

The Cottages at Eagle Pointe Homeowners Association
Financial Statements and Supplementary Information
For the Year Ended December 31, 2022

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THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION
BALANCE SHEET 31 DECEMBER 2022

	OPERATING FUND	REPLACEMENT FUND	TOTAL	2021 TOTAL (COMPARISON ONLY)
Assets				
Cash	\$76,422	\$122,719	\$199,141	\$162,567
Receivable from Members	3,345		3,345	1,512
Other	-	-	-	
Total	<u>\$79,767</u>	<u>\$122,719</u>	<u>\$202,486</u>	<u>\$164,079</u>
Liabilities and Fund Balances				
Accounts Payable	\$5,538	\$2,362	\$7,900	\$5,410
PrePaid Assessments	\$5,895	0	\$5,895	\$3,757
Total	<u>\$11,433</u>	<u>\$2,362</u>	<u>\$13,795</u>	<u>\$9,167</u>
Fund Balances				
	<u>\$68,334</u>	<u>\$120,357</u>	<u>\$188,691</u>	<u>\$154,912</u>
	<u>\$79,767</u>	<u>\$122,719</u>	<u>\$202,486</u>	<u>\$164,079</u>

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, 2022**

	OPERATING FUND	REPLACEMENT FUND	TOTAL	2021 TOTAL (COMPARISON ONLY)
Revenues				
Member Assessments	\$146,654		\$146,654	\$145,791
Snow Removal	7,090		\$7,090	\$9,895
Other Income	41	\$291	\$332	154
Reinvestment Fee	8,740		\$8,740	1,990
Transfer	-22,940	22,940	\$0	0
Total Revenues	\$139,585	\$23,231	\$162,816	\$157,830
Expenses				
Yard Care	\$55,104		55,104	\$57,359
Snow Removal	6,280		6,280	17,460
Snow Removal - Driveways	12,360		12,360	0
Water Service	22,429		22,429	21,181
Sprinkler Maintenance	2,330		2,330	6,890
Administrative	7,013		7,013	10,242
Common Area Trees/Mulch	15,573	4,075	19,648	0
Road Maintenance	0	2,362	2,362	0
Total Expenses	\$121,089	\$6,437	\$127,526	\$113,132
Excess of Revenue over Expenses	\$18,496	\$16,794	\$35,290	\$44,698
Beginning Fund Balance	\$51,349	\$103,563	\$154,912	\$110,214
Ending Fund Balance	\$69,845	\$120,357	\$190,202	\$154,912

See Notes to Financial Statement

THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 1 – NATURE OF ORGANIZATION

The Cottages of 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&Rs) provides for the construction of up to 71 single family homes by the Declarant, which is CDC Constructors LLC (CDC). As of December 31, 2022, construction of 63 single family homes has been completed. As of December 31, 2021, construction of 61 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, revenues 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, 2022

(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	\$199

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

Association Dues	\$ 690
Other	\$ 365
Snow removal fees	<u>\$3,801</u>
Receivable from Members	\$4,856

Prepaid monthly assessments result from members prepaying their monthly assessment before it is due. As of December 31, 2022, Prepaid monthly assessments were \$5,895. As of December 31, 2021, Prepaid monthly assessments were \$3,757.

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 billed on a monthly basis after the services are received.

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 2021 amounts to conform to the current year presentation.

THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(Continued)

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 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&Rs) 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 2022, 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&Rs), to raise regular assessments or levy a special assessment to meet these needs.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(Continued)

NOTE 5 – ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended December 31, 2021 and 2022, are as follows:

	<u>2022</u>	<u>2021</u>
Management fees and professional	\$2,400	\$2,900
Insurance	\$1,783	\$2,415
Legal	\$1,686	\$ 4,771
Office and other	<u>\$1,144</u>	<u>\$ 156</u>
	<u>\$7,013</u>	<u>\$10,242</u>
Office and other:		
Towing Signs	\$172	
Website	\$577	
Taxes	<u>\$395</u>	
	\$1144	

THE COTTAGES AT EAGLE POINTE HOMEOWNERS ASSOCIATION

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2022

FUTURE MAJOR REPAIRS AND REPLACEMENTS

In 2022, the Association engaged an independent firm to conduct a study, projected to December 31, 2023, to estimate the remaining useful lives and future replacement costs of the common property components. Funding requirements include an inflation factor of 3.5% 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, 2023.

Significant Components of the Study:

- Prefab Concrete Fence – 8 years remaining life; estimated project cost \$7,500 - \$9,000
- Asphalt overlay – 13 years estimated remaining life; estimated project cost \$132,000 - \$176,000
- Asphalt seal coat – 0 years estimated remaining life; estimated project cost \$21,000 - \$22,000
- Asphalt crack seal – 1 year estimated remaining life; estimated project cost \$3,000 - \$6,000
- Concrete repair/replace – 7 years estimated remaining life; estimated project cost \$2,000 - \$3,000
- Mailboxes replace – 6 years estimated remaining life; estimated project cost \$16,000 - \$18,000
- Landscaping & Irrigation System – 9 years remaining life; estimated project cost \$10,000 - \$15,000
- Tree Replacement/Care – 7 years estimated remaining life; estimated project cost \$5,000 - \$6,000

Analysis of Replacement Fund as of January 1, 2023:

Ideal Replacement Fund Balance, January 1, 2023	\$133,842
Shortfall	<u>(13,485)</u>
Actual Replacement Fund Balance, January 1, 2023	<u>\$120,357</u> 10% underfunded