

**EMERALD VALLEY WEST PUD HOMEOWNERS' ASSOCIATION**

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED FEBRUARY 28, 2023**

**Emerald Valley West PUD Homeowners' Association**

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## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors and Members  
Emerald Valley West PUD Homeowners' Association  
Creswell, Oregon

We have reviewed the accompanying financial statements of Emerald Valley West PUD Homeowners' Association, which comprise the balance sheet - modified cash basis as of February 28, 2023, and the related statements of revenues and expenses - modified cash basis and changes in fund balance - modified cash basis 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 the modified cash basis of accounting; this includes determining that the modified cash basis of accounting the Association uses is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

### **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 the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Emerald Valley West PUD Homeowners' Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **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 the modified cash basis of accounting.

### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

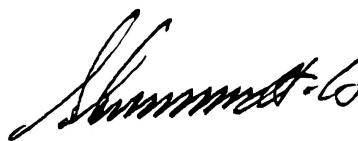
### **Supplementary Information**

The supplementary information about future major repairs and replacements of common property on pages 7 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information, and we do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

Milwaukie, Oregon  
January 24, 2024

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**Emerald Valley West PUD Homeowners' Association**  
**Balance Sheet - Modified Cash Basis**  
**February 28, 2023**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, including interest bearing deposits	\$ 20,458	\$ 70,325	\$ 90,783
Assessments receivable	1,620	-	1,620
Land and improvements	75,000	-	75,000
Interfund balance	<u>(10,553)</u>	<u>10,553</u>	<u>-</u>
Total assets	<u>\$ 86,525</u>	<u>\$ 80,878</u>	<u>\$ 167,403</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Assessments received in advance	\$ 5,810	\$ -	\$ 5,810
Fund balance	<u>80,715</u>	<u>80,878</u>	<u>161,593</u>
Total liabilities and fund balance	<u>\$ 86,525</u>	<u>\$ 80,878</u>	<u>\$ 167,403</u>

See accompanying notes and independent accountant's review report.

**Emerald Valley West PUD Homeowners' Association**  
**Statement of Revenues and Expenses - Modified Cash Basis**  
**For the Year Ended February 28, 2023**

	Operating Fund	Replacement Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Regular assessments	\$ 116,940	\$ 27,600	\$ 144,540
Interest	24	389	413
Insurance claim proceeds	29,336	-	29,336
Other income	225	-	225
Total revenues	<u>146,525</u>	<u>27,989</u>	<u>174,514</u>
<b>EXPENSES</b>			
Property maintenance	27,440	-	27,440
Major repairs and replacements	-	7,799	7,799
Utilities	7,479	-	7,479
Landscaping	66,522	-	66,522
Insurance	4,991	-	4,991
Management	20,356	-	20,356
Security	269	-	269
Accounting	5,070	-	5,070
Professional fees	9,311	-	9,311
Supplies	2,069	-	2,069
Licenses and permits	141	-	141
Property taxes	1,369	-	1,369
Total expenses	<u>145,017</u>	<u>7,799</u>	<u>152,816</u>
Excess of revenues over expenses	<u>\$ 1,508</u>	<u>\$ 20,190</u>	<u>\$ 21,698</u>

See accompanying notes and independent accountant's review report.

**Emerald Valley West PUD Homeowners' Association**  
**Statement of Changes in Fund Balance - Modified Cash Basis**  
**For the Year Ended February 28, 2023**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balance, as of February 28, 2022	\$ 79,207	\$ 60,688	\$ 139,895
Excess of revenues over expenses	<u>1,508</u>	<u>20,190</u>	<u>21,698</u>
Fund balance, as of February 28, 2023	<u>\$ 80,715</u>	<u>\$ 80,878</u>	<u>\$ 161,593</u>

See accompanying notes and independent accountant's review report.

**Emerald Valley West PUD Homeowners' Association**  
**Notes to Financial Statements**  
**February 28, 2023**

**Note 1 - Nature of Organization**

Emerald Valley West PUD Homeowners' Association ("The Association") was organized on June 26, 2002 under the provisions of the Oregon Planned Community Act and Oregon Non-Profit Corporation Law. The Association is responsible for the operation and maintenance of the common property within the development including, but not limited to items detailed in the supplementary information. The development consists of 146 residential units located in Creswell, Oregon.

**Note 2 - Summary of Significant Accounting Policies**

**Accounting Method**

The Association prepares its year-end financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The basis of the presentation differs from GAAP in that expenses are recognized when cash is disbursed rather than when the obligation is incurred. This basic approach is modified to report fixed assets and loan payable on the Association's balance sheet.

**Fund Accounting**

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

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

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

**Member Assessments**

Association members are subject to quarterly 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 are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 120 days or more delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

**Property and Equipment**

Real property is stated at cost. Common areas are restricted to use by Association members, their tenants, and guests. The Association's informal policy is to expense all personal property acquisitions.

**Note 3 - Income Taxes**

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended February 28, 2023, the Association elected to be taxed as a homeowner association. Under that election, the Association generally is taxed only on non-exempt income, such as interest earnings, at applicable federal and state tax rates. The Association files returns in the U.S. federal jurisdiction as well as the state of Oregon jurisdiction. Tax filings are generally subject to federal and state examination for three years after they are filed.

**Emerald Valley West PUD Homeowners' Association**  
**Notes to Financial Statements - Continued**  
**February 28, 2023**

**Note 4 - Future Major Repairs and Replacements**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregated \$80,878 at February 28, 2023, are generally not available for operating purposes. The Oregon Planned Community Act restricts the permanent transfer of funds from the replacement fund.

The Association engaged a consultant who conducted a study dated in June 2023 to estimate the remaining useful lives and the replacement costs of the common property components. The excerpt included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the study.

The Association 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.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures, investment income and provision for income taxes, 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 Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**Note 5 - Land and Improvements**

During 2019, the Association purchased two parcels of land from an owner, one including tennis courts. The property has been recorded at cost (see Note 7).

**Note 6 - Interfund Balance**

As of February 28, 2022, the operating fund owed \$10,553 to the replacement fund.

**Note 7 - Loan**

During 2019, the Association obtained a personal loan of \$25,000 from the spouse of the board treasurer/manager to purchase real property from an owner (see Note 5). The loan had an interest rate of 4.0% per annum until paid, with no maturity date. The Association paid off the balance of the loan in March 2022.

**Note 8 - Insurance Claim**

In December 2022, a broken pipe flooded the Association's pump house, which also damaged the pond and well pumps. Insurance proceeds of \$30,336, less the \$1,000 deductible were received in the year ended February 28, 2023.

**Note 9 - Related Party Activity**

During the year ended February 28, 2023, the Association employed the board president to perform community management functions with an annual salary of \$18,600.

**Note 10 - Subsequent Event**

In January 2024, a catastrophic ice storm caused significant damage to the Association's common areas, primarily trees and landscape. The Association is in the process of assessing and addressing these damages and the ultimate financial effect of mitigating these damages is not known.

**Note 11 - Date of Board of Directors' Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 24, 2024, the date the financial statements were available to be issued.



**SUPPLEMENTARY INFORMATION**

**Emerald Valley West PUD Homeowners' Association  
Supplementary Information on Future Major Repairs  
And Replacements (Compiled)  
February 28, 2023**

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The Association engaged a consultant who conducted a reserve study update without a site visit dated in June 2023 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from property management personnel interviews, as built plans and specifications document reviews, on-site observations, in-house company consultants with accredited RS and PRA personnel, discussions with engineering or architectural consultants, RS Means facilities maintenance & repair cost data, and interviewing general contractor consultants to determine useful lives and replacement costs. Replacement costs were based on the estimated costs to repair or replace the common property components on the date of the study assuming an annual inflation rate of 3.50% and a rate of return on investments of 0.03% without a provision for income taxes. The study used the threshold-funding method with a threshold of \$10,524.

The attached excerpt on page 8 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 February 28, 2023:**

Current year's assessments	
Reserve assessments	\$ 27,600
Amount recommended by reserve study	<u>20,702</u>
Difference	\$ <u>6,898</u>
Replacement fund balance at end of year	\$ <u>80,878</u>

**Emerald Valley West PUD Homeowner's Association  
Member Summary Report**

Description	Date In Service	Replacement Year	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Uni:
Asphalt: Overlay	2006	36-37	44,655	30	0	13	69,838	19500 @	2.29
Asphalt: Repairs/Crack Fill	2021	31-32	339	5	5	8	446	19500 @	0.58
Asphalt: Sealcoat	2021	31-32	4,457	5	5	8	5,869	1 @	4,456.71
Basketball Court-Equipment	2006	26-27	2,665	20	0	3	2,955	1 @	2,665.12
Benches	2020	40-41	800	20	0	17	1,435	3 @	266.51
Concrete: Curbing-Repair-Replace	1011	Unfunded							
Concrete: Flatwork-Repair	2022	32-33	7,462	10	0	9	10,170	1 @	7,462.35
Concrete: Patio-Foundation	2006	26-27	2,132	20	0	3	2,364	1 @	2,132.10
Contingency	2006	26-27	10,660	5	15	3	11,819	1 @	10,660.50
Control Room: Equipment	2006	26-27	1,066	20	0	3	1,182	1 @	1,066.05
Doggy Waste Stations: Trash Cans	2018	33-34	516	15	0	10	728	4 @	128.99
Doors: Metal	2022	47-48	267	25	0	24	609	1 @	266.51
Fencing: Chain Link-10'	2006	46-47	8,363	40	0	23	18,449	248 @	33.72
Fencing: Chain Link-4'	2006	46-47	3,176	40	0	23	7,006	223 @	14.24
Fencing: Chain Link-6'	2006	46-47	21,810	40	0	23	48,115	1051 @	20.75
Fencing: Chain Link-Gates/Locks	2015	55-56	2,345	40	0	32	7,052	1 @	2,345.31
Fencing: Gate-Parking Lot	2006	46-47	1,599	40	0	23	3,528	1 @	1,599.07
Fencing: Gate-Parking Lot-Repairs	2021	31-32	1,500	10	0	8	1,975	1 @	1,500.00
Landscape: Controllers	2006	26-27	1,119	20	0	3	1,241	3 @	373.12
Landscape: Irrigation System	2015	35-36	15,991	20	0	12	24,163	1 @	15,990.75
Landscape: Maintenance	2021	23-24	279	1	0	0	279	1 @	279.45
Landscape: Maintenance-Major	2021	26-27	16,560	5	0	3	18,360	1 @	16,560.00
Landscape: Renovation	2006	27-28	5,330	15	6	4	6,117	1 @	5,330.25
Landscape: Trees	2023	32-33	3,571	10	0	9	4,867	1 @	3,570.75
Lighting: Pathway/Sport Facility	2015	40-41	2,665	25	0	17	4,783	1 @	2,665.12
Pond: Equipment-Repair/Replaceme..	2022	37-38	10,000	15	0	14	10,000	1 @	10,000.00
Pond: Liners-Replacement/Repair	2006	23-24	25,000	25	-16	0	25,000	1 @	25,000.00
Restrooms: Renovation	2020	44-45	1,338	25	0	21	2,755	1 @	1,337.81
Retaining Wall: Block-Repair-Green..	2020	35-36	1,908	15	0	12	2,884	525 @	18.17
Retaining Wall: Block-Repair-Sport ..	2020	35-36	14,133	15	0	12	21,355	4320 @	18.17
Retaining Wall: Rock-Repair	2006	23-24	2,132	15	1	0	2,132	1 @	2,132.10
Roof: Gutters/Downspouts	2006	36-37	2,552	30	0	13	3,991	160 @	15.95
Roof: Tile	2006	46-47	11,871	40	0	23	26,189	1180 @	10.06
Security: Camera's/System	2016	31-32	2,239	15	0	8	2,948	7 @	319.81
Signs	2006	26-27	800	20	0	3	886	1 @	799.54
Sport Courts: Misc. Repairs/Replace..	2022	32-33	2,500	10	0	9	3,407	5 @	500.00
Sport Courts: Surface Repair/Re-sur..	2006	23-24	60,000	10	0	0	60,000	5 @	12,000.00
Utilities: Electrical Supply	2006	46-47	15,991	40	0	23	35,277	1 @	15,990.75
Utilities: Storm Drains	2006	23-24	533	3	13	0	533	1 @	533.02
Utilities: Waste Product Line	2006	51-52	15,991	45	0	28	41,899	1 @	15,990.75
Well House: Equipment	2022	37-38	27,000	15	0	14	43,705	1 @	27,000.00
Well House: Repairs	2006	31-32	1,599	25	0	8	2,106	1 @	1,599.07