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First Eagles Point  
Homeowners Association  
Financial Statements and Report of  
Independent Certified Public Accountants  
March 31, 2016

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# First Eagles Point Homeowners Association

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
First Eagles Point Homeowners Association  
Battlement Mesa, Colorado

We have audited the accompanying financial statements of First Eagles Point Homeowners Association, which comprise the balance sheet as of March 31, 2016, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

### *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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Eagles Point Homeowners Association as of March 31, 2016 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors  
First Eagles Point Homeowners Association  
Battlement Mesa, Colorado  
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*Emphasis of Matter*

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in the supplemental information are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

*Blair and Associates, P.C.*

Cedaredge, CO 81413  
October 20, 2016

**First Eagles Point Homeowners Association**  
**Balance Sheet**  
**March 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 24,726	\$ 131,071	\$ 155,797
Accounts receivable	11,915	-	11,915
<b>Total assets</b>	<u>\$ 36,641</u>	<u>\$ 131,071</u>	<u>\$ 167,712</u>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable	\$ 1,597	\$ -	\$ 1,597
Taxes payable	5	-	5
Prepaid assessments	12,019	-	12,019
<b>Total liabilities</b>	<u>13,621</u>	<u>-</u>	<u>13,621</u>
<b>Fund balance</b>	<u>23,020</u>	<u>131,071</u>	<u>154,091</u>
<b>Total liabilities and fund balance</b>	<u>\$ 36,641</u>	<u>\$ 131,071</u>	<u>\$ 167,712</u>

See accompanying notes.



**First Eagles Point Homeowners Association**  
**Statement of Revenue, Expenses and Changes in Fund Balance**  
**For the Year Ended March 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Revenue</b>			
Regular assessment	\$ 26,950	\$ 16,500	\$ 43,450
Other income	8,317	112	8,429
<b>Total revenue</b>	<u>35,267</u>	<u>16,612</u>	<u>51,879</u>
<b>Expenses</b>			
Legal and accounting	4,662	-	4,662
Management fees	11,168	-	11,168
Insurance	2,001	-	2,001
Landscaping maintenance	3,850	-	3,850
Sprinkler system	70	-	70
Irrigation water	1,913	-	1,913
Repairs and maintenance	1,915	-	1,915
Office expense	731	-	731
Utilities	120	-	120
Sign maintenance	791	-	791
Trash removal	4,795	-	4,795
Taxes	6	-	6
Bad debt expense	601	-	601
<b>Total expenses</b>	<u>32,623</u>	<u>-</u>	<u>32,623</u>
<b>Excess revenue over expenses</b>	2,644	16,612	19,256
<b>Fund balance - beginning of year</b>	20,376	114,459	134,835
<b>Fund balance (deficit) - end of year</b>	<u>\$ 23,020</u>	<u>\$ 131,071</u>	<u>\$ 154,091</u>

See accompanying notes.

**First Eagles Point Homeowners Association**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2016**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>	\$ 2,644	\$ 16,612	\$ 19,256
Excess revenue over expenses			
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities			
(Increase) decrease in accounts receivable	(2,632)	-	(2,632)
Increase (decrease) in accounts payable	(3,115)	-	(3,115)
Increase (decrease) in taxes payable	4	-	4
Increase (decrease) in prepaid assessments	411	-	411
<b>Net cash provided by operating activities</b>	<u>(2,688)</u>	<u>16,612</u>	<u>(5,332)</u>
<b>Net increase in cash and cash equivalents</b>	(2,688)	16,612	13,924
<b>Cash and cash equivalents - beginning of year</b>	<u>27,414</u>	<u>114,459</u>	<u>141,873</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 24,726</u></u>	<u><u>\$ 131,071</u></u>	<u><u>\$ 155,797</u></u>

See accompanying notes.

First Eagles Point Homeowners Association  
Notes to the Financial Statements  
March 31, 2016

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**Note 1 - Summary of Significant Accounting Policies**

First Eagles Point Homeowners Association (the Association), a Colorado nonprofit corporation, is a homeowners' association located in Battlement Mesa, Colorado. The Association was incorporated on September 22, 2004, to provide for the community, civic and social welfare of the homeowners in the common interest realty association. The Association began maintaining the streets, landscaped common areas and street lighting, on April 1, 2005. The Association has no employees. The Association contracts with a management agency for all services (see Note 4).

**Basis of Presentation**

Association's financial statements are presented in accordance with the Audit and Accounting Guide for Common Interest Realty Associations published by the American Institute of Certified Public Accountants. Association follows the accrual method of accounting whereby assessments and revenues are recorded when due and expenses are recorded when incurred.

**Fund Accounting**

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs, replacements and acquisitions.

**Cash and Cash Equivalents**

Cash and cash equivalents for the statement of cash flows consist of cash in bank, cash on hand and securities with maturities of three months or less. All such balances are covered under the Federal Deposit Insurance Corporation insurance limits.

**Income Taxes**

Homeowner associations may elect to be taxed as regular corporations or as homeowners' associations. The association has elected to be taxed as a homeowner association. Under that election, the Association is generally taxed only on non-function income, such as interest earnings, at a flat rate of thirty percent. The appropriated IRS elections have been made to exclude function income from taxation. The Association paid \$5 income taxes for the year ending March 31, 2016. The Association is no longer subject to U.S. Federal or State examinations by tax authorities for the years before 2011.



First Eagles Point Homeowners Association  
Notes to the Financial Statements  
March 31, 2016

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**Note 1 - Summary of Significant Accounting Policies – (continued)**

**Accounts Receivable**

Accounts receivable at the balance sheet date represent assessment fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 180 days or more delinquent. The Association considers all accounts receivable at March 31, 2016 to be fully collectible.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Homeowners Fees and Economic Dependence**

As of March 31, 2016, all of the 55 lots which can be annexed into the development had been transferred to owners other than the Declarant or builder. All annexed lots pay the full assessment of \$ 197.50 per lot per quarter.

**Note 3 - Future Major Repairs and Replacements**

The Association's governing documents allow funds to be accumulated for future major repairs and replacements including additions, alterations or improvements. The Association conducted a study to estimate the remaining useful lives and the replacement costs of the common property components.

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 cost, considering amounts previously accumulated in the replacement fund. Actual expenditures, 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, to levy special assessments, or it may delay major repairs and replacements until funds are available.

First Eagles Point Homeowners Association  
Notes to the Financial Statements  
March 31, 2016

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**Note 4 - Related Party Transactions**

The Association has entered into a management agreement with the Elk Peaks Consulting Group, Ltd to manage the day-to-day operations of the Association under the direction of the Association's Board of Directors. For the year ended March 31, 2016, management and accounting fees paid to the management company were \$ 11,168 for general management of the entire Association.

**Note 5 - Fair Values of Financial Instruments**

In accordance with the Fair Value Measurements of FASB Accounting Standards Codification (ASC) 820-10, assets and liabilities are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobserved assumptions reflect Association's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

In accordance with the Fair Value Measurements and Disclosures topic of the ASC, Association bases fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon Association's estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future values.



First Eagles Point Homeowners Association  
Notes to the Financial Statements  
March 31, 2016

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**Note 5 - Fair Values of Financial Instruments – (continued)**

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value:

Cash and cashequivalents, accountsreceivable, accountspayable. The carrying amount approximates fair value due to the short maturity of these instruments.

**Note 6 - Subsequent Events**

The Association has evaluated subsequent events through October 20, 2016, the date at which the financial statements we available to be issued. No subsequent events were noted.

## **Supplemental Information**



First Eagles Point Homeowners Association  
Supplemental Information on Future Major  
Repairs and Replacements (Unaudited)  
March 31, 2016  
See Accountants Review Report

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The Association conducted a study, which was updated February 1, 2006, to estimate the remaining useful lives and the replacement costs of the asphalt streets, painting and roofing. Replacement costs were based on the estimated future costs to repair or replace the common property components at the date of the study with a built in inflation factor of 3% per year and actual expenditures may vary from those estimates and variations may be material.

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

<u>Component</u>	<u>Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Estimated Replacement Funds at March 31, 2016</u>
Asphalt	17	\$ 143,304	\$ 120,250
Fence	26	51,574	10,821
		<u>\$ 194,878</u>	<u>\$ 131,071</u>