

Highland Ranches Property Owners' Association

Financial Report

December 31, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Highland Ranches Property Owners' Association
Virginia City, Nevada

We have audited the accompanying statement of financial position of Highland Ranches Property Owners' Association as of December 31, 2010, and the related statements of revenue and expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highland Ranches Property Owners' Association as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

LEVY, SAPIN, KO & FREEMAN
Certified Public Accountants, Inc.

By



May 20, 2011

Highland Ranches Property Owners' Association

Statement of Financial Position

As of December 31, 2010

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash	107,773	81,310	189,083
Assessments receivable, owners	15,651	-	15,651
Prepaid income tax	236	-	236
<u>Total Current Assets</u>	<u>123,660</u>	<u>81,310</u>	<u>204,970</u>
<u>Fixed Assets</u>			
Land - maintenance and equipment storage area	9,699	-	9,699
Improvements and equipment	269,464	-	269,464
	279,163	-	279,163
Less: Accumulated depreciation	(194,275)	-	(194,275)
<u>Total Fixed Assets</u>	<u>84,888</u>	<u>-</u>	<u>84,888</u>
<u>Total Assets</u>	<u>208,548</u>	<u>81,310</u>	<u>289,858</u>
<u>Liabilities and Fund Balances</u>			
<u>Current Liabilities</u>			
Accounts payable	30,000	-	30,000
Payroll tax payable	2,177	-	2,177
Assessments received in advance	26,450	-	26,450
<u>Total Current Liabilities</u>	<u>58,627</u>	<u>-</u>	<u>58,627</u>
<u>Fund Balances</u>	<u>149,921</u>	<u>81,310</u>	<u>231,231</u>
<u>Total Liabilities and Fund Balances</u>	<u>208,548</u>	<u>81,310</u>	<u>289,858</u>

The accompanying notes are an integral part of these statements.

Highland Ranches Property Owners' Association

Statement of Revenue and Expenses and Changes in Fund Balances

For the Year Ended December 31, 2010

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Revenue</u>			
Owners' assessments (506 lots X \$200)	96,480	4,720	101,200
Interest	129	84	213
Other income	<u>2,411</u>	<u>-</u>	<u>2,411</u>
<u>Total Revenue</u>	<u>99,020</u>	<u>4,804</u>	<u>103,824</u>
<u>Expenses</u>			
Accounting and legal	4,491	-	4,491
Bad debt	900	-	900
Consulting	1,518	-	1,518
Contributions	500	-	500
Depreciation	17,640	-	17,640
Insurance	7,666	-	7,666
Office and printing	2,235	-	2,235
Outside bookkeeping services	3,495	-	3,495
Payroll taxes	3,180	-	3,180
Road repairs and maintenance	35,994	-	35,994
Salaries and wages	36,557	-	36,557
Taxes and licenses	1,401	-	1,401
Utilities	<u>800</u>	<u>-</u>	<u>800</u>
<u>Total Expenses</u>	<u>116,377</u>	<u>-</u>	<u>116,377</u>
<u>Net Income</u>	(17,358)	4,804	(12,554)
<u>Beginning Fund Balances</u>	<u>167,279</u>	<u>76,506</u>	<u>243,785</u>
<u>Ending Fund Balances</u>	<u>149,921</u>	<u>81,310</u>	<u>231,231</u>

The accompanying notes are an integral part of these statements.

Highland Ranches Property Owners' Association

Statement of Cash Flows

For the Year Ended December 31, 2010

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Net income	(17,358)	4,804	(12,554)
Noncash item:			
Depreciation	17,640	-	17,640
Changes in assets and liabilities:			
Assessments receivable	14,742	-	14,742
Due from Operating Fund	-	1,000	1,000
Accounts payable	(5,000)	-	(5,000)
Due to Replacement Fund	(1,000)	-	(1,000)
Payroll taxes payable	76	-	76
Assessments received in advance	<u>(11,570)</u>	<u>-</u>	<u>(11,570)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>(2,470)</u>	<u>5,804</u>	<u>3,334</u>
<u>Cash Flows from Investing Activities</u>			
Purchase of fixed assets	<u>(15,489)</u>	<u>-</u>	<u>(15,489)</u>
<u>Increase in Cash</u>	<u>(17,959)</u>	<u>5,804</u>	<u>(12,155)</u>
<u>Cash at Beginning of Year</u>	<u>125,732</u>	<u>75,506</u>	<u>201,238</u>
<u>Cash at End of Year</u>	<u>107,773</u>	<u>81,310</u>	<u>189,083</u>

The accompanying notes are an integral part of these statements.

Highland Ranches Property Owners' Association

Notes to Financial Statements

December 31, 2010

NOTE 1 **Summary of Significant Accounting Policies**

Reporting entity:

The accompanying financial statements include the activity relating to the operations of the common element portion of Highland Ranches. These financial statements do not include the cost of the land, interest expense, property taxes or insurance related to the individual ownership of the land.

Fixed assets and depreciation:

Fixed assets are stated at cost. Depreciation is being provided on the straight-line and double declining balance methods over the estimated useful lives of the assets.

Revenue recognition:

Property owners' assessments, as determined by the Association through its Board of Directors, are recognized as revenue when assessed.

NOTE 2 **Organization**

The Highland Ranches Property Owners' Association is an association of owners of lots within the Highland Ranches subdivision in Storey County, Nevada. The Association is organized for the maintenance and improvement of the community facilities and common areas in the subdivision.

NOTE 3 **Assessment for 2011**

In January 2011, the Board of Directors authorized regular assessment of \$200 to each lot owner for the year 2011.

NOTE 4 **Income Taxes**

The Association is exempt from federal income taxation under Internal Revenue Code Section 528(d)(3) on its exempt-function income.

NOTE 5 **Date of Management Review**

Management has evaluated subsequent events through May 20, 2011, the date that the financial statements were available to be issued.