

**First Eagles Point Homeowners Association**

**Financial Statements**

**March 31, 2020**



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, 2020, 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.

To the Board of Directors  
First Eagles Point Homeowners Association  
Battlement Mesa, Colorado  
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***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, 2020 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.

***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 6, 2020

**First Eagles Point Homeowners Association**  
**Balance Sheet**  
**March 31, 2020**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 43,219	\$ 182,294	\$ 225,513
Accounts receivable	15,823	-	15,823
<b>Total assets</b>	<u>\$ 59,042</u>	<u>\$ 182,294</u>	<u>\$ 241,336</u>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable	\$ 5,184	\$ -	\$ 5,184
Taxes payable	41	-	41
Prepaid assessments	15,542	-	15,542
<b>Total liabilities</b>	<u>20,767</u>	<u>-</u>	<u>20,767</u>
<b>Fund balance</b>	38,275	182,294	220,569
<b>Total liabilities and fund balance</b>	<u>\$ 59,042</u>	<u>\$ 182,294</u>	<u>\$ 241,336</u>

See accompanying notes.

**First Eagles Point Homeowners Association**  
**Statement of Revenue, Expenses and Changes in Fund Balance**  
**For the Year Ended March 31, 2020**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Revenue</b>			
Regular assessment	\$ 36,805	\$ 16,500	\$ 53,305
Other income	5,576	224	5,800
<b>Total revenue</b>	<u>42,381</u>	<u>16,724</u>	<u>59,105</u>
<b>Expenses</b>			
Legal and accounting	6,154	-	6,154
Management fees	12,488	-	12,488
Insurance	2,297	-	2,297
Landscaping maintenance	3,850	-	3,850
Sprinkler system	80	-	80
Irrigation water	842	-	842
Repairs and maintenance	4,407	-	4,407
Office expense	852	-	852
Utilities	148	-	148
Sign maintenance	106	-	106
Exterior maintenance-lots	2,000	-	2,000
Trash removal	4,795	-	4,795
Taxes	27	-	27
<b>Total expenses</b>	<u>38,046</u>	<u>-</u>	<u>38,046</u>
<b>Excess revenue over expenses</b>	4,335	16,724	21,059
<b>Fund balance - beginning of year</b>	33,940	165,570	199,510
<b>Fund balance (deficit) - end of year</b>	<u>\$ 38,275</u>	<u>\$ 182,294</u>	<u>\$ 220,569</u>

See accompanying notes.

**First Eagles Point Homeowners Association**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2020**

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	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>	\$ 4,335	\$ 16,724	\$ 21,059
Excess revenue over expenses			
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities			
(Increase) decrease in accounts receivable	(3,170)	-	(3,170)
Increase (decrease) in accounts payable	3,748	-	3,748
Increase (decrease) in taxes payable	3	-	3
Increase (decrease) in prepaid assessments	2,681	-	2,681
<b>Net cash provided by operating activities</b>	<u>7,597</u>	<u>16,724</u>	<u>3,262</u>
<b>Net increase in cash and cash equivalents</b>	7,597	16,724	24,321
<b>Cash and cash equivalents - beginning of year</b>	<u>35,622</u>	<u>165,570</u>	<u>201,192</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 43,219</u></u>	<u><u>\$ 182,294</u></u>	<u><u>\$ 225,513</u></u>

See accompanying notes.

**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 \$ 41 income taxes for the year ending March 31, 2020. The Association is no longer subject to U.S. Federal or State examinations by tax authorities for the years before 2015.



**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, 2020 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, 2020, all of the 54 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 \$ 243.75 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. Association has conducted a reserve fund analysis 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.

**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, 2020, management and accounting fees paid to the management company were \$ 12,488 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, 2020

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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 cash equivalents, accounts receivable, accounts payable. 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 6, 2020, the date at which the financial statements were 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, 2020  
See Accountants Report

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As required by Colorado House Bill 09-1359, the Association has adopted a Reserve Study Policy. In accordance with this Reserve Study Policy, it is the Association's intent to conduct a reserve study at such times as in its sole discretion it determines is necessary, but at least every five (5) years, to determine the necessity and amount of reserves required to maintain, repair, replace and restore the Association's common elements. The Reserve Study is based on a physical analysis and a financial analysis.

A reserve study was completed on January 15, 2018 which projected fund revenues and expenses out to 2046.

The Association's common elements consist of the improved landscape common areas, the streets, including Eagle Ridge Drive, Eagle Court, Raptor Court and Talon Trail, the fence along Spencer Parkway, improvements at the central mailboxes and the Village entrance sign.

For reserve evaluation purposes, it is assumed that all of the maintenance and replacement costs associated with the improved landscaped areas, including trees, shrubs, landscape rock, and the sprinkler system is currently and will continue to be funded annually from the operating fund. The future maintenance and / or replacement costs of the remaining common elements including the streets, the fencing, improvements at the central mailboxes and the Village entrance sign need to be funded by the monies set aside in the Association's reserve fund.

The Association's reserve fund is a separate bank account apart from the Association's operating fund bank account. During the fiscal year ended on March 31, 2020, the Association contributed \$16,500 to the reserve fund.

Reserve Fund Balance April 1, 2019	\$165,570
Expenditures FYE March 31, 2020	-
Interest on deposits	224
Deposits to Reserve Fund FYR March 31, 2020	<u>\$ 16,500</u>
Reserve Fund Balance March 31, 2020	<u>\$182,294</u>

Although the amount which needs to be contributed to the reserve fund is determined by the individual reserve fund common elements, specifically the streets, the fencing and the Village sign, the reserve fund is consider to be a general reserve in an amount that will meet the needs of all of the individual reserve fund common elements rather than each element being allocated an individual amount.

**Assumptions**

Interest Earned Rate	0.40%	Cost Increase Rate	2.0%
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<b>Village Streets</b>		
Placed in Service	2006	
Useful Life	30 Years	
Replacement Year	2036	
Remaining Useful Life	18 Years	
% Replacement	100%	
Units	9523 Sq Yds	84,642 Sq Ft
<b>Fencing; Spencer Parkway and So. of Entrance</b>		
Placed in Service	2006	
Useful Life	30 Years	
Replacement Year	2036	
Remaining Useful Life	18 years	
% Replacement	100%	
Units	664 Lin Ft	
<b>Central Mail Boxes Improvements</b>		
Placed in Service	2006	
Useful Life	40 Years	
Replacement Year	2046	
Remaining Useful Life	28 Years	
% Replacement	100 %	
Units	490 Sq Ft	
<b>Village Sign at Entrance</b>		
Placed in Service	2006	
Useful Life	50 Years	
Replacement Year	2056	
Remaining Useful Life	38 Years	
Units	1 Sign	

**First Eagles Point Homeowners Association  
Reserve Fund Balance Analysis by Year**

Beg. Fund Balance		Deposits	Expenses	Ending Fund Balance			Expense Type
Beginning Fund Balance	Year Ended March 31st	Annual Reserve Fund Deposits	Required and Planned Expenses	Ending Fund Balance, Before Interest	Annual Interest on Fund Balance	Total Reserve Fund Balance by Year	
\$0	2006	\$0	\$0	\$0			
\$2,868	2007	\$0	\$0	\$2,868	\$0	\$2,868	
\$2,868	2008	\$5,745	\$0	\$8,613	\$0	\$8,613	
\$8,613	2009	\$16,464	\$0	\$25,077	\$0	\$25,077	
\$25,077	2010	\$16,464	\$3,500	\$38,041	\$8	\$38,049	Street Crack Seal
\$38,049	2011	\$16,464	\$0	\$54,513	\$35	\$54,548	
\$54,548	2012	\$16,464	\$3,000	\$68,012	\$141	\$68,153	Street Crack Seal
\$68,153	2013	\$16,500	\$0	\$84,653	\$117	\$84,770	
\$84,770	2014	\$16,500	\$0	\$101,270	\$88	\$101,358	
\$101,358	2015	\$16,500	\$3,500	\$114,358	\$101	\$114,459	Street Crack Seal
\$114,459	2016	\$16,500	\$0	\$130,959	\$112	\$131,071	
\$131,071	2017	\$16,500	\$0	\$147,571	\$145	\$147,716	
\$147,716	2018	\$16,500	\$15,475	\$148,741	\$156	\$148,897	Street Crack Seal & Seal Coat
\$148,897	2019	\$16,500	\$0	\$165,397	\$662	\$166,059	
\$166,059	2020	\$16,500	\$0	\$182,559	\$730	\$183,289	
\$183,289	2021	\$16,500	\$3,247	\$196,542	\$786	\$197,328	Street Crack Seal
\$197,328	2022	\$16,500	\$0	\$213,828	\$855	\$214,683	
\$214,683	2023	\$16,500	\$0	\$231,183	\$925	\$232,108	
\$232,108	2024	\$16,500	\$17,776	\$230,832	\$923	\$231,755	Street Crack Seal & Seal Coat
\$231,755	2025	\$16,500	\$0	\$248,255	\$993	\$249,248	
\$249,248	2026	\$16,500	\$0	\$265,748	\$1,063	\$266,811	
\$266,811	2027	\$16,500	\$3,657	\$279,654	\$1,119	\$280,773	Street Crack Seal
\$280,773	2028	\$16,500	\$0	\$297,273	\$1,189	\$298,462	
\$298,462	2029	\$16,500	\$0	\$314,962	\$1,260	\$316,222	
\$316,222	2030	\$16,500	\$20,019	\$312,703	\$1,251	\$313,954	Street Crack Seal & Seal Coat
\$313,954	2031	\$16,500	\$0	\$330,454	\$1,322	\$331,776	
\$331,776	2032	\$16,500	\$0	\$348,276	\$1,393	\$349,669	
\$349,669	2033	\$16,500	\$4,118	\$362,051	\$1,448	\$363,499	Street Crack Seal
\$363,499	2034	\$16,500	\$0	\$379,999	\$1,520	\$381,519	
\$381,519	2035	\$16,500	\$0	\$398,019	\$1,592	\$399,611	Street 2" Overlay & Fence Repmt
\$399,611	2036	\$16,500	\$293,295	\$122,816	\$491	\$123,307	
\$123,307	2037	\$16,500	\$0	\$139,807	\$559	\$140,366	

<b>\$140,366</b>	2038	\$16,500	\$0	\$156,866	\$627	<b>\$157,494</b>	
<b>\$157,494</b>	2039	\$16,500	\$4,638	\$169,356	\$677	<b>\$170,033</b>	Street Crack Seal
<b>\$170,033</b>	2040	\$16,500	\$0	\$186,533	\$746	<b>\$187,279</b>	
<b>\$187,279</b>	2041	\$16,500	\$0	\$203,779	\$815	<b>\$204,595</b>	
<b>\$204,595</b>	2042	\$16,500	\$25,388	\$195,706	\$783	<b>\$196,489</b>	Street Crack Seal & Seal Coat
<b>\$196,489</b>	2043	\$16,500	\$0	\$212,989	\$852	<b>\$213,841</b>	
<b>\$213,841</b>	2044	\$16,500	\$0	\$230,341	\$921	<b>\$231,262</b>	
<b>\$231,262</b>	2045	\$16,500	\$5,223	\$242,539	\$970	<b>\$243,509</b>	Street Crack Seal
<b>\$243,509</b>	2046	\$16,500	\$15,336	\$244,674	\$1,040	<b>\$245,714</b>	Central Mailboxes, Village Sign

The table above shows the projected costs and revenues by year through 2046. The three key assumptions are that a) the annual contribution to the reserve fund will remain constant at \$16,500 per year, b) that inflationary cost increases will average 2.0% per year and 3) that the interest earned rate will average 0.40% per year.

In the event that inflationary cost raises faster than the projected 2% the Association will need and is prepared to increase the annual reserve fund contribution accordingly in order to assure that the Association will always have sufficient funds in order to meet planned reserve fund expenses as they come due without a special assessment.

Note: The lowest balance in the fund after 2014 is \$123,307 in 2036 when the streets receive a 2" overlay. In subsequent years the fund recovers to a balance of \$245,714 by year 2046.

In summary, this analysis indicates that First Eagles Point Homeowners Association is setting aside sufficient reserves to meet all of its reserve fund expenses as they come do to 2046 and beyond.