Structure		14,442	20	4
61 - Windscreen Replace		618	15	6
RECREATION FACILITIES - POOL:				
62 - Chlorinator Replace		530	5	4
63 - Filters - Sand	33%	2,039	7	2
64 - Hand Rails Replace		1,272	15	6
65 - Heater Replace		8,240	10	5
66 - Pumps Replace	33%	2,039	5	4
67 - Pool Resurfacing		28,163	12	10
68 - Pool Tile & Coping Replace		9,441	24	10
69 - Pool Skimmer	33%	1,623	5	3
RECREATION FACILITIES - SPA:				
70 - Chlorinator Replace		464	5	2
71 - Filters - Sand		2,060	12	5
72 - Heater Replace		3,090	10	5
73 - Pumps Replace	33%	1,360	5	4
74 - Spa Resurfacing		3,704	12	10
75 - Spa Tile & Coping Replace		1,311	24	10
ROOFING SYSTEM:				
76 - Gutters & Downspouts		1,501	25	6
77 - Clubhouse Roof Insp.& Repair		2,768	5	1

See independent accountants' review report and accompanying notes.

LAGUNA OAKS PLEASANTON OWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2014 (COMPILED WITHOUT AUDIT OR REVIEW)

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current Repair/Replace Cost	Estimated Usfl Life	Rmng Life
OTHER:				
78 - Bike Rack		1,605	25	6
79 - BBQ Replace		670	18	4
80 - Bridge Repairs (Lot E)		2,388	10	2
81 - Bridge Path Repairs (Lot E)	10%	2,952	10	2
82 - Drinking Fountains		4,172	20	1
83 - Entry Brick Planters - Repairs	15%	1,275	10	5
84 - FOB Card System Repl		11,458	20	18
85 - Trash Receptacles		3,851	20	1
86 - Reserve Study Update		620	1	1
87 - Reserve Study Update Inspection		925	3	3
UNSCHEDULED.....	5%	3,134	1	1
TOTAL EXPENDITURES		564,354		

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **after-tax interest rate** of **1/10%** on replacement fund cash balances and an annual **inflation rate** of **3%** on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2014 totaled **$190,842**. The estimated **liability** for major repairs and replacements at this date totaled approximately **$299,000**. The portion of **2015** regular **assessments** budgeted to be allocated to the replacement fund totals **$62,687**.

See independent accountants' review report and accompanying notes.