

STARWOOD ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

Starwood Association

Table of Contents

INDEPENDENT ACCOUNTANT’S REVIEW REPORT 1

FINANCIAL STATEMENTS

 Balance Sheet 2

 Statement of Revenues and Expenses 3

 Statement of Changes in Fund Balance 4

 Statement of Cash Flows 5

 Notes to Financial Statements 6-8

SUPPLEMENTARY INFORMATION

 Supplementary Information on Future Major Repairs and Replacements (Compiled)..... 9-11

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Starwood Association
Bend, Oregon

We have reviewed the accompanying financial statements of Starwood Association, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues and expenses, changes in fund balance, and 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 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.

We are required to be independent of Starwood Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Known Departures from Accounting Principles Generally Accepted in the United States of America

The Association did not adopt the Financial Accounting Standards Board guidance on revenue recognition (ASC 606), the application of which was required for annual periods beginning after December 15, 2019; the effects of the departure have not been determined.

Accountant's Conclusion on the Financial Statements

Based on our review, except for the issue noted in the Known Departures from Accounting Principles Generally Accepted in the United States of America paragraph, 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 pages 9 through 11 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, which 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 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; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Milwaukie, Oregon
August 26, 2023

12300 SE MALLARD WAY, SUITE 275
MILWAUKIE, OR 97222

503.227.1165 phone ♦ 503.227.1423 fax
cpa@schwindtco.com



**Starwood Association
Balance Sheet
December 31, 2021**

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash, including interest bearing deposits	\$ 15,864	\$ 231,194	\$ 247,058
Investments	-	93,776	93,776
Assessments receivable, net of allowance for doubtful accounts of \$92	1,062	-	1,062
Prepaid insurance	703	-	703
Property and equipment, net of accumulated depreciation of \$46,726	800	-	800
Interfund balance	61,117	(61,117)	-
Total assets	\$ 79,546	\$ 263,853	\$ 343,399

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 7,174	\$ -	\$ 7,174
Income taxes payable	897	-	897
ARC deposits	500	-	500
Assessments received in advance	1,778	-	1,778
Total liabilities	10,349	-	10,349
Fund balance	69,197	263,853	333,050
Total liabilities and fund balance	\$ 79,546	\$ 263,853	\$ 343,399

See accompanying notes and independent accountant's review report.

Starwood Association
Statement of Revenues and Expenses
For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 87,394	\$ 33,646	\$ 121,040
Interest	-	2,134	2,134
RV storage income	12,955	3,587	16,542
Sale of equipment	1,650	-	1,650
Total revenues	<u>101,999</u>	<u>39,367</u>	<u>141,366</u>
EXPENSES			
Property maintenance	22,437	-	22,437
Major repairs and replacements	-	25,189	25,189
RV storage expense	12,034	426	12,460
Utilities	2,069	-	2,069
Landscaping	28,422	-	28,422
Insurance	2,787	-	2,787
Management fees	23,416	-	23,416
Professional fees	20,200	-	20,200
Office expense	1,849	-	1,849
Licenses, permits and fees	304	-	304
Income taxes	897	-	897
Depreciation	3,200	-	3,200
Total expenses	<u>117,615</u>	<u>25,615</u>	<u>143,230</u>
Excess of revenues over (under) expenses	<u>\$ (15,616)</u>	<u>\$ 13,752</u>	<u>\$ (1,864)</u>

See accompanying notes and independent accountant's review report.

Starwood Association
Statement of Changes in Fund Balance
For the Year Ended December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balance, as of December 31, 2020, as previously stated	\$ 88,313	\$ 246,601	\$ 334,914
Prior period adjustment	<u>(3,500)</u>	<u>3,500</u>	<u>-</u>
Fund balance, as of December 31, 2020, as restated	84,813	250,101	334,914
Excess of revenues over (under) expenses	<u>(15,616)</u>	<u>13,752</u>	<u>(1,864)</u>
Fund balance, as of December 31, 2021	<u>\$ 69,197</u>	<u>\$ 263,853</u>	<u>\$ 333,050</u>

See accompanying notes and independent accountant's review report.

Starwood Association
Statement of Cash Flows
For the Year Ended December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over (under) expenses	\$ (15,616)	\$ 13,752	\$ (1,864)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided (used) by operating activities:			
Depreciation expense	3,200	-	3,200
Interest earned on investments	-	(1,926)	(1,926)
Decrease in assets:			
Assessments receivable, net of allowance for doubtful accounts	2,526	-	2,526
Prepaid insurance	3,229	-	3,229
Increase (Decrease) in liabilities:			
Accounts payable	1,360	-	1,360
Income taxes payable	897	-	897
ARC deposits	500	-	500
Assessments received in advance	(170)	-	(170)
Net cash provided (used) by operating activities	<u>(4,074)</u>	<u>11,826</u>	<u>7,752</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund balance	<u>(25,615)</u>	<u>25,615</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(29,689)	37,441	7,752
CASH AND CASH EQUIVALENTS, BEGINNING	<u>45,553</u>	<u>193,753</u>	<u>239,306</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 15,864</u></u>	<u><u>\$ 231,194</u></u>	<u><u>\$ 247,058</u></u>

See accompanying notes and independent accountant's review report.

Starwood Association
Notes to Financial Statements
December 31, 2021

Note 1 - Nature of Organization

Starwood Association ("The Association") was organized on March 22, 1984 under the provisions of the Oregon Non-Profit Corporation Act. 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 178 lots located in Bend, Oregon.

Note 2 - Summary of Significant Accounting Policies

Accounting Method

The Association prepares its year-end financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned, and expenses are recognized when goods or services are received, whether paid or not.

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 60 days or more delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

Allowance for Doubtful Accounts

The Association has provided for an allowance for doubtful accounts as of December 31, 2021. The Association generally considers assessments receivable collectible until the unit has been foreclosed or the unit owner has filed for bankruptcy.

Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization and Depreciation

The Association records capitalized assets at cost and depreciation on the straight-line basis over the useful life of the asset.

Starwood Association
Notes to Financial Statements – Continued
December 31, 2021

Note 3 - Income Taxes

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended December 31, 2021, 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.

Note 4 - Common Property

Real property and common areas acquired by the original homeowners from the developer are not capitalized on the Association's financial statements. Although these properties are owned by the Association, the assets are not recognized under generally accepted accounting principles, due to the fact that the Association will not, in the ordinary course of business, dispose of the property. Common areas are restricted to use by Association members, their tenants, and guests. The Association's informal policy is to capitalize all personal property acquisitions and improvements to common property related to recreational vehicle (RV) storage with a cost greater than \$2,000 and to expense all other personal property acquisitions of less than \$4,000. As of December 31, 2021, property and equipment of \$47,526 consisted of fully depreciated RV storage improvements, and a mower acquired in 2017.

Note 5 - 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 \$263,853 at December 31, 2021, 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 reserve study updated dated in August 2020 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 and investment income, 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 6 - Interfund Balance

At December 31, 2021, \$61,117 of operating fund cash was held in the replacement fund cash and investment accounts.

Note 7 - Investments

The Association's investments consist of certificates of deposit (CDs). The Association has the positive intent and ability to hold investments to maturity. At December 31, 2021, the fair market value approximated the carrying value. The investments are carried on the Association's financial statements at cost plus interest earned and consisted of the following CD as of December 31, 2021:

<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
2-Year CD	January 7, 2022	2.08%	\$ 93,776

See Independent Accountant's Review Report

Starwood Association
Notes to Financial Statements – Continued
December 31, 2021

Note 8 - Prior Period Adjustment

A prior period adjustment is being reported to restate the opening operating fund and replacement fund balances for 2020 RV storage reserve contributions that were not included in the December 31, 2020 ending fund balance accounts.

Note 9 - Date of Board of Directors' Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 26, 2023, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Starwood Association
Supplementary Information on Future Major Repairs
And Replacements (Compiled)
December 31, 2021

The Association engaged a consultant who conducted a full on-site reserve study for the year 2020 dated in August 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from the Association and various construction pricing and scheduling manuals 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 2.50%, and a rate of return on investments of 0.10%, without a provision for income taxes. The study used the threshold funding method with a threshold amount of \$61,883 for general common elements and of \$13,330 for RV lot common elements. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The attached excerpt on pages 10 and 11 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, 2021:

Current year's assessments	
Reserve assessments	\$ 33,646
RV reserve income	3,587
Less: Amount recommended by reserve study	<u>(37,377)</u>
Difference	\$ <u>(144)</u>
Replacement fund balance at end of year	\$ <u><u>263,853</u></u>

Starwood Association
Component Summary By Group

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Capital								
Asphalt: Alcor Place - Overlay	2003	2043	25	15	23	11,868 SF	2.90	34,417
Asphalt: Arago Circle - Overlay	2003	2045	25	17	25	8,993 SF	2.90	26,080
Asphalt: Dione Way - Overlay	2003	2045	25	17	25	21,643 SF	2.90	62,765
Asphalt: Dione Way - Seal Coat	2019	2027	6	2	7	21,643 SF	0.52	11,254
Asphalt: Lyra Drive - Overlay	2003	2045	25	17	25	32,200 SF	2.90	93,380
Asphalt: Mira Circle - Overlay	2003	2045	25	17	25	8,280 SF	2.90	24,012
Asphalt: Northstar Circle - Overlay	2003	2045	25	17	25	5,428 SF	2.90	15,741
Asphalt: Northstar Way - Overlay	2003	2045	25	17	25	29,670 SF	2.90	86,043
Asphalt: Saros Lane - Overlay	2003	2045	25	17	25	29,900 SF	2.90	86,710
Asphalt: Solstice Court - Overlay	2003	2045	25	17	25	6,808 SF	2.90	19,743
Asphalt: Solstice Drive - Overlay	2003	2045	25	17	25	21,068 SF	2.90	61,097
Asphalt: South Loop Place - Overlay	2003	2045	25	17	25	7,015 SF	2.90	20,343
Asphalt: Starwood Drive - Overlay	2003	2045	25	17	25	98,526 SF	2.90	285,725
Basketball Court - Repairs	2003	2023	20	0	3	1,400 SF	10.00 @ 15%	2,100
Basketball Court: Hoops - Replacement	2003	2023	20	0	3	2 Each	1,000.00	2,000
Benches - Replacement	2005	2035	30	0	15	3 Each	750.00	2,250
Bike Racks - Replacement	1984	2024	40	0	4	2 Each	500.00	1,000
Carts - Replacement	2014	2029	15	0	9	2 Each	4,500.00	9,000
Community Library - Replacement	2015	2035	20	0	15	1 Total	500.00	500
Dogi Pots - Replacement	2004	2024	20	0	4	4 Each	500.00	2,000
Entry Sign/Lighting - Replacement/Repair	2005	2035	30	0	15	1 Total	5,000.00	5,000
Green Dump - Clean Up	2014	2020	5	0	0	1 Total	2,000.00	2,000
Irrigation Controllers - Replacement	2007	2020	1	0	0	14 Each	750.00 @ 25%	2,625
Irrigation Lines - Replacement	2007	2020	1	0	0	1 Total	1,000.00	1,000
Mailboxes - Replacement	2007	2022	15	0	2	15 Each	1,200.00	18,000
Mower - Replacement	2014	2029	15	0	9	1 Total	5,500.00	5,500
Picnic Tables - Replacement	2005	2035	30	0	15	4 Each	1,000.00	4,000
Playground Set: Tot - Replacement	2003	2033	30	0	13	1 Total	15,000.00	15,000
Playground Sets - Replacement	2003	2033	30	0	13	1 Total	25,000.00	25,000
Pond - Rehab	1984	2024	40	0	4	1 Total	25,000.00	25,000
Pump: Driveway - Replacement	2009	2020	10	0	0	1 Total	1,000.00	1,000
Pump: Pasture - Replacement	2007	2020	10	0	0	1 Total	2,000.00	2,000
Pump: Pond - Replacement	2009	2020	10	0	0	1 Total	2,500.00	2,500
Pumphouse: Entryway - Replace	1985	2020	30	0	0	1 Total	2,500.00	2,500
RV Lot: Fence - Replacement	1984	2034	50	0	14	1,370 LF	35.00	47,950
RV Lot: Lights - Replacement	2010	2030	20	0	10	2 Each	750.00	1,500
RV Lot: Security System - Replacement	2015	2025	10	0	5	1 Total	3,500.00	3,500
Shade Structure - Replacement	1984	2024	30	10	4	1 Total	5,000.00	5,000
Shade Structure: Covering - Replacement	2014	2024	10	0	4	1 Total	750.00	750
Soccer Goals - Replacement	2010	2030	20	0	10	2 Each	1,000.00	2,000
Street Signs - Replacement	2007	2020	5	0	0	1 Total	2,000.00	2,000
Trash Can - Replacement	2005	2035	30	0	15	1 Total	1,000.00	1,000
White Vinyl Fence - Replacement	2008	2038	30	0	18	2,050 LF	35.00	71,750
Capital - Total								<u>\$1,092,736</u>

Starwood Association
Component Summary By Group

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Non-Capital								
Asphalt: Alcor Place - Seal Coat	2019	2027	6	2	7	11,868 SF	0.52	6,171
Asphalt: Arago Circle - Seal Coat	2019	2027	6	2	7	8,993 SF	0.52	4,676
Asphalt: Crack Seal	2019	2021	3	-1	1	1 Total	2,124.00	2,124
Asphalt: Lyra Drive - Seal Coat	2019	2027	6	2	7	32,200 SF	0.52	16,744
Asphalt: Mira Circle - Seal Coat	2019	2027	6	2	7	8,280 SF	0.52	4,306
Asphalt: Northstar Circle - Seal Coat	2019	2027	6	2	7	5,428 SF	0.52	2,823
Asphalt: Northstar Way - Seal Coat	2019	2027	6	2	7	29,670 SF	0.52	15,428
Asphalt: Saros Lane - Seal Coat	2019	2027	6	2	7	29,900 SF	0.52	15,548
Asphalt: Solstice Court - Seal Coat	2019	2027	6	2	7	6,808 SF	0.52	3,540
Asphalt: Solstice Drive - Seal Coat	2019	2027	6	2	7	21,068 SF	0.52	10,955
Asphalt: South Loop Place - Seal Coat	2019	2027	6	2	7	7,015 SF	0.52	3,648
Asphalt: Starwood Drive - Seal Coat	2019	2027	6	2	7	98,526 SF	0.52	51,234
Bark Chip Borders - Repairs	2014	2024	10	0	4	1 Total	1,000.00	1,000
Fuel Reduction	2015	2022	7	0	2	1 Total	20,000.00	20,000
Gravel Path and Trails - Addition	2016	2021	5	0	1	1 Total	5,000.00	5,000
Insurance Deductible	2019	2020	1	0	0	1 Total	10,000.00	10,000
Perimeter & Dog Park Fence & Gates - Re..	2015	2020	5	0	0	1 Total	10,000.00	10,000
Pumphouse: Pond - Repair	2000	2030	30	0	10	1 Total	2,500.00	2,500
Storage Shed - Repair	2014	2044	30	0	24	1 Total	3,000.00	3,000
Street: Gravel Dressing	2019	2026	7	0	6	12,311 LF	2.00	24,622
Turf Rehab	2018	2021	3	0	1	1 Total	3,000.00	3,000
Water Line - Clean Out	2007	2032	25	0	12	1 Total	1,000.00	1,000
Non-Capital - Total								<u>\$217,319</u>
Total Asset Summary								<u>\$1,310,056</u>