

**The Cottages at Eagle Pointe Homeowners Association  
Financial Statements and Supplementary Information  
for the Year Ended December 31, 2021**

**THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2021**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>	<b>2020 TOTAL (COMPARISON PURPOSE ONLY)</b>
<b>ASSETS</b>				
Cash	\$59,004	\$103,563	\$162,567	\$120,222
Receivable from Members	\$1,512	-	\$1,512	\$180
Other	-	-	-	\$58
<b>Total</b>	<b>\$60,516</b>	<b>\$103,563</b>	<b>\$164,079</b>	<b>\$120,460</b>
<b>Liabilities and Fund Balances</b>				
Accounts Payable	\$5,410	-	\$5,410	\$4,406
Pre-Paid Assessments	\$3,757	-	\$3,757	\$5,840
<b>Total</b>	<b>\$9,167</b>	<b>\$0</b>	<b>\$9,167</b>	<b>\$10,246</b>
Fund Balances	\$51,349	\$103,563	\$154,912	\$110,214
	<b>\$60,516</b>	<b>\$103,563</b>	<b>\$164,079</b>	<b>\$120,460</b>

See Notes to Financial Statements

**THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>	<b>2020 TOTAL (COMPARISON PURPOSE ONLY)</b>
<b>Revenues</b>				
Member Assessments	\$145,791	-	\$145,791	\$123,038
Snow Removal	\$9,895	-	\$9,895	\$11,595
Other Income	\$114	\$40	\$154	\$12
Reinvestment Fee	\$1,990	-	\$1,990	\$2,832
Transfer	(\$22,506)	\$22,506	-	-
<b>Total Revenues</b>	<b>\$135,284</b>	<b>\$22,546</b>	<b>\$157,830</b>	<b>\$137,477</b>
<b>Expense</b>				
Yard Care	\$57,359	-	\$57,359	\$49,251
Snow Removal	\$17,460	-	\$17,460	\$21,160
Water Service	\$21,181	-	\$21,181	\$25,866
Sprinkler Maintenance	\$6,890	-	\$6,890	\$8,770
Administrative	\$10,242	-	\$10,242	\$7,770
Common Area Trees	-	-	\$0	\$1,919
Common Area Sidewalks	-	-	\$0	\$12,350
Common Area Streets	-	-	\$0	\$5,950
	<b>\$113,132</b>	<b>\$0</b>	<b>\$113,132</b>	<b>\$133,036</b>
<b>Excess of Revenues over Expenses</b>	<b>\$22,152</b>	<b>\$22,546</b>	<b>\$44,698</b>	<b>\$4,441</b>
<b>Beginning Fund Balance</b>	<b>\$29,197</b>	<b>\$81,017</b>	<b>\$110,214</b>	<b>\$105,773</b>
<b>Ending Fund Balance</b>	<b>\$51,349</b>	<b>\$103,563</b>	<b>\$154,912</b>	<b>\$110,214</b>

See Notes to Financial Statements

THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION  
 SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2021

Schedule of Operating Fund Revenues and Expenses - Budget and Actual

	ACTUAL	BUDGETED	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Member Assessments	\$145,791	\$145,668	\$123
Snow Removal	\$9,895	\$12,000	(\$2,105)
Other Income	\$114	\$0	\$114
Reinvestment Fee	\$1,990	\$0	\$1,990
Transfers	(\$22,506)	(\$22,506)	\$0
<b>Total Revenues</b>	<b>\$135,284</b>	<b>\$135,162</b>	<b>\$122</b>
<b>Expenses</b>			
Yardcare	\$57,359	\$69,468	\$12,109
Snow Removal	\$17,460	\$21,500	\$4,040
Water Service	\$21,181	\$27,250	\$6,069
Sprinkler Maintenance	\$6,890	\$9,000	\$2,110
Administrative			
Management Fees	\$2,900	\$3,600	\$700
Insurance	\$2,415	\$2,300	(\$115)
Legal	\$4,771	\$500	(\$4,271)
Office and Other	\$156	\$300	\$144
	<b>\$113,132</b>	<b>\$133,918</b>	<b>\$20,786</b>
<b>(Deficiency) excess of Revenues over Expenses</b>	<b>\$22,152</b>	<b>\$1,244</b>	<b>\$20,908</b>

THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE 1 – NATURE OF ORGANIZATION

The Cottages at Eagle Pointe Homeowners Association (HOA or Association) was organized under the laws of the State of Utah on June 28, 2007. The governing Declaration of Covenants, Conditions and Restrictions (CC&R's) provides for the construction of up to 71 single family homes by the Declarant, which is CDC Constructors LLC (CDC). As of December 31, 2021, construction of 61 single family homes have been completed. As of December 31, 2020, construction of 59 single family homes had been completed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING METHOD/FUND ACCOUNTING

The Association maintains its books of account on the cash basis of accounting. However, for this report to be in accordance with generally accepted accounting principles, it was converted to the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, or billed, and expenses are recognized when goods or services are received.

To ensure observance of limitations and restrictions on the use of financial resources, classification for accounting and reporting purposes are made 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 major repairs and replacement.

B. COMMON AREA PROPERTY

Real property and common areas conveyed to the Association by the Declarant are not recorded in the Association's financial statements. These common areas include the streets and sidewalks, the common area landscaping and neighborhood irrigation system. Major repairs and replacements to common area property are recorded as expenditures in the Replacement Fund.

C. ASSESSMENTS

Association Members are subject to a monthly assessment to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements.

THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(Continued)

The current monthly Member assessment is as follows:

Monthly assessment applied to operations	\$168
Monthly assessment applied to Replacement Fund	<u>31</u>
Monthly Member assessment	<u>\$199</u>

Receivable from Members, as presented on the balance sheet, represent past due monthly assessments as follows:

Monthly association fees	\$ 597
Snow removal fees	<u>915</u>
Receivable from Members	<u>\$1,512</u>

Prepaid monthly assessments result from members prepaying their monthly assessment before it is due. As of December 31, 2021, Prepaid monthly assessments were \$3,757. At December 31, 2020, Prepaid monthly assessments were \$5,840.

D. SNOW REMOVAL

Driveway snow removal services are offered to homeowners by the Association on an opt-in basis. Those who elect to receive this service are assessed, on a monthly basis, for the estimated cost of providing the service over the respective snow season. At the end of the respective snow season, the assessment is adjusted to reflect the actual cost of providing the service, thereby resulting in an additional charge or credit to the individual participants.

E. INITIAL CAPITAL CONTRIBUTION

Upon a change of ownership or purchase of a newly constructed home, an initial Capital Contribution (Reinvestment Fee) is assessed by the Association. The amount assessed is two times the then monthly assessment.

F. RECLASSIFICATIONS

Certain reclassifications have been made to the 2020 amounts to conform to the current year presentation.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(Continued)

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – INCOME TAXES

The Association elects to file its federal tax return as a homeowners' association under Section 528 of the Internal Revenue Code. Under that section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of Association property. Net non-exempt function income, which includes interest earned, is taxed at the existing federal and state levels.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents (CC&R's) provide that the Association establish adequate reserve funds for future major repair and replacement of the common property assets. Accumulated funds are held in separate accounts and are generally not available for operating purposes.

During 2019, the Association engaged an independent firm to conduct a Study to estimate the remaining useful lives and estimated future replacement costs of the common property components. The Association is funding for such major repairs and replacement costs based on the Study's estimates of future replacement costs. 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 Board has the right and obligation, in accordance with the governing documents (CC&R's), to raise regular assessments or levy a special assessment to meet these needs.

THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

(Continued)

NOTE 5 – ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Management fees and professional	\$ 2,900	\$ 3,300
Insurance	2,415	2,293
Legal	4,771	1,860
Office and other	<u>156</u>	<u>317</u>
	<u>\$10,242</u>	<u>\$7,770</u>



THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

FUTURE MAJOR REPAIRS AND REPLACEMENTS

In 2019, the Association engaged an independent firm to conduct a study, projected to December 31, 2020, to estimate the remaining useful lives and future replacement costs of the common property components. Funding requirements include an inflation factor of 3.0% and an interest rate of .10%. The following table is based on the study and presents information about the components of common property as of December 31, 2020.

Significant Components of the Study...

Asphalt overlay - 16 years estimated remaining life... Estimated project cost \$132,000 - \$176,000;

Asphalt seal coat – 2 years estimated remaining life...Estimated project cost \$16,720 - \$18,480;

Asphalt crack seal – 1 year estimated remaining life...Estimated project cost \$5,000 - \$5,500;

Concrete repair/replace – 10 years estimated remaining life...Estimated project cost \$2,000 - \$3,000;

Mailboxes replace – 9 years estimated remaining life...Estimated project cost \$7,750 - \$8,750;

Landscaping & Irrigation System – 12 years remaining life...Estimated project cost \$4,000 - \$6,000.

Analysis of Replacement Fund for the year ended December 31, 2021:

Ideal Replacement Fund Balance, January 1, 2021	\$106,893	
Shortfall	<u>( 25,876)</u>	
Actual Replacement Fund Balance, January 1, 2021	81,017	26% unfunded
Replacement Fund Operations, year ended December 31, 2021	<u>22,546</u>	
Actual Replacement Fund Balance, December 31, 2021	103,563	11% unfunded
Shortfall	<u>12,508</u>	
Ideal Replacement Fund Balance, December 31, 2021	<u><u>\$116,071</u></u>	

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THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION SUPPLEMENTARY INFORMATION DECEMBER 31, 2021			
Schedule of Operating Fund Revenues and Expenss - Budget and Actual			
	ACTUAL	BUDGETED	VARIENCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Member Assessments	\$145,791	\$145,668	\$123
Snow Removal	\$9,895	\$12,000	(\$2,105)
Other Income	\$114	\$0	\$114
Reinvestment Fee	\$1,990	\$0	\$1,990
Transfers	(\$22,506)	(\$22,506)	\$0
<b>Total Revenues</b>	<b>\$135,284</b>	<b>\$135,162</b>	<b>\$122</b>
<b>Expenses</b>			
Yardcare	\$57,359	\$69,468	\$12,109
Snow Removal	\$17,460	\$21,500	\$4,040
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Management Fees	\$2,900	\$3,600	\$700
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2021 MANAGEMENT'S DISCUSSION

Excess Revenues exceeded Expenses by \$22,152 for the year ended December 31, 2021, and also exceeded the Year ended December 31, 2020, Operating Results by \$19,744.

Additionally, current year Operating Results exceeded Budget expectations by \$20,908. This favorable Budget comparison is primarily a result of reduced operating expenses incurred during the 2021 year. Yard Care costs were \$12,109 under Budget, while Water Services and Sprinkler Maintenance were \$8,179 under Budget. These savings were, at least partly attributable to a concerted effort in reducing water consumption through reduced watering cycles and lower cost sprinkler maintenance (the reduced watering cycles savings may be offset somewhat by homeowners performing supplemental watering between the extended watering cycles).

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SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

(Continued)

Snow removal for the Association decreased \$4,040 as a result of a milder 2021 spring.

Administrative costs increased by approximately \$2,500 as a primary result of the Board retaining the services of an attorney to advise the Board regarding certain challenges and threats originating from certain homeowners. Additionally, Management fees were reduced midyear by \$100 monthly through changing to PMSI, a third-party HOA management company, offering additional services.