

**BLUFF COUNTRY VILLAGE  
TOWNHOMES ASSOCIATION**

FINANCIAL STATEMENTS

Year Ended December 31, 2019

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**Darian Klein, Ltd**

**A CERTIFIED PUBLIC ACCOUNTING FIRM**

Independent Accountant's Review Report

To the Board of Directors

**Bluff Country Village Townhomes Association**

Eden Prairie, Minnesota

We have reviewed the accompanying financial statements of Bluff Country Village Townhomes Association, which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses and changes in members' equity, 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**

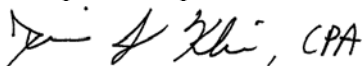
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting 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.

**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 page 10 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. The information is the representation of management. 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, we do not express an opinion, a conclusion, nor provide any assurance on it.

 Darian Klein, CPA

Excelsior, MN  
April 13, 2020

# BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION

## BALANCE SHEET

December 31, 2019

	Operating Fund	Replacement Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 54,383	\$ 545,986	\$ 600,369
Assessments receivable, less allowance for doubtful accounts of \$3,000	4,789	-	4,789
Prepaid expense	6,909	-	6,909
	<u>66,081</u>	<u>545,986</u>	<u>612,067</u>
Total current assets	<u>\$ 66,081</u>	<u>\$ 545,986</u>	<u>\$ 612,067</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 444	\$ -	\$ 444
Prepaid owner assessments	1,741	-	1,741
	<u>2,185</u>	<u>-</u>	<u>2,185</u>
Total current liabilities	<u>2,185</u>	<u>-</u>	<u>2,185</u>
<b>MEMBERS' EQUITY</b>			
Undesignated	63,896	-	63,896
Designated for replacements	-	545,986	545,986
	<u>63,896</u>	<u>545,986</u>	<u>609,882</u>
	<u>\$ 66,081</u>	<u>\$ 545,986</u>	<u>\$ 612,067</u>

The accountant's review report and accompanying  
notes are integral to these financial statements

**BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY**  
For the year ended December 31, 2019

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Member assessments	\$ 108,803	\$ 46,597	\$ 155,400
Other revenue	790	-	790
Interest income	-	3,615	3,615
	109,593	50,212	159,805
<b>EXPENSES</b>			
Accounting fees	1,705	-	1,705
Administrative expense	1,500	-	1,500
Insurance premiums	27,494	-	27,494
Legal and collection services	615	-	615
Management fees	8,010	-	8,010
Master association assessments	51,948	-	51,948
Repairs and maintenance	4,900	-	4,900
Trash and recycling service	6,927	-	6,927
	103,099	-	103,099
<b>REVENUES IN EXCESS OF EXPENSES</b>	6,494	50,212	56,706
<b>MEMBERS' EQUITY</b>			
<b>UNDESIGNATED AND DESIGNATED</b>			
At beginning of year	57,402	495,774	553,176
At end of year	\$ 63,896	\$ 545,986	\$ 609,882

The accountant's review report and accompanying  
notes are integral to these financial statements

**BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION**

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Member assessments and other revenue received	\$ 109,185	\$ 46,597	\$ 155,782
Payments to vendors	(104,815)	-	(104,815)
Interest received	-	3,615	3,615
	<u>4,370</u>	<u>50,212</u>	<u>54,582</u>
Net cash flows from operating activities	4,370	50,212	54,582
<b>NET INCREASE IN CASH</b>	4,370	50,212	54,582
<b>CASH AND CASH EQUIVALENTS</b>			
At beginning of year	<u>50,013</u>	<u>495,774</u>	<u>545,787</u>
At end of year	<u><u>\$ 54,383</u></u>	<u><u>\$ 545,986</u></u>	<u><u>\$ 600,369</u></u>

The accountant's review report and accompanying notes are integral to these financial statements

# BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>RECONCILIATION OF REVENUES IN EXCESS OF EXPENSES TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Revenues in excess of expenses	<u>\$ 6,494</u>	<u>\$ 50,212</u>	<u>\$ 56,706</u>
Adjustments to reconcile revenues in excess of expenses to net cash flows from operating activities			
Change in current assets and liabilities			
Assessments receivable	(28)	-	(28)
Prepaid expense	922	-	922
Accounts payable	(2,638)	-	(2,638)
Prepaid owner assessments	<u>(380)</u>	<u>-</u>	<u>(380)</u>
Total adjustments	<u>(2,124)</u>	<u>-</u>	<u>(2,124)</u>
Net cash flows from operating activities	<u><u>\$ 4,370</u></u>	<u><u>\$ 50,212</u></u>	<u><u>\$ 54,582</u></u>

The accountant's review report and accompanying  
notes are integral to these financial statements

# BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Formation and Nature of Association

Bluff Country Village Townhomes Association was incorporated in 2001 and consists of 10 townhome style buildings containing 37 residential units located in Eden Prairie, Minnesota. The Association provides general insurance, general repairs and maintenance, and replacement of common area facilities, as well as certain repairs and maintenance to the buildings for the Bluff Country Village Townhomes homeowners/members. The Association shares common area with another association and pays assessments to Bluff Country Village Master Association for maintenance and replacement of common area facilities.

#### Cash and Cash Equivalents

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

#### Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities and state statutes prohibit borrowing from the Replacement Fund. 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:

The Operating Fund is used to account for financial resources available for the general operations of the Association.

The Replacement 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 members are also subject to assessments from Bluff Country Village Master Association for common area operating expenses, future capital acquisitions and major repairs and replacements.

Assessments receivable at the balance sheet date represent assessments and fees due from unit owners. The Association's policy is to send written collection letters, retain legal counsel or collection agency, and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in succeeding years.



# BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Member Assessments (Continued)

The carrying amount of assessments receivable is reduced by the valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable that exceed thirty days from invoice date or have been turned over to legal counsel or collection agency. Based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. This estimate is based on economic conditions and past experience with write-offs as a whole. Management will write off any balance that remains after it has exhausted all reasonable collection efforts and concludes that additional collection efforts are not cost-justified.

#### Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. The Association's policy is to capitalize common real property not directly associated with the units if either the Association can dispose of the property for cash with the Association retaining the proceeds or the property is used by the Association to generate significant cash flows from members on the basis of usage or from nonmembers. At December 31, 2019, the Association has not capitalized any property or equipment.

#### Future Major Repairs and Replacements

The Association's governing documents require the Association to accumulate a replacement fund for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes.

The Association engaged an independent firm who conducted a reserve study update with site visit on June 30, 2016 to estimate the remaining useful lives of certain components of common property and current costs of major repairs and replacements that may be required in the next thirty years. This study was conducted by Building Reserves, Inc. (BRI) who inspected the properties. BRI has recommended a thirty year cash flow method using adequate, but not excessive contributions to fund these needs based on monthly reserve contributions increased annually, an assumed rate of inflation of 2.9% and an assumed interest earned on invested reserves of 0.2%.

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. Actual costs and expenditures may vary from those estimates and the variations may be material. As replacement funds are needed to meet future costs for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments subject to owner approval or delay major repairs and replacements until funds are available.

# BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Date of Management's Review

Accounting Standards Codification (ASC) Topic 855, *Subsequent Events*, requires disclosure of the date through which subsequent events have been evaluated, as well whether the date is the date the financial statements were issued or the date of the financial statements were available to be issued. The Association has evaluated subsequent events through April 13, 2020, the date the financial statements were available to be issued.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

### CASH

Cash was comprised of the following general account types:

Regular demand account	\$ 54,383
Money market accounts	<u>545,986</u>
	<u>\$ 600,369</u>

### INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2019, the Association has elected to be taxed in accordance with IR Code Section 528 to file Form 1120-H and be taxed as a homeowners' association. Only net revenues from non-member activities, primarily interest income, are taxed at statutory rates.

The Association files income tax returns in the U.S. federal jurisdiction and in the State of Minnesota. With few exceptions, the Association is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before December 31, 2016.

# BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### INCOME TAXES (Continued)

Under the provisions of ASC Topic 740-10-50, *Income Taxes*, relating to unrecognized tax benefits, the Association has not incurred a tax liability for uncertain tax positions. The Association believes its income tax filing positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations or cash flow.

The Association recognizes interest accrued related to unrecognized tax benefits and penalties pertaining to income tax related issues, if any, as an income tax expense. During the year ended December 31, 2019, the Association did not recognize any penalties or interest.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BLUFF COUNTRY VILLAGE TOWNHOMES ASSOCIATION**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
 December 31, 2019

The Board of Directors had BRI conduct a study in 2016 to estimate the useful lives and the replacement costs of the components of common property. See Future Major Repairs and Replacements note. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date. The Board of Directors has not designated Replacement Funds to specific reserve components.

The following information is based on the study and presents significant information about the components of common property.

Reserve Inventory		Replacement Quantities			Replacement Costs		
Line Item	Reserve Component Listed by Property Class	Units	Per Phase	Total for 30-Years	Unit Cost	Current Cost Per Phase	Total Future Cost
EXTERNAL BUILDING COMPONENTS							
1	Chimney Caps, Metal	Each	37	37	\$440.00	\$16,280	\$21,667
2	Gutters and Downspouts, Aluminum	Linear Feet	3,300	6,600	\$9.00	\$29,700	\$94,957
3	Light Fixtures, Exterior	Each	102	204	\$150.00	\$15,300	\$56,434
4	Roofs, Asphalt Shingles	Squares	830	1,660	\$310.00	\$257,300	\$822,640
5	Shutters, Vinyl	Pairs	74	74	\$110.00	\$8,140	\$10,834
6	Soffits and Fascia, Aluminum	Square Feet	12,600	12,600	\$8.50	\$107,100	\$252,494
7	Walls, Masonry, Inspection and Partial Repointing	Square Feet	7,500	22,500	\$1.00	\$7,500	\$34,374
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes	Allowance	1	10	\$6,250.00	\$6,250	\$97,499
9	Walls, Vinyl Siding	Square Feet	86,200	86,200	\$5.00	\$431,000	\$880,768
OTHER COMPONENTS							
10	Reserve Study Update	Each	1	1	\$2,600.00	\$2,600	\$2,833

Reserve Inventory		Life Analysis and Condition Assessment				
Line Item	Reserve Component Listed by Property Class	Useful life	Remaining Useful Life	Estimated 1st Year of Replacement	Estimated Current Age	Current Condition
EXTERNAL BUILDING COMPONENTS						
1	Chimney Caps, Metal	to 25	10	2026	15	Good
2	Gutters and Downspouts, Aluminum	20 to 25	5	2021	15	Good
3	Light Fixtures, Exterior	15 to 20	10	2026	15	Fair
4	Roofs, Asphalt Shingles	15 to 20	5	2021	15	Good
5	Shutters, Vinyl	20 to 25	10	2026	15	Good
6	Soffits and Fascia, Aluminum	40 to 45	30	2046	15	Good
7	Walls, Masonry, Inspection and Partial Repointing	8 to 12	3	2019	15	Good
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes	to 3	1	2017	15	Good
9	Walls, Vinyl Siding	to 40	25	2041	15	Good
OTHER COMPONENTS						
10	Reserve Study Update	to 3	3	2019	N/A	

The accountant's review report and accompanying notes are integral to these financial statements