

**EMERALD VALLEY WEST PUD HOMEOWNERS' ASSOCIATION**

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED FEBRUARY 28, 2022**

**Emerald Valley West PUD Homeowners' Association**

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

We have audited the financial statements of Emerald Valley West PUD Homeowners' Association, which comprise the balance sheet - modified cash basis as of February 28, 2022, and the related statement 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets and liabilities arising from cash transactions of Emerald Valley West PUD Homeowners' Association as of February 28, 2022, and its revenue collected and expenses paid during the year then ended in accordance with the - modified cash basis of accounting described in Note 2.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Emerald Valley West PUD Homeowners' Association 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.

### ***Emphasis of Matter — Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on 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 opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the - modified cash basis of accounting described in Note 2, and for determining that the - modified cash basis of accounting is an acceptable basis for the preparation of the 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.

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## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Emerald Valley West PUD Homeowners' Association'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 Emerald Valley West PUD Homeowners' Association'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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information about future major repairs and replacements of common property on pages 8 and 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Milwaukie, Oregon  
January 24, 2024

A handwritten signature in black ink, appearing to read "Summitt-60".

**Emerald Valley West PUD Homeowners' Association**  
**Balance Sheet - Modified Cash Basis**  
**February 28, 2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, including interest bearing deposits	\$ 22,871	\$ 53,160	\$ 76,031
Assessments receivable	3,340	-	3,340
Land and improvements	75,000	-	75,000
Interfund balance	(7,528)	7,528	-
Total assets	<u>\$ 93,683</u>	<u>\$ 60,688</u>	<u>\$ 154,371</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Assessments received in advance	\$ 4,641	\$ -	\$ 4,641
Loan	<u>9,835</u>	<u>-</u>	<u>9,835</u>
Total liabilities	14,476	-	14,476
 Fund balance	 <u>79,207</u>	 <u>60,688</u>	 <u>139,895</u>
Total liabilities and fund balance	<u>\$ 93,683</u>	<u>\$ 60,688</u>	<u>\$ 154,371</u>

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

**Emerald Valley West PUD Homeowners' Association**  
**Statement of Revenues and Expenses - Modified Cash Basis**  
**For the Year Ended February 28, 2022**

	Operating Fund	Replacement Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Regular assessments	\$ 119,160	\$ 21,000	\$ 140,160
Interest	5	22	27
Late fees	163	-	163
Other income	619	-	619
Total revenues	<u>119,947</u>	<u>21,022</u>	<u>140,969</u>
<b>EXPENSES</b>			
Property maintenance	15,667	-	15,667
Major repairs and replacements	-	19,225	19,225
Utilities	6,799	-	6,799
Landscaping	57,102	-	57,102
Insurance	4,924	-	4,924
Management	20,455	-	20,455
Security	185	-	185
Accounting	4,585	-	4,585
Supplies	1,835	-	1,835
Licenses and permits	76	-	76
Loan interest	594	-	594
Property taxes	1,296	-	1,296
Total expenses	<u>113,518</u>	<u>19,225</u>	<u>132,743</u>
Excess of revenues over expenses	<u>\$ 6,429</u>	<u>\$ 1,797</u>	<u>\$ 8,226</u>

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

**Emerald Valley West PUD Homeowners' Association**  
**Statement of Changes in Fund Balance - Modified Cash Basis**  
**For the Year Ended February 28, 2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balance, as of February 28, 2021	\$ 72,778	\$ 58,891	\$ 131,669
Excess of revenues over expenses	<u>6,429</u>	<u>1,797</u>	<u>8,226</u>
Fund balance, as of February 28, 2022	<u>\$ 79,207</u>	<u>\$ 60,688</u>	<u>\$ 139,895</u>

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

**Emerald Valley West PUD Homeowners' Association**  
**Notes to Financial Statements**  
**February 28, 2022**

**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, 2022, 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, 2022**

**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 \$60,688 at February 28, 2022, 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 \$7,528 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. As of February 28, 2022, the Association had a loan balance of \$9,805. The Association paid off the balance of the loan in March 2022.

**Note 8 - Other Income**

Other income includes bill-backs to a unit owner for operating fund expenses.

**Note 9 - Related Party Activity**

The Association employed the board president to perform community management functions with an annual salary of \$18,600. The Association also paid the board president's spouse to perform certain maintenance and repair work relating to the Association's common elements for approximately \$1,593 and loan interest of \$594 for the year ended February 28, 2022 (see Note 7).

**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 (Unaudited)  
February 28, 2022**

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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 9 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, 2022:**

Current year's assessments	
Reserve assessments	\$ 21,000
Amount recommended by reserve study	<u>20,440</u>
Difference	\$ <u>560</u>
Replacement fund balance at end of year	\$ <u>60,688</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:
<b>Asphalt: Overlay</b>	2006	36-37	44,655	30	0	13	69,838	19500 @	2.29
<b>Asphalt: Repairs/Crack Fill</b>	2021	31-32	339	5	5	8	446	19500 @	0.58
<b>Asphalt: Sealcoat</b>	2021	31-32	4,457	5	5	8	5,869	1 @	4,456.71
<b>Basketball Court-Equipment</b>	2006	26-27	2,665	20	0	3	2,955	1 @	2,665.12
<b>Benches</b>	2020	40-41	800	20	0	17	1,435	3 @	266.51
<b>Concrete: Curbing-Repair-Replace</b>	1011	<i>Unfunded</i>							
<b>Concrete: Flatwork-Repair</b>	2022	32-33	7,462	10	0	9	10,170	1 @	7,462.35
<b>Concrete: Patio-Foundation</b>	2006	26-27	2,132	20	0	3	2,364	1 @	2,132.10
<b>Contingency</b>	2006	26-27	10,660	5	15	3	11,819	1 @	10,660.50
<b>Control Room: Equipment</b>	2006	26-27	1,066	20	0	3	1,182	1 @	1,066.05
<b>Doggy Waste Stations: Trash Cans</b>	2018	33-34	516	15	0	10	728	4 @	128.99
<b>Doors: Metal</b>	2022	47-48	267	25	0	24	609	1 @	266.51
<b>Fencing: Chain Link-10'</b>	2006	46-47	8,363	40	0	23	18,449	248 @	33.72
<b>Fencing: Chain Link-4'</b>	2006	46-47	3,176	40	0	23	7,006	223 @	14.24
<b>Fencing: Chain Link-6'</b>	2006	46-47	21,810	40	0	23	48,115	1051 @	20.75
<b>Fencing: Chain Link-Gates/Locks</b>	2015	55-56	2,345	40	0	32	7,052	1 @	2,345.31
<b>Fencing: Gate-Parking Lot</b>	2006	46-47	1,599	40	0	23	3,528	1 @	1,599.07
<b>Fencing: Gate-Parking Lot-Repairs</b>	2021	31-32	1,500	10	0	8	1,975	1 @	1,500.00
<b>Landscape: Controllers</b>	2006	26-27	1,119	20	0	3	1,241	3 @	373.12
<b>Landscape: Irrigation System</b>	2015	35-36	15,991	20	0	12	24,163	1 @	15,990.75
<b>Landscape: Maintenance</b>	2021	23-24	279	1	0	0	279	1 @	279.45
<b>Landscape: Maintenance-Major</b>	2021	26-27	16,560	5	0	3	18,360	1 @	16,560.00
<b>Landscape: Renovation</b>	2006	27-28	5,330	15	6	4	6,117	1 @	5,330.25
<b>Landscape: Trees</b>	2023	32-33	3,571	10	0	9	4,867	1 @	3,570.75
<b>Lighting: Pathway/Sport Facility</b>	2015	40-41	2,665	25	0	17	4,783	1 @	2,665.12
<b>Pond: Equipment-Repair/Replaceme..</b>	2022	37-38	10,000	15	0	14	10,000	1 @	10,000.00
<b>Pond: Liners-Replacement/Repair</b>	2006	23-24	25,000	25	-16	0	25,000	1 @	25,000.00
<b>Restrooms: Renovation</b>	2020	44-45	1,338	25	0	21	2,755	1 @	1,337.81
<b>Retaining Wall: Block-Repair-Green..</b>	2020	35-36	1,908	15	0	12	2,884	525 @	18.17
<b>Retaining Wall: Block-Repair-Sport ..</b>	2020	35-36	14,133	15	0	12	21,355	4320 @	18.17
<b>Retaining Wall: Rock-Repair</b>	2006	23-24	2,132	15	1	0	2,132	1 @	2,132.10
<b>Roof: Gutters/Downspouts</b>	2006	36-37	2,552	30	0	13	3,991	160 @	15.95
<b>Roof: Tile</b>	2006	46-47	11,871	40	0	23	26,189	1180 @	10.06
<b>Security: Camera's/System</b>	2016	31-32	2,239	15	0	8	2,948	7 @	319.81
<b>Signs</b>	2006	26-27	800	20	0	3	886	1 @	799.54
<b>Sport Courts: Misc. Repairs/Replace..</b>	2022	32-33	2,500	10	0	9	3,407	5 @	500.00
<b>Sport Courts: Surface Repair/Re-sur..</b>	2006	23-24	60,000	10	0	0	60,000	5 @	12,000.00
<b>Utilities: Electrical Supply</b>	2006	46-47	15,991	40	0	23	35,277	1 @	15,990.75
<b>Utilities: Storm Drains</b>	2006	23-24	533	3	13	0	533	1 @	533.02
<b>Utilities: Waste Product Line</b>	2006	51-52	15,991	45	0	28	41,899	1 @	15,990.75
<b>Well House: Equipment</b>	2022	37-38	27,000	15	0	14	43,705	1 @	27,000.00
<b>Well House: Repairs</b>	2006	31-32	1,599	25	0	8	2,106	1 @	1,599.07