

THOMAS LAKE COUNTRYHOMES OF EAGAN

EAGAN, MINNESOTA

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2024



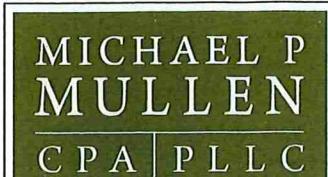
THOMAS LAKE COUNTRYHOMES OF EAGAN
FOR THE YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Thomas Lake Countryhomes of Eagan
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Thomas Lake Countryhomes of Eagan, which comprise the balance sheet as of December 31, 2024, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thomas Lake Countryhomes of Eagan as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Thomas Lake Countryhomes of Eagan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Future Major Repairs and Replacements

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 Note 4 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Thomas Lake Countryhomes of Eagan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

CERTIFIED PUBLIC ACCOUNTANTS

LICENSED IN MINNESOTA, WISCONSIN, FLORIDA, COLORADO, CALIFORNIA, MICHIGAN, NEVADA AND ILLINOIS
FLORIDA LICENSED COMMUNITY ASSOCIATION MANAGER



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Thomas Lake Countryhomes of Eagan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Thomas Lake Countryhomes of Eagan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on pages 10 through page 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Michael P. Mullen, CPA, PLLC

Minneapolis, Minnesota
March 26, 2025

THOMAS LAKE COUNTRYHOMES OF EAGAN

BALANCE SHEET

DECEMBER 31, 2024

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 47,464	\$ 320,842	\$ 368,306
Certificates of deposit		151,153	151,153
Assessments receivable	729		729
Prepaid expenses	2,324		2,324
TOTAL ASSETS	\$ 50,517	\$ 471,995	\$ 522,512
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 618		\$ 618
Prepaid assessments	1,635		1,635
Deferred revenue	6,638		6,638
TOTAL LIABILITIES	8,891		8,891
FUND BALANCE	41,626	\$ 471,995	513,621
TOTAL LIABILITIES AND FUND BALANCE	\$ 50,517	\$ 471,995	\$ 522,512

The accompanying notes are an integral
part of these financial statements

THOMAS LAKE COUNTRYHOMES OF EAGAN

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2024

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUE			
Assessments	\$ 178,441	\$ 104,519	\$ 282,960
Other	1,509		1,509
Interest	277	12,005	12,282
Total Revenue	180,227	116,524	296,751
EXPENSES			
Management fees	19,300		19,300
Rubbish removal	21,094		21,094
Office and administrative	973		973
Professional fees	11,577		11,577
Insurance	58,044		58,044
Lawn care and snow removal	51,070		51,070
Repair and maintenance	10,770		10,770
Utilities	1,284		1,284
Replacement expenses		68,943	68,943
Total Expenses	174,112	68,943	243,055
EXCESS OF REVENUE OVER EXPENSES	6,115	47,581	53,696
FUND BALANCE AT 12/31/23	45,511	414,414	459,925
INTERFUND TRANSFER	(10,000)	10,000	-
FUND BALANCE AT 12/31/24	\$ 41,626	\$ 471,995	\$ 513,621

The accompanying notes are an integral
part of these financial statements

THOMAS LAKE COUNTRYHOMES OF EAGAN

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from owners	\$ 182,720	\$ 104,519	\$ 287,239
Cash paid to providers	(172,426)	(68,943)	(241,369)
Interest received	277	12,005	12,282
Net cash provided by operating activities	<u>10,571</u>	<u>47,581</u>	<u>58,152</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Reinvested interest		(8,033)	(8,033)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interfund transfer	(10,000)	10,000	-
NET INCREASE IN CASH	571	49,548	50,119
CASH AT BEGINNING OF YEAR	<u>46,893</u>	<u>271,294</u>	<u>318,187</u>
CASH AT END OF YEAR	<u>\$ 47,464</u>	<u>\$ 320,842</u>	<u>\$ 368,306</u>

The following schedule reconciles the excess of revenue over expenses to net cash provided by operating activities:

Excess of revenue over expenses	\$ 6,115	\$ 47,581	\$ 53,696
Decrease in assessments receivable	3,044		3,044
Decrease in prepaid expenses	1,069		1,069
Increase in accounts payable	618		618
(Decrease) in prepaid assessments	(275)		(275)
Total adjustments	<u>4,456</u>	<u>-</u>	<u>4,456</u>
Net cash provided by operating activities	<u>\$ 10,571</u>	<u>\$ 47,581</u>	<u>\$ 58,152</u>

The accompanying notes are an integral part of these financial statements

THOMAS LAKE COUNTRYHOMES OF EAGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 - NATURE OF ORGANIZATION

Thomas Lake Countryhomes of Eagan (Association) is a statutory homeowners association incorporated in the State of Minnesota on November 16, 1988. It is organized as a nonprofit corporation for the purpose of maintaining and preserving the Association's common property, which consists of 60 residential units located in Eagan, Minnesota.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 26, 2025, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

The Association's governing documents provide certain guidelines regarding its financial activities. Therefore, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds:

Operating Fund - This fund is used to account for the 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 and replacements.

Interest Earned

The Board's policy is for interest to remain in the fund in which it is earned.

THOMAS LAKE COUNTRYHOMES OF EAGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Member Assessments-Revenue Recognition

Association members are subject to monthly assessments to provide for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess operating assessments at year-end are retained by the Association for use in future years. Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a Contract Liability.

Assessments Receivable

Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to charge a late fee and place liens on the property of accounts that are past due. This may ultimately involve foreclosure on the property after other attempts of collection have failed. The Board believes they will collect the past due assessments and has not established an allowance for uncollectible accounts.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. Accordingly, items such as the buildings, sidewalks, roadways and land are not recognized as assets.

In conformity with industry practice, the Association's policy is to recognize the following common property as assets:

- a) Common personal property
- b) Common real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

As of December 31, 2024, there are no recorded assets from common property.

THOMAS LAKE COUNTRYHOMES OF EAGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Cash and Certificates of Deposit

The Association maintains cash in a checking, savings and money market accounts. The Association also holds three certificates of deposit totaling \$151,153. Separate cash bank accounts are maintained for each fund. The Association considers all highly liquid investments with an original maturity of three months or less as cash.

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that adequate funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregates \$471,995 as of December 31, 2024, are generally not available for operating purposes.

In December 2024, the Association's management company assisted the Board in updating their 2023 replacement study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were determined based on industry information available to them, and existing knowledge of the property.

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 costs, 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 may levy a special assessment, or delay replacement or maintenance until funds are available.

The effect on future assessments has not been determined at this time.

THOMAS LAKE COUNTRYHOMES OF EAGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 5 - INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2024, the Association elected to file as a homeowners' association in accordance with Internal Revenue Code section 528. Under that section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembers. There is no income tax expense for the year. The Board has determined that, when applicable, income tax is an expense of the operating fund.

The Association's tax returns for the past three years remain open for examination by taxing authorities.

NOTE 6 - DEFERRED REVENUE

Insurance claim proceeds of \$6,638 have been recorded as deferred revenue and will be recognized as related expenses are incurred.

SUPPLEMENTARY INFORMATION

THOMAS LAKE COUNTRYHOMES OF EAGAN

SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

In December 2024, the Association's management company assisted the Board in updating their 2023 replacement fund study to estimate the remaining useful lives for the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. Estimates were obtained from industry information available to them along with their previous experience and knowledge of the property.

Estimated current replacement costs and estimated remaining useful lives have not been revised since the date of the study and do not take into account the effects of any expenditures or differences in the estimates.

The total replacement fund balance at December 31, 2024 is \$471,995. The Board has not allocated the replacement fund balance to each component.

The attached schedule is based on the study and presents significant information about the components of common property.

Thomas Lake Countryhomes of Eagan

4540 S Mallard Trail, Eagan, MN

**PROPERTY
INFO**

Reference #: 23354

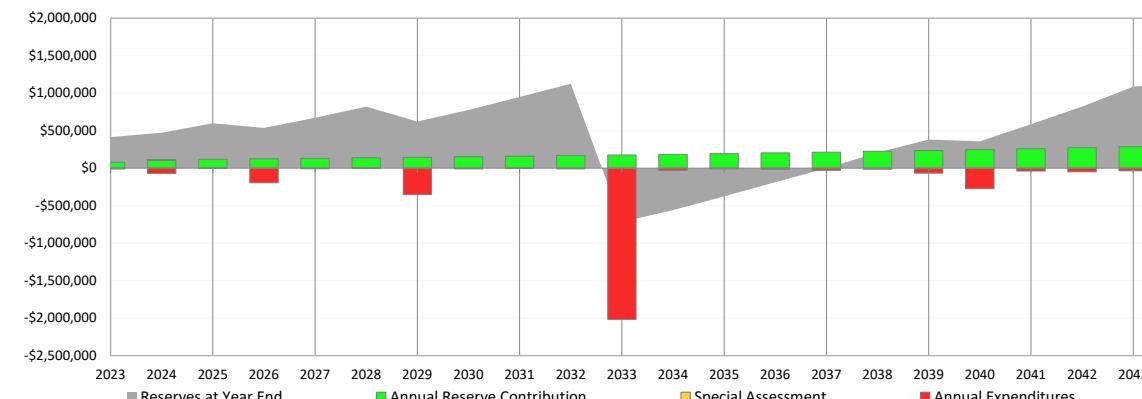
Inspection: 6/8/2023

Buildings: 15

Units: 60
Years Built: 1989-1990

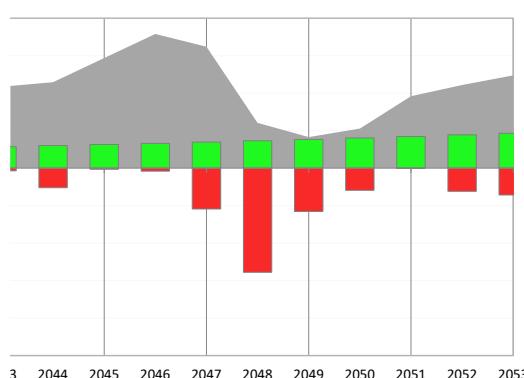
FINANCIAL INPUTS	
Interest Rate	2.00%
Inflation Rate	2.5%
Reserve Balance	\$ 345,223.00
Reserve Balance Date	2/28/2023
Current Total Income	\$ 257,040.00
Current Reserve Contribution	\$ 95,291.00
Fiscal Year	Jan 1 - Dec 31

RECOMMENDED FUNDING	
Current Annual Contribution	\$ 95,291.00
Recommended Annual Contribution	\$ 104,519.04
Recommended Annual Adjustment	\$ 9,228.04
Current Reserve Contribution /unit /month ave.	\$ 132.35
Recommended Reserve Contribution /unit /month ave.	\$ 145.17
Recommended Adjustment/unit /month ave.	\$ 12.82



Reserves at Beginning of Year	\$345,223	\$414,414	\$471,995	\$598,046	\$537,054	\$670,860	\$820,193	\$621,497	\$775,742	\$948,599
Annual Reserve Contribution	\$77,885	\$104,519	\$118,800	\$124,740	\$130,977	\$137,526	\$144,402	\$151,622	\$159,203	\$167,164
Annual Reserve Adjustment (%)		9.7%	13.7%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Special Assmnts/Add Contrib.		\$10,000								
Reserve Funds not Invested				\$60,000.00	\$130,000.00				\$282,000.00	
Interest Earned	\$3,267	\$12,004.56	\$8,240	\$9,361	\$10,741	\$13,417	\$10,764	\$12,430	\$15,515	\$18,972
Annual Expenditures	-\$11,960	-\$68,943.24	-\$989	-\$195,093	-\$7,912	-\$1,610	-\$353,862	-\$9,807	-\$1,862	-\$9,770
Reserves at Year End	\$414,414.36	\$471,994.72	\$598,046	\$537,054	\$670,860	\$820,193	\$621,497	\$775,742	\$948,599	\$1,124,964

Quantity		Reserve Components		Age, Useful Life, & Replacement				Replacement Costs		1	2	3	4	5	6	7	8	9		
Quantity Per Period	Units	Reserve Expense Listed by Property Class		Useful life	Year of 1st Replacement	Current Age	Remaining Years Until Replacement	Unit Cost	Total Future Cost, 30 Years	Current Cost per Phase	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
EXTERNAL BUILDING COMPONENTS																				
13	Each	Chimney Caps, Metal		to 25	2038	Not Available	15	750.00	14,121	9,750										
180	Each	Light Fixtures, Exterior, Front Elevations, Recessed		20 to 25	2033	Not Available	10	115.00	26,498	20,700										
1,560	Squares	Roofs, Asphalt Shingles		15 to 25	2048	0	25	480.00	1,388,233	748,800										
210	Pairs	Shutters, Vinyl		20 to 25	2033	Not Available	10	125.00	33,602	26,250										
99,620	Square Feet	Walls, Composite Siding, Soffit and Fascia, Repairs and Paint Finishes		4 to 8	2026	Not Available	3	1.50	658,573	149,430										
99,620	Square Feet	Walls, Composite Siding, Soffit and Fascia, Replacement		to 45	2033	33 to 34	10	15.30	1,951,087	1,524,186										
SITE COMPONENTS																				
8,445	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat		3 to 5	2024	Not Available	1	2.45	205,601	20,690										
8,445	Square Yards	Asphalt Pavement, Repaving, Full-Depth Replacement		15 to 20	2029	Not Available	6	36.00	930,297	304,020										
555	Square Feet	Concrete Sidewalks and Stoops, Partial Replacement		to 65	2030	Varies	7	12.60	54,037	6,996										
4	Zones	Irrigation System, Common, Replacement		30 to 35	2037	Not Available	14	3,350.00	18,934	13,400										
60	Units	Landscaping Improvements		to 5	2023	Varies		100.00	91,252	6,000	11,960	23,975								
	Units	Tree Removals/Stump Grinding/Replacements			2024	Varies	1		24,419			24,419								
	Units	Tree Pruning			2024	Varies	1		8,904			8,904								
	Units	Tree Treatments			2053	Varies	30													
60	Each	Mailbox and Posts		to 25	2036	Not Available	13	180.00	14,888	10,800										
5	Units	Pipes, Subsurface Utilities, Lateral, Sanitary Sewer, Water Supply and Gas		to 75+	2044	to 34	21	30,000.00	1,379,532	144,000										
479	Square Feet	Retaining Walls, Masonry, Phased Replacement		35 to 40	2039	Not Available	16	50.00	147,561	23,938										
1	Each	Signage, Monument		15 to 20	2026	Not Available	3	10,000.00	27,565	10,000										
60	Each	Signage, Unit Address		15 to 20	2033	Not Available	10	80.00	16,213	4,800										



\$1,124,964	-\$716,845	-\$559,695	-\$375,590	-\$187,290	-\$1,354	\$208,540	\$381,176	\$357,751	\$586,039	\$820,785	\$1,087,234	\$1,145,979	\$1,469,317	\$1,789,639	\$1,620,539	\$604,485	\$413,733	\$527,536	\$959,235	\$1,109,382	
\$175,622	\$184,298	\$193,513	\$203,188	\$213,348	\$224,015	\$235,216	\$246,977	\$259,326	\$272,292	\$285,906	\$300,202	\$315,212	\$330,972	\$347,521	\$364,897	\$383,142	\$402,299	\$422,414	\$443,535	\$465,711	
5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
\$1,929,570.00						\$151,534.00				\$110,000.00									\$188,000.00	\$120,000.00	
						\$4,171	\$4,593	\$7,155	\$11,721	\$16,416	\$19,545	\$22,920	\$29,386	\$28,370	\$8,275	\$4,356	\$6,379	\$10,551	\$15,425	\$19,788	
-\$2,017,331	-\$27,147	-\$9,408	-\$14,888	-\$27,412	-\$14,121	-\$66,751	-\$274,995	-\$38,193	-\$49,266	-\$35,873	-\$261,001	-\$14,794	-\$40,037	-\$544,991	-\$1,389,226	-\$578,250	-\$294,875	-\$1,266	-\$308,812	-\$357,892	
(\$716,845)	(\$559,695)	(\$375,590)	(\$203,188)	(\$213,348)	(\$224,015)	\$208,540	\$381,176	\$357,751	\$586,039	\$820,785	\$1,087,234	\$1,145,979	\$1,469,317	\$1,789,639	\$1,620,539	\$604,485	\$413,733	\$527,536	\$959,235	\$1,109,382	\$1,236,989
Critical Point																					
10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	
2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	
26,498						14,121															
33,602																					
1,951,087							227,375														
27,147		9,408			18,934			30,715		10,645			9,592		33,903		36,510			43,399	
					8,478										12,043						
						14,888									241,860		10,852				
6,144								35,535		36,424		37,334		38,268		16,796		260,457			
																		280,483		294,683	302,050
																					10,068