

**THE RESERVE AT PILOTTOWN
REVIEWED FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REPORT
DECEMBER 31, 2019, DECEMBER 31, 2020
THE SEVEN PERIOD ENDED JULY 31, 2021**

THE RESERVE AT PILOTTOWN

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT'S REPORT	<u>Page</u> 1-2
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Fund Balances	3
Statement of Revenues, Expenses and Changes in Fund Balances	4
Statement of Reserve Activity	5
Notes to Financial Statements	6 - 8
SUPPLEMENTARY INFORMATION	9

INDEPENDENT ACCOUNTANT'S REPORT

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1

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Management
The Reserve at Pilottown
Lewes, Delaware 19958

We have reviewed the accompanying financial statements of The Reserve at Pilottown (a corporation), which comprise the statement of assets, liabilities, and fund balances—cash basis as of December 31, 2019 and 2020 and the seven month period ended July 31, 2021, and the related statement of revenues, expenses, and fund balances—cash basis for the years and period then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the cash basis of accounting.

Basis of Accounting

We draw attention to Note number 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Supplementary Information

The supplementary information included in Schedule one is presented for purposes of additional analysis and is a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial

statements. The supplemental information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Sombar & Company

Georgetown, Delaware

October 23, 2021

FINANCIAL STATEMENTS

THE RESERVE AT PILOTTOWN
STATEMENT OF ASSETS , LIABILITIES
FUND BALANCES
DECEMBER 31, 2019 and 2020 and the
SEVEN Month Period Ended JULY 31, 2021

	December 31, 2019 ALL Funds	December 31, 2020 ALL Funds	July 31, 2021 ALL Funds
ASSETS			
Cash checking	\$ 14,640	\$ 2,434	\$ 24,366
Cash Capital reserve	83,321	93,377	85,050
Cash- Escrow account	14,096	22,081	22,109
TOTAL ASSETS	<u>112,057</u>	<u>117,892</u>	<u>131,525</u>
 LIABILITY			
Escrow liability	<u>14,000</u>	<u>22,000</u>	<u>22,000</u>
TOTAL LIABILITY	<u>14,000</u>	<u>22,000</u>	<u>22,000</u>
 FUND BALANCES			
Operating fund	14,736	2,515	24,475
Reserve fund	83,321	93,377	85,050
TOTAL FUND BALANCES	<u>98,057</u>	<u>95,892</u>	<u>109,525</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 112,057</u>	 <u>\$ 117,892</u>	 <u>\$ 131,525</u>

See accompany Independent Accountant's Report and notes to financial statements

THE RESERVE AT PILOTTOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019, DECEMBER 31,2020
AND THE SEVEN MONTH PERIOD ENDED JULY 31, 2021

	DECEMBER 31,	DECEMBER 31,	JULY 31,
	2019	2020	SEVEN MONTH
	2021		
REVENUES			
HOA assessments	\$ 22,000	\$ 22,000	\$ 22,000
Grass cutting fees	9,940	8,032	-
Interest income	88	70	18
Architural review fees	3,052	2,300	1,500
TOTAL REVENUES	35,080	32,402	23,518
EXPENSES			
Lake and pond management	3,324	2,043	2,123
Initial plan review	1,780	2,220	1,350
Franchise tax	52	52	25
Bank fees	-	31	(22)
Postage and delievery	-	261	168
Repairs and maintence	-	8,346	795
Printing and copying	289	-	-
Computer traing and internet expense	-	-	1,145
Meals and entertainment	-	100	100
Insurance	762	792	816
Landscapping and grounds keeping	19,200	19,403	2,396
Homeowner's meeting expense	-	124	124
Postage and delievery	249	-	-
Office supplies	158	-	55
Professional fees	2,215	1,195	810
TOTAL EXPENSES	28,029	34,567	9,885
Net revenues over (under) expenses	7,051	(2,165)	13,633
Fund balances beginning of year	91,006	98,057	95,892
Fund balances end of year	\$ 98,057	\$ 95,892	\$ 109,525

See Accountant's Review Report and Accompany Notes To Financial Statements

THE RESERVE AT PILOTTOWN
STATEMENT OF RESERVE ACTIVITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2020
AND THE SEVEN MONTH PERIOD ENED JULY, 2021

	Year Ended December 31, 2019	Year Ended December 31, 2020	Seven Month July 31, 2021
REPLACEMENT FUND REVENUES			
Interest earned	\$ 83	\$ 61	\$ 19
Transfer in from operating fund	-	10,000	-
	<u>83</u>	<u>10,061</u>	<u>19</u>
Total Replacement Fund Revenue			
Accounts receivable		-	-
REPLACEMENT FUND EXPENSES			
Bank charge	-	5	-
Tranfer to operating fund for fence removal	-		8,346
	<u>-</u>	<u>-</u>	<u>-</u>
REVENUE OVER (UNDER) EXPENSES	83	10,056	(8,327)
Beginning Replacement Fund Balances	<u>83,238</u>	<u>83,321</u>	<u>93,377</u>
Ending Replacement Fund Balances	<u>\$ 83,321</u>	<u>\$ 93,377</u>	<u>\$ 85,050</u>

See Independent Accountant's Review Report and accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

THE RESERVE AT PILOTTOWN
NOTES TO FINANCIAL STATEMENTS
July 31, 2021

NOTE A NATURE OF ORGANIZATION

The Reserve at Pilottown Point Association of Owners (a homeowners association) was organized in the State of Delaware in 2004. The Association is responsible for the operation and maintenance of the common property of The Reserve at Pilottown . The Reserve at Pilottown consists of 110 homes/ building lots located in Lewes, Delaware.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the cash basis of accounting, which is a basis of accounting other than in accordance with accounting principles generally accepted in the United States of America (GAAP), whereby revenue is recognized when received and expenses are recognized when paid.

Financial Statement Presentation

The Association's uses fund accounting, which requires that funds, such as operating funds, and funds used for major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from these funds are at the discretion of the Board of Directors of the Association.

The Association's funds consist of the following:

Operating Fund – This fund is used to account for financial resources available for the normal operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

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.

THE RESERVE AT PILOTTOWN
NOTES TO FINANCIAL STATEMENTS
July 31, 2021

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less at the time of purchase. The Association considers cash, money market accounts and other demand deposits as cash equivalents.

Major Repairs and Replacements

The Association determines the remaining useful lives of the components of common property and current estimates of major repairs and replacements that may be required in the future. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. When replacement funds are needed to meet future needs for major repairs and replacements, the Association may borrow, utilize reserves, increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time. The Association currently funds depreciation expense through current year assessments and deposits such funds in the Replacement Reserve Fund, which provides funding for future capital repairs and replacements.

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(4) of the Code, except on net income derived from unrelated business activity.

Date of Management Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 23, 2021, the date the financial statements were available to be issued.

NOTE C FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$ 85,050 at July 31, 2021, are held in a separate account and are generally not

THE RESERVE AT PILOTTOWN
NOTES TO FINANCIAL STATEMENTS
July 31, 2021

NOTE C FUTURE REPAIRS AND REPLACEMENTS (Continued)

available for operating expenses. It is the Association's policy that interest earned in the replacement fund remains in the replacement fund as an additional contribution. The Association engaged an independent engineer who conducted a study for the year 2018 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 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 has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE D SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 23, 2021, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE RESERVE AT PILOTTOWN
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
AS OF JULY 31, 2021
(Unaudited)

The board of directors performed an updated study on October 22, 2021 to estimate the remaining useful life and the replacement costs of the components of common property. This study is updated each year.

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

Date of Scheduled Replacements	Estimated Future Replacement Costs
2023	\$ 6,180
2026	6,753
2029	68,873
2032	8,063
2034	26,020
2035	8,811
2038	9,628
2039	16,528
2041	10,521
2044	30,658
2047	12,563
2049	22,213
2050	<u>13,728</u>
	<u>\$ 234,359</u>

The balance in the replacement fund was \$85,050 at July 31, 2021.

See Independent accountants' report on supplementary information.