

Highland Ranches Property Owners' Association

Financial Report

December 31 2007
(unaudited)

Table of Contents

	Page
Accountants' compilation report	1
Statement of financial position	2
Statement of revenue and expenses and changes in fund balances	3
Statement of cash flows	4
Notes to financial statements	5

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

We have compiled the accompanying statement of financial position of Highland Ranches Property Owners' Association as of December 31, 2007, and the related statements of revenue and expenses and changes in fund balances, and cash flows –for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

LEVY, SAPIN, KO, MOSS AND FREEMAN
Certified Public Accountants, Inc.

By 

July 9, 2008

Highland Ranches Property Owners' Association

Statement of Financial Position

As of December 31, 2007
(unaudited)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash	128,316	55,838	184,154
Assessments receivable, owners	6,709		6,709
Prepaid income tax	1,000	-	1,000
<u>Total Current Assets</u>	<u>136,025</u>	<u>55,838</u>	<u>191,863</u>
<u>Fixed Assets</u>			
Land - maintenance and equipment storage area	9,699		9,699
Improvements and equipment	193,452	20,202	213,654
	203,151	20,202	223,353
Less: Accumulated depreciation	(154,625)	(4,328)	(158,953)
<u>Total Fixed Assets</u>	<u>48,526</u>	<u>15,874</u>	<u>64,400</u>
<u>Total Assets</u>	<u>184,551</u>	<u>71,712</u>	<u>256,263</u>
<u>Liabilities and Fund Balances</u>			
<u>Current Liabilities</u>			
Accounts payable	35,000		35,000
Payroll tax payable	956		956
Assessments received in advance	49,750	-	49,750
<u>Total Current Liabilities</u>	<u>85,706</u>	<u>-</u>	<u>85,706</u>
<u>Fund Balances</u>	<u>98,845</u>	<u>71,712</u>	<u>170,557</u>
<u>Total Liabilities and Fund Balances</u>	<u>184,551</u>	<u>71,712</u>	<u>256,263</u>

(See accompanying notes and accountants' compilation report)

Highland Ranches Property Owners' Association

Statement of Revenue and Expenses and Changes in Fund Balances

For the Year Ended December 31, 2007

(unaudited)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Revenue</u>			
Owners' assessments (506 lots X \$200)	94,700	6,500	101,200
Owners's special assessments (506 lots X \$300)	151,800		151,800
Interest	3,244	1,692	4,936
Other income	1,880	-	1,880
<u>Total Revenue</u>	<u>251,624</u>	<u>8,192</u>	<u>259,816</u>
<u>Expenses</u>			
Accounting and legal	11,138		11,138
Consulting	1,518		1,518
Contributions	1,225		1,225
Depreciation	4,630	2,885	7,515
Insurance	21,404		21,404
Office and printing	2,769		2,769
Outside bookkeeping services	1,615		1,615
Payroll taxes	608		608
Road repairs and maintenance	159,620		159,620
Salaries and wages	15,218		15,218
Taxes and licenses	1,751		1,751
Utilities	573	-	573
<u>Total Expenses</u>	<u>222,069</u>	<u>2,885</u>	<u>224,954</u>
<u>Net Income (Loss)</u>	<u>29,555</u>	<u>5,307</u>	<u>34,862</u>
<u>Beginning Fund Balances</u>	<u>69,290</u>	<u>66,405</u>	<u>135,695</u>
<u>Ending Fund Balances</u>	<u>98,845</u>	<u>71,712</u>	<u>170,557</u>

(See accompanying notes and accountants' compilation report)

Highland Ranches Property Owners' Association

Statement of Cash Flows

For the Year Ended December 31, 2007
(unaudited)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Net income (loss)	29,555	5,307	34,862
Noncash item:			
Depreciation	4,630	2,885	7,515
Changes in assets and liabilities:			
Assessments receivable	(3,324)		(3,324)
Prepaid expenses	9,512		9,512
Accounts payable	8,825		8,825
Payroll tax payable	956		956
Assessments received in advance	(35,400)	-	(35,400)
<u>Net Cash Provided by Operating Activities</u>	<u>14,754</u>	<u>8,192</u>	<u>22,946</u>
<u>Cash Flows from Investing Activities</u>			
Purchase of fixed assets	(34,110)	-	(34,110)
<u>Increase in Cash</u>	<u>(19,356)</u>	<u>8,192</u>	<u>(11,164)</u>
<u>Cash at Beginning of Year</u>	<u>147,672</u>	<u>47,646</u>	<u>195,318</u>
<u>Cash at End of Year</u>	<u>128,316</u>	<u>55,838</u>	<u>184,154</u>

(See accompanying notes and accountants' compilation report)

Highland Ranches Property Owners' Association

Notes to Financial Statements

December 31, 2007
(unaudited)

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 2008

In September 2007, the Board of Directors authorized regular assessment of \$200 to each lot owner for the year 2008.

In January 2006, the Board of Directors authorized a special assessment of \$300 to each lot owner for three years beginning June 1, 2006 for road improvement.

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.

(See accountants' compilation report)