

**OREGON WATER WONDERLAND  
PROPERTY OWNERS ASSOCIATION, UNIT II, INC.**

---

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED APRIL 30, 2019 AND 2018**

**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**

**Table of Contents**

INDEPENDENT ACCOUNTANT’S REVIEW REPORT .....	1
FINANCIAL STATEMENTS	
Balance Sheets.....	2
Statements of Revenues and Expenses .....	3
Statements of Changes in Fund Balance.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements .....	6-8
SUPPLEMENTARY INFORMATION	
Schedule of Operating Fund Revenues and Expenses – Budget and Actual .....	9
Schedule of Replacement Fund Revenues and Expenses – Budget and Actual .....	10

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors and Members  
Oregon Water Wonderland Property Owners Association, Unit II, Inc.  
Bend, Oregon

We have reviewed the accompanying financial statements of Oregon Water Wonderland Property Owners Association, Unit II, Inc., which comprise the balance sheet as of April 30, 2019, 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.

***Accountant's Conclusion on the Financial Statements***

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 accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously reviewed Oregon Water Wonderland Property Owners Association, Unit II, Inc. financial statements for the year ended April 30, 2018, and our report dated July 25, 2018 stated that based on our procedures, we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying schedules on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

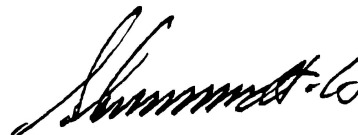
***Omission of Required Supplementary Information about Future Major Repairs and Replacements***

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. The results of our review of the basic financial statements are not affected by the omitted information.

Portland, Oregon  
July 20, 2019

3407 SW CORBETT AVENUE  
PORTLAND, OR 97239

503.227.1165 phone ♦ 503.227.1423 fax  
cpa@schwindtco.com



**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**

**Balance Sheets**

**April 30,**

	<b>2019</b>			<b>2018</b>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>ASSETS</b>				
Cash, including interest bearing deposits	\$ 266,587	\$ 58,814	\$ 325,401	\$ 289,219
Assessments receivable, net of allowance for doubtful accounts of \$24,369 and \$27,083	73,108	-	73,108	81,250
Property and equipment, net of accumulated depreciation of \$1,159,504 and \$1,143,604	<u>32,705</u>	<u>-</u>	<u>32,705</u>	<u>48,605</u>
Total assets	<u>\$ 372,400</u>	<u>\$ 58,814</u>	<u>\$ 431,214</u>	<u>\$ 419,074</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable	\$ 3,689	\$ -	\$ 3,689	\$ 3,000
Assessments received in advance	<u>2,196</u>	<u>-</u>	<u>2,196</u>	<u>922</u>
Total liabilities	5,885	-	5,885	3,922
Fund balance	<u>366,515</u>	<u>58,814</u>	<u>425,329</u>	<u>415,152</u>
Total liabilities and fund balance	<u>\$ 372,400</u>	<u>\$ 58,814</u>	<u>\$ 431,214</u>	<u>\$ 419,074</u>

See accompanying notes and independent accountant's review report.

**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**

**Statements of Revenues and Expenses**

**For the Years Ended April 30,**

	<b>2019</b>			<b>2018</b>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>REVENUES</b>				
Regular assessments	\$ 141,083	\$ 146,842	\$ 287,925	\$ 287,925
Interest	-	96	96	166
Other income	<u>17,459</u>	<u>-</u>	<u>17,459</u>	<u>10,961</u>
Total revenues	158,542	146,938	305,480	299,052
<b>EXPENSES</b>				
Common area maintenance				
Bridge maintenance	-	-	-	3,728
Building maintenance	-	-	-	287
Ditches and culverts	2,132	-	2,132	3,242
Mailbox maintenance	1,675	-	1,675	410
Marina maintenance	2,745	-	2,745	2,202
Road maintenance	1,777	-	1,777	200
Snow removal	<u>14,443</u>	<u>-</u>	<u>14,443</u>	<u>2,912</u>
Total common area maintenance	22,772	-	22,772	12,981
Major repairs and replacements				
Asphalt overlay	-	171,897	171,897	233,389
Administration and services				
Accounting fees	3,288	-	3,288	4,375
Annual meeting costs	870	-	870	931
Bad debt	21,966	-	21,966	4,474
Collection cost expenses	7,831	-	7,831	3,214
Depreciation	15,900	-	15,900	21,586
Insurance	8,102	-	8,102	7,683
Legal fees	-	-	-	1,669
Licenses, permits and fees	50	-	50	50
Management fees	36,000	-	36,000	36,000
Office expense	4,128	-	4,128	3,601
Property taxes	209	-	209	209
Utilities	<u>2,290</u>	<u>-</u>	<u>2,290</u>	<u>2,272</u>
Total administration and services expenses	100,634	-	100,634	86,064
Total expenses	<u>123,406</u>	<u>171,897</u>	<u>295,303</u>	<u>332,434</u>
Excess of revenues over (under) expenses	\$ <u>35,136</u>	\$ <u>(24,959)</u>	\$ <u>10,177</u>	\$ <u>(33,382)</u>

See accompanying notes and independent accountant's review report.

**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**  
**Statements of Changes in Fund Balance**  
**For the Years Ended April 30, 2019 and 2018**

	Operating Fund	Replacement Fund	Total
Fund balance, as of April 30, 2017	\$ 278,380	\$ 170,154	\$ 448,534
Excess of revenues over (under) expenses	<u>52,999</u>	<u>(86,381)</u>	<u>(33,382)</u>
Fund balance, as of April 30, 2018	331,379	83,773	415,152
Excess of revenues over (under) expenses	<u>35,136</u>	<u>(24,959)</u>	<u>10,177</u>
Fund balance, as of April 30, 2019	\$ <u><u>366,515</u></u>	\$ <u><u>58,814</u></u>	\$ <u><u>425,329</u></u>

See accompanying notes and independent accountant's review report.

**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**

**Statements of Cash Flows  
For the Years Ended April 30,**

	<b>2019</b>			<b>2018</b>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess of revenues over (under) expenses	\$ 35,136	\$ (24,959)	\$ 10,177	\$ (33,382)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided (used) by operating activities:				
Depreciation expense	15,900	-	15,900	21,586
Decrease in assets:				
Assessments receivable, net of allowance for doubtful accounts	8,142	-	8,142	12,262
Increase in liabilities:				
Accounts payable	689	-	689	900
Assessments received in advance	<u>1,274</u>	<u>-</u>	<u>1,274</u>	<u>(66,070)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	61,141	(24,959)	36,182	(75,774)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>205,446</u>	<u>83,773</u>	<u>289,219</u>	<u>364,993</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ <u><u>266,587</u></u>	\$ <u><u>58,814</u></u>	\$ <u><u>325,401</u></u>	\$ <u><u>289,219</u></u>

See accompanying notes and independent accountant's review report.

**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**  
**Notes to Financial Statements**  
**April 30, 2019 and 2018**

**Note 1 - Nature of Organization**

Oregon Water Wonderland Property Owners Association, Unit II, Inc. was organized on August 20, 1969 under the provisions of the 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 1,047 lots 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**

In accordance with industry standards and practices, the Association has segregated its activities into 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 annual 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 may impose interest of 9% per annum for annual assessments not paid in full by May 31<sup>st</sup> of each year, and the Association may also retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

**Allowance for Doubtful Accounts**

The Association's collection attorney previously advised the Association that an estimated 25% of delinquent accounts receivable balances were likely not to be collected. The Association has approved an allowance for doubtful accounts as of April 30, 2019 and April 30, 2018 based on this method of estimation.

**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 estimated useful life of the asset.



**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**  
**Notes to Financial Statements – Continued**  
**April 30, 2019 and 2018**

**Note 3 - Income Taxes**

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the years ended April 30, 2019 and 2018, 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**

Property acquired by the original homeowners from the developer and related improvements to such property are capitalized on the Association's financial statements at fair market value at the date of acquisition. Additions or improvements to these assets are capitalized at cost. Common areas are restricted to use by Association members, their tenants, and guests. Beginning in June 2016, the Association's policy is to expense personal property acquisitions of \$2,500 or less. Previously, the board of directors agreed to no longer capitalize any improvements to roads. 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.

As of April 30, 2019 and 2018, capitalized property and equipment consisted of the following:

	2019	2018
Roads	\$ 1,094,750	\$ 1,094,750
Mailboxes	73,964	73,964
Buildings	17,108	17,108
Land	4,000	4,000
Equipment	2,387	2,387
Total property and equipment	1,192,209	1,192,209
Less: Accumulated depreciation	1,159,504	1,143,604
Net property and equipment	\$ 32,705	\$ 48,605

**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 \$58,814 and \$83,773 at April 30, 2019 and 2018, respectively, are generally not available for operating purposes.

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 6 - Other Income**

For the years ended April 30, 2019 and April 30, 2018, other income included amounts charged to owners for fines, finance penalties on delinquent assessments and lien recording fees.

**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**  
**Notes to Financial Statements – Continued**  
**April 30, 2019 and 2018**

**Note 7 - Prior Year Summarized Comparative Information**

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended April 30, 2018, from which the summarized information was derived.

**Note 8 - Date of Board of Directors' Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 20, 2019, the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**  
**Schedule of Operating Fund Revenues and Expenses - Budget and Actual**  
**For the Year Ended April 30, 2019**

	Actual	Budget (compiled)	Variance - Favorable (Unfavorable) (compiled)
<b>REVENUES</b>			
Regular assessments	\$ 141,083	\$ 141,083	\$ -
Other income	17,459	-	17,459
Total revenues	<u>158,542</u>	<u>141,083</u>	<u>17,459</u>
<b>EXPENSES</b>			
Common area maintenance			
Bridge maintenance	-	3,000	3,000
Building maintenance	-	1,000	1,000
Ditches and culverts	2,132	3,500	1,368
Mailbox maintenance	1,675	5,000	3,325
Marina maintenance	2,745	5,000	2,255
Road maintenance	1,777	-	(1,777)
Snow removal	14,443	30,000	15,557
Total common area maintenance	<u>22,772</u>	<u>47,500</u>	<u>24,728</u>
Administration and services			
Accounting fees	3,288	5,500	2,212
Annual meeting costs	870	1,500	630
Bad debt	21,966	-	(21,966)
Collection cost expenses	7,831	3,500	(4,331)
Contingency	-	2,868	2,868
Depreciation	15,900	-	(15,900)
Dues & subscriptions	-	120	120
Insurance	8,102	7,500	(602)
Legal fees	-	4,000	4,000
Licenses, permits and fees	50	-	(50)
Management fees	36,000	36,000	-
Office expense	4,128	6,520	2,392
Rewrite bylaws	-	3,500	3,500
Taxes-State	-	150	150
Property taxes	209	250	41
Utilities	2,290	1,925	(365)
Website	-	250	250
Total administration and services expenses	<u>100,634</u>	<u>73,583</u>	<u>(27,051)</u>
Total expenses	<u>123,406</u>	<u>121,083</u>	<u>(2,323)</u>
Excess of revenues over expenses	<u>\$ 35,136</u>	<u>\$ 20,000</u>	<u>\$ 15,136</u>

See Independent Accountant's Review Report

**Oregon Water Wonderland Property Owners Association, Unit II, Inc.**  
**Schedule of Replacement Fund Revenues and Expenses - Budget and Actual**  
**For the Year Ended April 30, 2019**

	<u>Actual</u>	<u>Budget (compiled)</u>	Variance - Favorable (Unfavorable) (compiled)
<b>REVENUES</b>			
Regular assessments	\$ 146,842	\$ 146,842	\$ -
Interest	<u>96</u>	<u>-</u>	<u>96</u>
Total revenues	<u>146,938</u>	<u>146,842</u>	<u>96</u>
<b>EXPENSES</b>			
Major repairs and replacements			
Asphalt overlay	<u>171,897</u>	<u>160,000</u>	<u>(11,897)</u>
Excess of expenses over revenues	<u>\$ (24,959)</u>	<u>\$ (13,158)</u>	<u>\$ (11,801)</u>