

First Eagles Point  
Homeowners' Association  
Financial Statements and Report of  
Independent Certified Public Accountants  
March 31, 2013

First Eagles Point Homeowners' Association  
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Independent Auditor's Report

August 30, 2013

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of First Eagles Point Homeowners' Association, which comprise the balance sheet as of March 31, 2013, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended and the related notes to the financial statements.

**Association's Responsibility for the Financial Statements**

The Association 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 audit. We conducted our audit 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 of 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, 2013, 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.

## Other Matter - Required Supplementary Information

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 repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

Accounting principles generally accepted in the United States of America (GAAP) require that the Supplementary information on Future Major Repairs 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, who considers it to be an essential part of financial reporting and for placing the basic financial statements and related notes 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 inquires of management about the methods of preparing the information and comparing the information of consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

*Blair and Associates, P.C.*

**First Eagles Point Homeowners' Association**

**Balance Sheet**

**March 31, 2013**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 30,752	\$ 68,270	\$ 99,022
Accounts receivable	3,923	-	3,923
Interfund receivable (payable)	(16,500)	16,500	-
<b>Total assets</b>	<u>\$ 18,175</u>	<u>\$ 84,770</u>	<u>\$ 102,945</u>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable	\$ 859	\$ -	\$ 859
Prepaid assessments	5,905	-	5,905
<b>Total liabilities</b>	<u>6,764</u>	<u>-</u>	<u>6,764</u>
<b>Fund balance</b>	<u>11,411</u>	<u>84,770</u>	<u>96,181</u>
<b>Total liabilities and fund balance</b>	<u>\$ 18,175</u>	<u>\$ 84,770</u>	<u>\$ 102,945</u>

See accompanying notes

**First Eagles Point Homeowners' Association**  
**Statement of Revenue, Expenses and Changes in Fund Balance**  
**For the Year Ended March 31, 2013**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Revenue</b>			
Regular assessment	\$ 27,740	\$ 16,500	\$ 44,240
Other income	6,789	117	6,906
<b>Total revenue</b>	<u>34,529</u>	<u>16,617</u>	<u>51,146</u>
<b>Expenses</b>			
Legal and accounting	3,490	-	3,490
Management fees	11,539	-	11,539
Insurance	1,936	-	1,936
Landscaping maintenance	4,328	-	4,328
Sprinkler system	84	-	84
Irrigation water	2,626	-	2,626
Repairs and maintenance	743	-	743
Office expense	374	-	374
Utilities	705	-	705
Trash removal	4,611	-	4,611
<b>Total expenses</b>	<u>30,436</u>	<u>-</u>	<u>30,436</u>
<b>Excess revenue over expenses</b>	4,093	16,617	20,710
<b>Fund balance - beginning of year</b>	7,318	68,153	75,471
<b>Fund balance (deficit) - end of year</b>	<u>\$ 11,411</u>	<u>\$ 84,770</u>	<u>\$ 96,181</u>

See accompanying notes

**First Eagles Point Homeowners' Association**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2013**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>	\$ 4,093	\$ 16,617	\$ 20,710
Excess revenue over expenses			
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities			
(Increase) decrease in accounts receivable	(2,095)	-	(2,095)
Increase (decrease) in accounts payable	219		219
Increase (decrease) in prepaid assessments	(3,265)	-	(3,265)
Increase (decrease) in Interfund receivables (payables)	16,500	(16,500)	-
<b>Net cash provided by operating activities</b>	<u>15,452</u>	<u>117</u>	<u>(5,141)</u>
<b>Net increase in cash and cash equivalents</b>	15,452	117	15,569
<b>Cash and cash equivalents - beginning of year</b>	<u>15,300</u>	<u>68,153</u>	<u>83,453</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 30,752</u></u>	<u><u>\$ 68,270</u></u>	<u><u>\$ 99,022</u></u>

See accompanying notes

First Eagles Point Homeowners' Association  
Notes to the Financial Statements  
March 31, 2013

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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).

A summary of the Association's significant accounting policies follows:

**Accounting Method**

The association prepares its statements on the accrual basis of accounting whereby income and expenses are recognized when earned and 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.

First Eagles Point Homeowners' Association  
Notes to the Financial Statements  
March 31, 2013

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

**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. Income tax expense for the year ended March 31, 2013 was \$ -0-.

**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, 2013 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, 2013, all of the 56 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.

First Eagles Point Homeowners' Association  
Notes to the Financial Statements  
March 31, 2013

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Note 3 - Future Major Repairs and Replacements-(continued)

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.

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, 2013, management and accounting fees paid to the management company were \$ 11,539 for general management of the entire Association.

Supplemental Information

First Eagles Point Homeowners' Association  
Supplemental Information on Future Major  
Repairs and Replacements (Unaudited)  
March 31, 2013  
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 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.

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

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Funds at March 31, 2013</u>
Asphalt	17	\$ 143,304	\$ 79,295
Fence	26	51,574	5,475
		<u>\$ 194,878</u>	<u>\$ 84,770</u>