

BELLA VISTA HOMES HOMEOWNER'S ASSOCIATION



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

Bella Vista Homes Homeowner's Association

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Bella Vista Homes Homeowner's Association
Medford, Oregon

We have reviewed the accompanying financial statements of Bella Vista Homes Homeowner's Association, which comprise the balance sheet – modified cash basis as of December 31, 2022, 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 Bella Vista Homes Homeowner's 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.

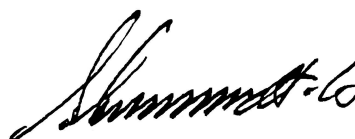
Supplementary Information

The supplementary information about future major repairs and replacements of common property on pages 8 through 9 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
December 11, 2023

12300 SE MALLARD WAY, SUITE 275
MILWAUKIE, OR 97222

503.227.1165 phone ♦ 503.227.1423 fax
cpa@schwindtco.com



Bella Vista Homes Homeowner's Association
Balance Sheet - Modified Cash Basis
December 31, 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash, including interest bearing deposits	\$ 372	\$ 311	\$ 683
Cash held with management	75,401	94,914	170,315
Interfund balance	<u>(22,253)</u>	<u>22,253</u>	<u>-</u>
Total assets	<u>\$ 53,520</u>	<u>\$ 117,478</u>	<u>\$ 170,998</u>
LIABILITIES AND FUND BALANCE			
Refundable construction deposits	\$ 45,500	\$ -	\$ 45,500
Fund balance	<u>8,020</u>	<u>117,478</u>	<u>125,498</u>
Total liabilities and fund balance	<u>\$ 53,520</u>	<u>\$ 117,478</u>	<u>\$ 170,998</u>

See accompanying notes and independent accountant's review report.

Bella Vista Homes Homeowner's Association
Statement of Revenues and Expenses - Modified Cash Basis
For the Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 82,946	\$ 22,564	\$ 105,510
Late fees	752	-	752
Architectural review fees	1,925	-	1,925
Other income	200	-	200
Total revenues	85,823	22,564	108,387
EXPENSES			
Property maintenance	4,409	-	4,409
Utilities	10,663	-	10,663
Landscaping	77,660	-	77,660
Insurance	1,255	-	1,255
Management fees	12,000	-	12,000
Professional fees	3,832	-	3,832
Office expense	275	-	275
Licenses and permits	50	-	50
Other expenses	100	-	100
Total expenses	110,244	-	110,244
Excess of revenues over (under) expenses	\$ (24,421)	\$ 22,564	\$ (1,857)

See accompanying notes and independent accountant's review report.

Bella Vista Homes Homeowner's Association
Statement of Changes in Fund Balance - Modified Cash Basis
For the Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Fund balance, as of December 31, 2021	\$ 31,441	\$ 94,914	\$ 126,355
Excess of revenues over (under) expenses	(24,421)	22,564	(1,857)
Initial working capital contributions	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Fund balance, as of December 31, 2022	\$ <u><u>8,020</u></u>	\$ <u><u>117,478</u></u>	\$ <u><u>125,498</u></u>

See accompanying notes and independent accountant's review report.

Bella Vista Homes Homeowner's Association
Notes to Financial Statements
December 31, 2022

Note 1 - Nature of Organization

Bella Vista Homes Homeowner's Association ("The Association") was organized on February 23, 2007 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 a lot gifted to the Association by the Declarant in 2021 and other items detailed in the supplementary information. Common areas are restricted to use by the Association members, their tenants, and guests. The development consists of 107 residential units located in Medford, 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 presentation differs from GAAP in that revenues are recognized when received and expenses are recognized when cash is disbursed rather than when the obligation is incurred, except for cash receivable from the community management company and refundable construction deposits.

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 monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The Association's policy is to place liens on the properties of homeowners whose assessments are 90 days or more delinquent, and to turn over delinquent accounts to the collection attorney if the delinquent balance is in excess of \$500 for more than two years. Any excess assessments at year-end are retained by the Association for use in future years.

Refundable Construction Deposits

The builder, contractor or design professional is required to submit a construction deposit prior to beginning work at the project site. The construction deposit shall be in addition to the application fee required by the Design Guidelines (Note 7). The construction deposit, in whole or in part, at the discretion of the Architectural Control Committee (ACC) shall be forfeited if the ACC finds that the builder, contractor, or design professional has violated any provision of the Design Guidelines or the Association's governing documents and refuses to remedy the situation within 30 days of notification. A \$1,000 non-refundable application fee and \$3,250 refundable construction deposit are due at the time of application submittal. The Association is reporting \$45,500 of refundable construction deposits from 14 owners at December 31, 2022.

Note 3 - Income Taxes

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended December 31, 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.

Bella Vista Homes Homeowner's Association
Notes to Financial Statements - Continued
December 31, 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 \$117,478 at December 31, 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 July 2022 to estimate the remaining useful lives and the replacement costs of the common property components. The excerpt included in the compiled 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, subject to member approval if in excess of 5% of the budgeted expenses, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 - Cash Held with Management

As of December 31, 2022, operating fund cash of \$75,401 and replacement fund cash of \$94,914 was held in client trust accounts with the Association's management company, which were combined with several other organizations' cash balances. During 2023, all funds of the Association were transferred to new bank accounts in the name of the Association.

Note 6 - Interfund Balance

At December 31, 2022, the operating fund owed \$22,253 to the replacement funds for the 2022 reserve contribution and deferred Declarant dues collected in 2022, less \$311 paid from operating to open the new reserve bank account.

Note 7 - Architectural Review Fees

The ACC was established to implement and administer the Association's Design Guidelines. For new residential construction, a \$4,250 payment is required and includes a \$3,250 refundable construction deposit and \$1,000 for a non-refundable application fee for ACC review, of which the Association pays \$350 to its community management company. For expedited review, an additional \$500 is charged and the community management company is paid \$175. For the year ended December 31, 2022, the Association is reporting ACC review fees of \$3,500 less management fees of \$1,575.

Note 8 - Initial Working Capital Contributions

In accordance with the Association's governing documents, the Association collects working capital contributions of \$200 on the initial sale of each unit. Working capital contributions are deposited into the Association's operating fund.

Note 9 - Declarant Activity

Declarant Owned Units

As of December 31, 2022, the Declarant owned 4 lots.

Deferred Reserve Assessments Payments

As of December 31, 2022, payment of \$6,138 of reserve assessments charged to the Declarant was deferred to be paid at the closing of sales of units owned by the Declarant.

Declarant Control

As of December 31, 2022, the Declarant was in control of the Association.

See Independent Accountant's Review Report

Bella Vista Homes Homeowner's Association
Notes to Financial Statements - Continued
December 31, 2022

Note 10 - Community Management

The Association employs a community manager to perform accounting and community management functions. The Association also employs the community manager to perform certain maintenance and repair work relating to the Association's common elements.

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 December 11, 2023, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Bella Vista Homes Homeowner's Association
Supplementary Information on Future Major Repairs
And Replacements (Compiled)
December 31, 2022

The Association engaged a consultant who conducted a full on-site reserve dated in July 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. The consultant obtains estimates as applicable from original plans and specifications, original builders and developers, contractors and vendors, industry professionals, board members, general Association members, managers and various cost estimating services. 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 2% and a rate of return on investments of 0% with a provision for income taxes of 30%. The study used the full-funding method.

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 December 31, 2022:

Current year's assessments	
Reserve assessments	\$ 17,064
Declarant deferred reserve assessments paid	5,500
Less: Amount recommended by reserve study	<u>(17,576)</u>
Difference	\$ <u>4,988</u>
Replacement fund balance at end of year	\$ <u><u>117,478</u></u>

Item Description	Useful Life	Life Left	Year Replace	Future Replacement Cost	Ideal Balance	Actual Balance
Concrete Safety Repair	10	10	2032	\$ 3,047	\$ 305	\$ 305
Fence-Chain Link	35	25	2047	\$ 241,989	\$ 76,054	\$ -
Landscape Irrigation Valves	50	50	2072	\$ -	\$ -	\$ -
Landscape Renovation	10	10	2032	\$ 12,190	\$ 1,219	\$ 1,219
Landscape-Irrigation	30	30	2052	\$ -	\$ -	\$ -
Landscape-Irrigation Controllers	50	49	2071	\$ -	\$ -	\$ -
Lights-Exterior-Street-Parking(Head Only)	25	9	2031	\$ 6,214	\$ 4,226	\$ 4,226
Lights-Exterior-Water Feature	50	48	2070	\$ -	\$ -	\$ -
Mailbox-Cluster	30	14	2036	\$ 19,581	\$ 11,096	\$ 11,096
Paving-Asphalt- Crackseal, Sealcoat-Path	5	2	2024	\$ 624	\$ 499	\$ 499
Paving-Asphalt-Overlay	30	20	2042	\$ 265,699	\$ 97,423	\$ 72,338
Paving-Asphalt-Overlay-Path	30	20	2042	\$ 6,687	\$ 2,452	\$ 2,452
Paving-Asphalt-Repair, Crackseal, Sealcoat	5	2	2024	\$ 24,804	\$ 19,843	\$ 19,843
Storm Drain- Maintenance	50	50	2072	\$ -	\$ -	\$ -
Water Feature - Motor	50	47	2069	\$ -	\$ -	\$ -
Water Feature - Pumps	50	49	2071	\$ -	\$ -	\$ -
				\$ 580,836	\$ 213,117	\$ 111,978

Investment Rate 0.00%
Tax Rate 30.00%
Inflation Rate 2.00%
Contingency Rate 0.00%

Contingency \$ - \$ -
Total \$ 213,117 \$ 111,978