

First Eagles Point  
Homeowners' Association  
Financial Statements and Report of  
Independent Certified Public Accountants  
March 31, 2011

First Eagles Point Homeowners' Association  
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**Independent Auditors' Report**

August 25, 2011

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

We have audited the accompanying balance sheet of First Eagles Point Homeowners' Association as of March 31, 2011 and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, 2011, 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.

The supplementary information on future major repairs and replacements on page 9 is not a required part of the basic financial statements of First Eagles Point Homeowners' Association but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Blair and Associates, P.C.*

# First Eagles Point Homeowners' Association

## Balance Sheet

March 31, 2011

	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 13,662	\$ 47,688	\$ 61,350
Accounts receivable	7,305	-	7,305
Prepaid expenses	1,203	-	1,203
Interfund receivable (payable)	(6,860)	6,860	-
<b>Total assets</b>	<u>\$ 15,310</u>	<u>\$ 54,548</u>	<u>\$ 69,858</u>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable	\$ 363	\$ -	\$ 363
Prepaid assessments	8,859	-	8,859
<b>Total liabilities</b>	<u>9,222</u>	<u>-</u>	<u>9,222</u>
<b>Fund balance</b>	<u>6,088</u>	<u>54,548</u>	<u>60,636</u>
<b>Total liabilities and fund balance</b>	<u>\$ 15,310</u>	<u>\$ 54,548</u>	<u>\$ 69,858</u>

See accompanying notes

**First Eagles Point Homeowners' Association**  
**Statement of Revenue, Expenses and Changes in Fund Balance**  
**For the Year Ended March 31, 2011**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Revenue</b>			
Regular assessment	\$ 32,632	\$ 16,464	\$ 49,096
Other income	3,034	35	3,069
<b>Total revenue</b>	<u>35,666</u>	<u>16,499</u>	<u>52,165</u>
<b>Expenses</b>			
Legal and accounting	4,233	-	4,233
Management fees	11,136	-	11,136
Insurance	1,901	-	1,901
Landscaping maintenance	2,715	-	2,715
Sprinkler system	172	-	172
Irrigation water	3,401	-	3,401
Repairs and maintenance	1,063	-	1,063
Office expense	761	-	761
Utilities	-	-	-
Contingency	250	-	250
Trash removal	4,365	-	4,365
Asphalt replacement	-	-	-
Bad Debts	395	-	395
<b>Total expenses</b>	<u>30,392</u>	<u>-</u>	<u>30,392</u>
<b>Excess revenue over expenses</b>	5,274	16,499	21,773
<b>Fund balance - beginning of year</b>	814	38,049	38,863
<b>Fund balance (deficit) - end of year</b>	<u>\$ 6,088</u>	<u>\$ 54,548</u>	<u>\$ 60,636</u>

See accompanying notes



**First Eagles Point Homeowners' Association**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2011**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>	\$ 5,274	\$ 16,499	\$ 21,773
Excess revenue over expenses			
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities			
Change in accounts receivable	(2,256)	-	(2,256)
Change in prepaid expenses	(1,203)		
Change in accounts payable	205	-	205
Change in interfund receivables/payables	(2,369)	2,369	-
Change in prepaid assessments	2,950	-	2,950
<b>Net cash provided by operating activities</b>	<u>2,601</u>	<u>18,868</u>	<u>21,469</u>
<b>Net increase in cash and cash equivalents</b>	2,601	18,868	21,469
<b>Cash and cash equivalents - beginning of year</b>	<u>11,061</u>	<u>28,820</u>	<u>39,881</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 13,662</u></u>	<u><u>\$ 47,688</u></u>	<u><u>\$ 61,350</u></u>

See accompanying notes

First Eagles Point Homeowners' Association  
Notes to the Financial Statements  
March 31, 2011

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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:

**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.

**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, 2011 was \$ -0-.



First Eagles Point Homeowners' Association  
Notes to the Financial Statements  
March 31, 2011

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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, 2011 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, 2011, 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. 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.



First Eagles Point Homeowners' Association  
Notes to the Financial Statements  
March 31, 2011

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

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, 2011, management and accounting fees paid to the management company were \$ 11,136 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, 2011  
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, 2011</u>
Asphalt	17	\$ 143,304	\$ 51,263
Fence	26	51,574	3,285
		<u>\$ 194,878</u>	<u>\$ 54,548</u>