Eagles Nest Property Homeowners Association
Budget Philosophies
Amended by the ENPHA Board on September 12, 2019

The **annual operating, capital expenditure, and reserve budgets** are prepared by board members assigned as owners of each account, reviewed and approved by the ENPHA board at their December meeting, provided to homeowners at the annual meeting, and managed throughout the year by the board member "account owner" for each line item.

Financial statements are prepared on an accrual basis following generally accepted accounting principles:

- Expenditures for property, plant, and equipment with a useful life of more than one year and a cost of more than $1,500 are capitalized and depreciated on a straight-line basis over the remaining useful life of the asset. The cost of the asset and the related accumulated depreciation are shown on the balance sheet. Depreciation is a non-cash expense shown on the income statement.
- Capital expenditures described above are funded from capital reserves and included in the capital budget and the reserve budget. The 2016 reserve budget is the first year of the five-year plan developed with the 2015 reserve study. Capital expenditures are not included in the operating budget or shown as operating expenses.
- At year-end, any expenses incurred but not paid are included as expenses for the year on the profit and loss statement and shown as accounts payable on the balance sheet.

A **reserve study** is prepared every five years (including 2015) in accordance with the ENPHA governing philosophies. Annual budgets are prepared based on the latest study with updates as appropriate:

- The objectives for the ENPHA reserves are as follows:
    1 Protect against fluctuations in revenue and/or operating expense including unanticipated legal expense.
    2 Assure ENPHA has sufficient resources on hand to maintain and enhance our capital assets without additional one-time assessments.
- Dues designated for capital (currently $30 per property) are added to the reserve fund annually and used to fund spending in two categories:
    1 Capital additions and improvements (including items that extend the useful life of an existing asset) as defined above with a useful life greater than one year and a cost greater than $1,500.
    2 Deferred maintenance costing more than $1,500 and incurred periodically, but not annually, such as repainting the clubhouse when needed. Maintenance items of $1,500 or less will be absorbed in the operating budget even if not performed annually.
- Surplus cash generated from operations each year is added to the reserve fund for purposes determined by the board. The operating contingency for ENPHA is targeted at 10% to 25% of annual revenue and is available to fund any annual cash deficit.