

***BLUE PACIFIC MOBILE HOME OWNERS'
ASSOCIATION***

A California Nonprofit Mutual Benefit Corporation

FHA PROJECT NO. 121-00410

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

June 30, 2022 and 2021

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
FINANCIAL STATEMENTS
June 30, 2022 and 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Balance Sheets	6
Statements of Activities	7
Statements of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information	
Supplementary Information Required by HUD	18
Schedule of Expenditures of Federal Awards	25
Future Major Repairs and Replacements (Unaudited)	26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	27
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance	29
Schedule of Findings and Questioned Costs	32
Certifications of Officers and Management Agent	33
Auditor's Transmittal Letter	34



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blue Pacific Mobile Home Owners' Association

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Blue Pacific Mobile Home Owners' Association, HUD Project No. 121-00410, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Blue Pacific Mobile Home Owners' Association as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Blue Pacific Mobile Home Owners' 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Pacific Mobile Home Owners' Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards and *Government Auditing Standards* 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 generally accepted auditing standards and *Government Auditing Standards*, 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 Blue Pacific Mobile Home Owners' 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 Blue Pacific Mobile Home Owners' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis as required by the Uniform Financial Reporting Standards issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Future Major Repairs and Replacements on page 26 be presented to supplement the basic of financial statement. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standard Board, which considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2022 on our consideration of Blue Pacific Mobile Home Owners' Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blue Pacific Mobile Home Owners' Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Spiteri Narasky Daley LLP".

Lafayette, California
August 15, 2022

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
BALANCE SHEETS
June 30, 2022 and 2021

	2022	2021
ASSETS		
Property and equipment		
Land	\$ 4,577,961	\$ 4,577,961
Buildings and improvements	1,491,983	1,341,583
Total property and equipment	6,069,944	5,919,544
Less accumulated depreciation	(543,027)	(469,063)
Net property and equipment	5,526,917	5,450,481
 Cash, cash equivalents, and restricted deposits		
Cash - operating	326,763	396,624
Cash - entity	309,197	308,211
Restricted deposits		
Escrow impound deposits	94,817	92,328
Reserve for replacements	246,771	241,576
Debt service reserves	161,551	161,551
Total cash, cash equivalents, and restricted deposits	1,139,099	1,200,290
 Other assets		
Member assessments receivable	2,512	5,624
Prepaid expenses	6,480	5,915
Member note receivable	7,522	8,481
Total other assets	16,514	20,020
Total assets	\$ 6,682,530	\$ 6,670,791
 LIABILITIES AND NET ASSETS		
Note payable, net	\$ 4,723,818	\$ 4,832,504
 Other liabilities		
Accounts payable	56,938	51,453
Accrued wages and vacation	1,768	1,136
Landscape deposits payable	4,500	4,500
Total liabilities	4,787,024	4,889,593
 Net assets	1,895,506	1,781,198
Total liabilities and net assets	\$ 6,682,530	\$ 6,670,791

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

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022	2021
REVENUE		
Assessments		
Member assessments - general	\$ 622,185	\$ 620,526
Member assessments - utility service billings	160,867	171,231
Rental income	45,257	44,978
Total assessments	828,309	836,735
Laundry	4,123	2,789
Tenant charges	750	405
Other revenue	12,969	-
Interest income		
Note receivable interest	241	65
Operations	52	78
Reserves	195	238
	846,639	840,310
EXPENSES		
Program services	683,013	766,463
Management and general	49,318	49,253
Total operating expenses	732,331	815,716
Change in net assets from operations	114,308	24,594
Change in net assets	114,308	24,594
Proceeds from sale of membership	-	79,500
Net assets - beginning of year	1,781,198	1,677,104
Net assets - end of year	\$ 1,895,506	\$ 1,781,198

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

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2022 and 2021

	2022		
	Program Services	Management and General	Total
Administrative expenses	\$ 62,918	\$ 48,118	\$ 111,036
Utilities	101,806	-	101,806
Operating and maintenance	124,479	-	124,479
Taxes and insurance	117,554	-	117,554
Interest expense	168,189	-	168,189
Other financial expenses	34,103	-	34,103
Entity expenses	-	1,200	1,200
Depreciation	73,964	-	73,964
	\$ 683,013	\$ 49,318	\$ 732,331

	2021		
	Program Services	Management and General	Total
Administrative expenses	\$ 95,879	\$ 43,614	\$ 139,493
Utilities	98,901	-	98,901
Operating and maintenance	162,585	-	162,585
Taxes and insurance	118,202	-	118,202
Interest expense	193,293	-	193,293
Other financial expenses	29,906	-	29,906
Entity expenses	-	5,639	5,639
Depreciation	67,697	-	67,697
	\$ 766,463	\$ 49,253	\$ 815,716

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

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue		
Member assessments	\$ 831,421	\$ 837,116
Interest income	488	381
Laundry and other income	17,842	3,194
Total revenue	849,751	840,691
Expenses		
Administrative expenses	77,069	113,020
Management fee	33,900	27,000
Utilities	111,657	88,882
Maintenance and operating	124,479	162,585
Real estate taxes	76,134	77,116
Property insurance	11,450	17,549
Other taxes and insurance	14,634	19,206
Interest expense - note payable	163,517	188,930
Mortgage insurance premium	34,103	29,906
Entity expenses	241	5,629
Total expenses	647,184	729,823
Net cash provided by operating activities	202,567	110,868
CASH FLOWS FROM INVESTING ACTIVITIES		
Note receivable principal payments made	-	(8,716)
Note receivable principal payments received	-	235
Additions to property	(150,400)	-
Net cash used by investing activities	(150,400)	(8,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of membership	-	79,500
Debt issuance costs	(15,826)	-
Principal payments - note payable	(97,532)	(86,798)
Net cash used by financing activities	(113,358)	(7,298)
Increase (decrease) in cash, cash equivalents, and restricted deposits	(61,191)	95,089
Cash, cash equivalents, and restricted deposits - beginning of year	1,200,290	1,105,201
Cash, cash equivalents, and restricted deposits - end of year	\$ 1,139,099	\$ 1,200,290

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

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

Blue Pacific Mobile Home Owners' Association, a California nonprofit mutual benefit corporation (Association), was organized to develop, own and operate a 100 space mobile home park located on 9.97 acres in Aptos, California (Project). The Project is regulated under terms of a regulatory agreement with the U.S. Department of Housing and Urban Development (HUD) under Section 207 pursuant to Section 223(f) of the National Housing Act.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

1. Cash, Cash Equivalents, and Concentrations of Credit Risk

Cash is defined as cash on hand and demand deposits with banks. All short-term debt securities purchased with a maturity of three months or less are considered to be cash equivalents. The Association occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The Association has not experienced any losses in such accounts and believes that it is not exposed to any significant risk of loss.

2. Property and Equipment

Property and equipment is stated at cost of acquisition. Renewals and improvements are capitalized. The cost of maintenance and repairs is charged to operations when incurred. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method as follows:

Building and improvements	10 to 40 years
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The Association reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in the years ending June 30, 2022 and 2021.

3. Member Assessments Receivable and Revenue Recognition

Association members are subject to annual assessments that are due monthly to provide funds for the Association's payment of the mortgage obligation, improvements, operating expenses, and to contribute to reserves. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligation related to its operating assessment is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to special assessments are satisfied when the funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association's by-laws allow the Association to place liens on the properties of members whose assessments are 30 days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)

3. Member Assessments Receivable and Revenue Recognition (Continued)

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. It is the opinion of the board of directors that the Association will ultimately collect outstanding member assessments receivable and, accordingly, no allowance for uncollectible accounts is deemed necessary as of June 30, 2022 and 2021.

4. Debt Issuance Costs

Debt issuance costs are amortized over the term of the note payable using the straight-line method. GAAP requires that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the note payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

5. Net Assets Without Donor Restrictions

None of the Association's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

6. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. It is not practicable for management to estimate the fair value of accounts receivable and notes payable because of the nature of such instruments and because there is no readily available market information for financial instruments with similar terms.

7. Risks and Uncertainties

The Association is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the Project is located or by changes in federal, state and/or local low-income housing subsidies or the demand for such housing.

8. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

9. Member Certificates

Member certificates are issued by the Association once a member has entered into a proscribed occupancy agreement with the Association and payment of assessments has commenced. Initial member certificates were purchased by members at values determined by the Association. The value received by the Association for the sale of the initial member certificates has been recorded as a component of net assets. Transfers of member certificates are allowed based on criteria set forth in the Association's by-laws. The Association holds 7 member certificates with each having an offering price of \$79,500.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)

10. Advertising Costs

Advertising costs are charged to operations when incurred.

11. Income Taxes

The Corporation believes that it does not have any uncertain tax positions that are material to the financial statements. The federal and state tax returns for the years ending June 30, 2021, 2020, 2019 and 2018 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for the federal and state returns, respectively.

12. Functional Allocation of Expenses

The costs of providing the programs services has been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expense by nature and function. Program services include all expenses relating to providing housing. Supportive services such as the management fee, management consultants, training, auditing, bookkeeping and accounting are allocated to management and general.

13. Date of Management's Evaluation and Subsequent Events

Management has evaluated subsequent events through August 15, 2022, which is the date the financial statements were available to be issued.

14. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). This ASU increases transparency and comparability by recognizing a lessee's rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. This ASU will be effective for the Association for the year ending June 30, 2023. The Partnership is currently evaluating the impact of this ASU.

15. Previously Adopted Accounting Standards

On July 1 2020, the Association adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* (Topic 958) that affects the accounting for revenue. The Association mainly derives revenues from leases. Adopting these standards did not have a significant impact on the financial statements. The new revenue standard also introduced new guidance for accounting other income, including the sales of real estate. Adopting this standard did not have a significant impact on the financial statements.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE B – RESTRICTED DEPOSITS

Escrow Impound Deposits

The Association is required make monthly deposits with the debt servicer in an amount equal to annual property tax, property insurance, and mortgage insurance expenses.

Replacement Reserve

In accordance with the provisions of the HUD Regulatory Agreement, a reserve for replacements has been established to be used for replacement of property. Deposits are to be funded on a monthly basis. All releases require the prior approval of HUD.

Debt Service Reserve

In accordance with the provisions of the loan agreement, a debt service reserve has been established to be used for the purpose of debt service relief. All releases require the prior approval of HUD.

NOTE C – MEMBER NOTE RECEIVABLE

As of June 30, 2022 and 2021, one member has entered into note receivable agreement with the Association for the purchase of their initial member certificate. The note receivable agreement is for a term of 10 years and six months, maturing in August 2031, and bears interest at a rate of 3% per annum. The note receivable is secured by the member certificate held by the borrower and is due in full in the event of sale the member certificate. The note receivable agreement is secured by the members' certificate and interest in their mobile home. As of June 30, 2022 and 2021, member notes receivable including interest totaled \$7,522.

NOTE D – MANAGEMENT FEE

The Project is managed by Evans Management Services. HUD has approved a management fee in the amount of 4.35% of collections effective December 13, 2016 with a month-to-month term and the option to self-renew. Management fees paid during the years ended June 30, 2022 and 2021 totaled \$33,900 and \$27,000, respectively.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE E – NOTE PAYABLE

	2022	2021
Note payable to Red Mortgage Capital, LLC (Lender) serviced by Orix Real Estate Capital, LLC dba Lument Capital (Loan Servicer) in the original amount of \$5,650,000 is due in monthly installments of \$20,880, based upon a 40 year amortization of the loan including interest at 3%. The loan is secured by a deed of trust on the Project and is due in full in the year 2051.		
Total note payable	\$ 4,866,600	\$ 4,964,132
Less: Unamortized debt issuance costs	(142,782)	(131,628)
Note payable, net	\$ 4,723,818	\$ 4,832,504

Principal payments due for each of the next five years, ending June 30 are estimated as follows:

2023 - \$ 105,749	2026 - \$ 115,695
2024 - \$ 108,966	2027 - \$ 119,214
2025 - \$ 112,280	

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As regulated by the Association's by-laws and regulatory agreement with HUD, financial assets of the Association are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either surplus cash or a deficit in surplus cash. Generally, any surplus cash generated must be disbursed as permitted under the regulatory agreement.

As of June 30, 2022 and 2021, the Association has financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of the following:

	2022	2021
Cash and cash equivalents	\$ 1,139,099	\$ 1,200,290
Less restricted deposits	(503,139)	(495,455)
Member assessment receivable	2,512	5,624
Total financial assets available	\$ 638,472	\$ 710,459

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE G – SUPPLEMENTAL PROPERTY TAX LIABILITY

The Association has cash from members to fund the potential liability from the assessment of additional property tax on new homes put in place by the members or due to supplemental assessments from the transfer of ownership. The new units are taxed by the county as real property and will assess a tax for the increase in value of the units. The county has determined a method for this assessment and has issued supplemental tax bills which assesses the determined increase in land value of new units to the Association.

The Association is required to collect this increase from the members that are impacted and will use those proceeds to pay the increased assessment.

The increase in the tax is billed to the impacted Members along with their monthly dues. As units turn over, the Association collects an estimate of the increase in taxes and holds the funds in reserve until the new owners receive the supplemental tax bill. At that time the reserve is used to pay the supplemental tax and the member then will be billed monthly for the increase in tax determined by the county. As of June 30, 2022 and 2021, the Association has accrued \$54,069 and \$38,733, respectively, as property tax liability.

NOTE H – VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Association's principal asset consists of a 100-space mobile home park in Aptos, California. The Association's operations are concentrated in the mobile home real estate market. In addition, the Association operates in a heavily regulated environment. The operations of the Association are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, the state of California and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the state of California or HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE I – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents allow for Association, in any calendar year, to levy a special assessment applicable to that year only for the purpose of defraying, in whole or in part the cost any construction, reconstruction, unexpected repairs or replacement of capital improvements belonging to the Association.

The Association has not established a separate special assessment fund to accumulate for future major repairs and replacements. The HUD regulatory agreement required the Association to establish a reserve for replacement account to be held by the Loan Servicer and controlled by HUD for future repairs. The Association funds the reserve from general assessments received from members and does not consider this a special assessment reserve.

The Association's by-laws do not require the Association to engage an independent engineer to estimate the remaining useful lives and replacement costs of the common property components.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE J – CONTINGENCIES

COVID-19

In March 2020, the World Health Organization designated COVID-19 as a pandemic. While the Partnership has taken various actions in response to the COVID-19 pandemic, the ultimate impact on its results of operations, cash flows, financial condition and liquidity will depend on (i) the duration and severity of the pandemic; (ii) the duration and nature of governmental responses to contain the spread of the disease and assist consumers and businesses; (iii) consumer and business responses to the pandemic, including preference for where and how to live and work; and (iv) how quickly and to what extent normal economic and operating conditions can resume.

Due to the rapid development and fluidity of the pandemic, the Partnership is not able to estimate the expected impact of the COVID-19 pandemic on its future results of operations, cash flows, financial condition, or liquidity. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on operations and has proactively taken steps to minimize the impact on their financial position.

SUPPLEMENTARY INFORMATION

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2022

BALANCE SHEET DATA REQUIRED BY HUD

		<u>2022</u>	<u>2021</u>
ASSETS			
Current assets			
1120	Cash - operating	\$ 326,763	\$ 396,624
1125	Cash - entity	309,197	308,211
1130	Member accounts receivable	2,512	5,624
1200	Prepaid expenses	6,480	5,915
1100T	Total current assets	<u>644,952</u>	<u>716,374</u>
Restricted deposits			
1310	Escrow impound deposits	94,817	92,328
1320	Reserve for replacements	246,771	241,576
1330	Debt service reserve	161,551	161,551
1300T	Total restricted deposits	<u>503,139</u>	<u>495,455</u>
Property and equipment			
1410	Land	4,577,961	4,577,961
1420	Buildings and improvements	1,491,983	1,341,583
1400T	Total property and equipment	<u>6,069,944</u>	<u>5,919,544</u>
1495	Less accumulated depreciation	<u>(543,027)</u>	<u>(469,063)</u>
1400N	Net property and equipment	<u>5,526,917</u>	<u>5,450,481</u>
Other assets			
1590	Member note receivable	7,522	8,481
1500T	Total other assets	<u>7,522</u>	<u>8,481</u>
1000T	Total assets	<u>\$ 6,682,530</u>	<u>\$ 6,670,791</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
2110	Accounts payable	\$ 2,869	\$ 12,720
2120	Accrued wages and vacation	1,768	1,136
2150	Accrued property taxes	54,069	38,733
2170	Note payable, current portion	105,749	90,128
2190	Landscape deposits payable	4,500	4,500
2122T	Total current liabilities	<u>168,955</u>	<u>147,217</u>
Long-term liabilities			
2320	Note payable, net of current portion	4,760,851	4,874,004
2340	Debt issuance costs	(142,782)	(131,628)
2300T	Total long-term liabilities	<u>4,618,069</u>	<u>4,742,376</u>
2000T	Total liabilities	<u>4,787,024</u>	<u>4,889,593</u>
Net assets			
3131	Unrestricted net assets	1,895,506	1,781,198
3130	Total net assets	<u>1,895,506</u>	<u>1,781,198</u>
2033T	Total liabilities and net assets	<u>\$ 6,682,530</u>	<u>\$ 6,670,791</u>

See Independent Auditor's Report

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2022

STATEMENT OF ACTIVITIES DATA REQUIRED BY HUD

		<u>2022</u>	<u>2021</u>
Revenue			
	Rental revenue		
5120	Rent revenue - gross potential	\$ 667,442	\$ 665,504
5190	Utilities service billings	160,867	171,231
5100T	Total rental revenue	<u>828,309</u>	<u>836,735</u>
5152N	Net rental income	<u>828,309</u>	<u>836,735</u>
	Financial revenue		
5410	Interest income - operations	293	143
5440	Interest income - replacement reserve	195	238
5400T	Total financial revenue	<u>488</u>	<u>381</u>
	Other income		
5910	Laundry	4,123	2,789
5920	Tenant charges	750	405
5900T	Total other income	<u>4,873</u>	<u>3,194</u>
5000T	Total revenue	<u>833,670</u>	<u>840,310</u>
Expenses			
	Administrative expenses		
6250	Other renting expense	580	352
6311	Office expenses	9,156	9,044
6320	Management fee	33,900	27,000
6330	Manager's salary	44,486	80,284
6340	Legal expense	6,984	3,250
6350	Audit expense	14,218	16,614
6351	Accounting expense	1,712	2,949
6263T	Total administrative expenses	<u>111,036</u>	<u>139,493</u>
	Utilities		
6451	Water	32,140	33,010
6452	Gas	4,086	3,071
6453	Sewer	65,580	62,820
6400T	Total utilities	<u>101,806</u>	<u>98,901</u>

See Independent Auditor's Report

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2022

STATEMENT OF ACTIVITIES DATA REQUIRED BY HUD (Continued)

		<u>2022</u>	<u>2021</u>
	Operating and maintenance		
6515	Repairs materials	\$ 1,222	\$ 48
6520	Repairs contract	57,117	95,288
6525	Trash removal	37,823	39,767
6520	Grounds contract	25,965	25,242
6530	Security contract	2,352	2,240
		<u>124,479</u>	<u>162,585</u>
6500T	Total operating and maintenance		
	Taxes and insurance		
6710	Property taxes	91,470	81,447
6711	Payroll taxes	4,260	7,031
6720	Property and comprehensive insurance	11,450	17,549
6721	Fidelity bond insurance	343	379
6722	Workmen's compensation	4,931	6,896
6790	Miscellaneous taxes and licenses	5,100	4,900
		<u>117,554</u>	<u>118,202</u>
6700T	Total taxes and insurance		
	Financial expenses		
6820	Interest expense - note payable	163,517	188,930
6820	Interest expense - debt issuance costs	4,672	4,363
6850	Mortgage insurance premium	34,103	29,906
		<u>202,292</u>	<u>223,199</u>
6800T	Total financial expenses		
6000T	Total operating expenses before other expenses	<u>657,167</u>	<u>742,380</u>
5060T	Change in net assets before other expenses	176,503	97,930
6600	Less : Depreciation	73,964	67,697
		<u>102,539</u>	<u>30,233</u>
5060N	Change in net assets before entity expenses		
	Entity expenses		
7105	Other revenue - corporate entity	12,969	-
7190	Less: Board expenses	(1,200)	(5,639)
		<u>11,769</u>	<u>(5,639)</u>
7100T	Total entity revenue (expenses)		
3250	Change in net assets	<u>\$ 114,308</u>	<u>\$ 24,594</u>

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2022**

STATEMENT OF ACTIVITIES DATA, PART II

Total principal payments required under the mortgage, even if payments under a S1000-010 Workout Agreement are more or less than those required under the mortgage	\$ 97,532
Replacement reserve deposits required, even if payments may be temporarily S1000-020 suspended or waived	\$ 5,000
Replacement reserve or residual receipts releases which are included as expense S1000-030 items on the Statement of Activities	\$ -

EQUITY DATA REQUIRED BY HUD

	<u>2022</u>	<u>2021</u>
S1100-060 Previous Year Net Assets Without Donor Restrictions	\$ 1,781,198	\$ 1,677,104
S1100-065 Proceeds from sale of membership	-	79,500
3247 Change in Net Assets Without Donor Restrictions	<u>114,308</u>	<u>24,594</u>
3131 Net Assets Without Donor Restrictions	<u>\$ 1,895,506</u>	<u>\$ 1,781,198</u>
S1100-050 Previous Year Total Net Assets	\$ 1,781,198	\$ 1,677,104
S1100-055 Proceeds from sale of membership	-	79,500
3250 Change in Total Net Assets from Operations	<u>114,308</u>	<u>24,594</u>
3130 Total Net Assets	<u>\$ 1,895,506</u>	<u>\$ 1,781,198</u>

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2022

STATEMENT OF CASH FLOWS DATA REQUIRED BY HUD

		<u>2021</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
	Revenue		
S1200-010	Rental income	\$ 831,421	\$ 837,116
S1200-020	Interest income	488	381
S1200-030	Laundry and other income	4,873	3,194
S1200-040	Total revenue	<u>836,782</u>	<u>840,691</u>
	Expenses		
S1200-050	Administrative expenses	77,069	113,020
S1200-070	Management fee	33,900	27,000
S1200-090	Utilities	102,047	98,492
S1200-110	Maintenance and operating	134,089	152,975
S1200-120	Real estate taxes	76,134	77,116
S1200-140	Property insurance	11,450	17,549
S1200-150	Other taxes and insurance	14,634	19,206
S1200-180	Interest expense - note payable	163,517	188,930
S1200-210	Mortgage insurance premium	34,103	29,906
S1200-225	Entity expenses	241	5,629
S1200-230	Total expenses	<u>647,184</u>	<u>729,823</u>
S1200-240	Net cash provided by operating activities	<u>189,598</u>	<u>110,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
S1200-330	Additions to property	(150,400)	-
	Disbursements from (additions to):		
S1200-245	Escrow impound deposits, net	(2,489)	(5,744)
S1200-250	Reserve for replacements, net	(5,195)	(5,238)
S1200-345	Entity investing activities	-	(8,481)
	Net cash used by investing activities	<u>(158,084)</u>	<u>(19,463)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
S1200-360	Principal payments - note payable	(97,532)	(86,798)
S1200-455	Entity financing activity	(2,857)	79,500
S1200-460	Net cash used by financing activities	<u>(100,389)</u>	<u>(7,298)</u>
S1200-470	Increase (decrease) in operating cash	(68,875)	84,107
S1200-480	Operating cash - beginning of year	704,835	620,728
S1200T	Operating cash - end of year	<u>\$ 635,960</u>	<u>\$ 704,835</u>

See Independent Auditor's Report

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2022

RESERVE FOR REPLACEMENTS

In accordance with the provisions of the HUD Regulatory Agreement, a replacement reserve has been established to be used for replacement of property with the prior approval of HUD. Monthly deposits of \$417 are required. Accordingly, restricted cash is held as follows:

	2022	2021
Balance - July 1	\$ 241,576	\$ 236,338
Monthly deposits	5,000	5,000
Interest earned	195	238
Balance - June 30	\$ 246,771	\$ 241,576

DEBT SERVICE RESERVE

In accordance with the provisions of the loan agreement, a debt service reserve has been established to be used for the purposes of debt service relief only. The reserve will be maintained at the initial deposit amount of \$161,551 for the duration of ten years. All releases require the prior approval of HUD. Accordingly, restricted cash is held as follows:

	2022	2021
Balance - July 1	\$ 161,551	\$ 161,551
Interest earned	-	-
Balance - June 30	\$ 161,551	\$ 161,551

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS AND RESIDUAL RECEIPTS

Cash on hand and in banks:		
Cash - operating	\$ 326,763	
Total cash		\$ 326,763
Less - current obligations:		
Accounts payable	\$ 2,869	
Accrued property taxes	54,069	
Landscape deposits	4,500	
Accrued wages and vacation	1,768	
Total current obligations		(63,206)
Surplus cash		\$ 263,557

See Independent Auditor's Report

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2022**

CHANGES IN PROPERTY

	Cost			Balance June 30, 2022
	Balance July 1, 2021	Additions	Removals	
Land	\$ 4,577,961	\$ -	\$ -	\$ 4,577,961
Building and improvements	1,341,583	150,400	-	1,491,983
Total property	\$ 5,919,544	\$ 150,400	\$ -	\$ 6,069,944
Accumulated depreciation	\$ 469,063	\$ 73,964	\$ -	\$ 543,027
Net book value				\$ 5,526,917

ADDITIONS TO PROPERTY

Buildings and improvements	
Sewer system project	\$ 150,400
Total additions	\$ 150,400

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022 and 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Agency or Pass- Through Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development</u>			
Section 207 Mortgage Insurance - Manufactured Home Parks	14.127	121-00410	<u>\$ 4,964,132</u>
Total Federal Expenditures			<u><u>\$ 4,964,132</u></u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Blue Pacific Mobile Home Owners' Association, FHA Project No. 121-00410, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Blue Pacific Mobile Home Owners' Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Blue Pacific Mobile Home Owners' Association.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Blue Pacific Mobile Home Owners' Association has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – LOAN PROGRAM BALANCES OUTSTANDING

Loan balances outstanding as of June 30, 2022 are as follows:

Section 207 Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	<u>\$ 4,866,600</u>
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BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
June 30, 2022

The Association's by-laws do not require the Association to engage an independent engineer to estimate the remaining useful lives and replacement costs of the common property components. Therefore, the Association does not have an estimate of the remaining useful lives of significant components of common area improvements or the current replacement costs of those significant components.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Blue Pacific Mobile Home Owners' Association

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Blue Pacific Mobile Home Owners' Association, a California nonprofit mutual benefit corporation, FHA Project No. 121-00410, which comprise the balance sheet as of June 30, 2022, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statement, and have issued our report thereon dated August 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Blue Pacific Mobile Home Owners' Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Blue Pacific Mobile Home Owners' Association's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blue Pacific Mobile Home Owners' Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS (Continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blue Pacific Mobile Home Owners' Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sybil Narasky Daley LLP

Lafayette, California
August 15, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the Board of Directors
Blue Pacific Mobile Home Owners' Association

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited Blue Pacific Mobile Home Owners' Association's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Blue Pacific Mobile Home Owners' Association's major federal programs for the year ended June 30, 2022. Blue Pacific Mobile Home Owners' Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Blue Pacific Mobile Home Owners' Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Blue Pacific Mobile Home Owners' Association and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Blue Pacific Mobile Home Owners' Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Blue Pacific Mobile Home Owners' Association's federal programs.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (Continued)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Blue Pacific Mobile Home Owners' Association's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Blue Pacific Mobile Home Owners' Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Blue Pacific Mobile Home Owners' Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Blue Pacific Mobile Home Owners' Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (Continued)**

Report on Internal Control over Compliance (Continued)

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Spitzer Narasky Daley LLP".

Lafayette, California
August 15, 2022

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022 and 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financing reporting:	
Material weakness(es) identified	No
Significant deficiency(ies) identified	None reported
Noncompliance material to financial statements	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	No
Significant deficiency(ies) identified	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)	No
Identification of major programs	
AL# 14.127 - Section 207 Insured Mortgage	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings reported.



SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
CERTIFICATIONS OF OFFICERS AND MANAGEMENT AGENT
June 30, 2022**

CERTIFICATION OF OFFICERS


We, as officers of Blue Pacific Mobile Home Owners' Association hereby certify that we have examined the accompanying financial statements and supplementary data of Blue Pacific Mobile Home Owners' Association and to the best of our knowledge and belief, these financial statements and data are complete and accurate.

	<u>President</u>	<u>August 15, 2022</u>
Darlene House	Title	Date
	<u>Treasurer</u>	<u>August 15, 2022</u>
Brendan Coad	Title	Date

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
Employer ID No. 77-0165831

CERTIFICATION OF MANAGEMENT AGENT

I hereby certify that I have examined the accompanying financial statements and supplementary data of Blue Pacific Mobile Home Owners' Association and, to the best of my knowledge and belief, the same is complete and accurate.

	<u>Charlene garza</u>	<u>August 15, 2022</u>
Signature	Title	Date

EVANS MANAGEMENT SERVICES
Employer ID No. 94-3133871

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
AUDITOR'S TRANSMITTAL LETTER
June 30, 2022**

Audit Firm ID:	14120
Firm Name:	Spiteri, Narasky & Daley LLP
Lead Auditor:	Courtney Sharp - Partner
Firm Address:	3470 Mt. Diablo Blvd, Suite A300 Lafayette, CA 94549
Telephone Number:	(925) 376-2195
Employer Identification Number:	68-0199099
Date of Independent Auditor's Report:	August 15, 2022
Auditor Contact E-mail:	csharp@sndcpa.com