

Highland Ranches Property Owners' Association

Financial Report

December 31, 2008

Table of Contents

	Page
Financial statements with standard report:	
Independent auditors' 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

LEVY, SAPIN, KO, MOSS & FREEMAN
CERTIFIED PUBLIC ACCOUNTANTS, INC.

WILLIAM L. LEVY, C.P.A.
ANDREW P. SAPIN, C.P.A.
STEVE C. KO, C.P.A.
MARTIN A. MOSS, C.P.A.
SCOTT A. FREEMAN, C.P.A.

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, 2008, 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, 2008, 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, MOSS & FREEMAN
Certified Public Accountants, Inc.

By



April 16, 2009

Highland Ranches Property Owners' Association

Statement of Financial Position

As of December 31, 2008

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash	171,013	64,894	235,907
Assessments receivable, owners	7,255	-	7,255
Prepaid income tax	236	-	236
<u>Total Current Assets</u>	<u>178,504</u>	<u>64,894</u>	<u>243,398</u>
<u>Fixed Assets</u>			
Land - maintenance and equipment storage area	9,699		9,699
Improvements and equipment	201,992	20,202	222,194
	211,691	20,202	231,893
Less: Accumulated depreciation	(165,166)	(7,214)	(172,380)
<u>Total Fixed Assets</u>	<u>46,525</u>	<u>12,988</u>	<u>59,513</u>
<u>Total Assets</u>	<u>225,029</u>	<u>77,882</u>	<u>302,911</u>
<u>Liabilities and Fund Balances</u>			
<u>Current Liabilities</u>			
Accounts payable	32,500		32,500
Payroll tax payable	1,652		1,652
Assessments received in advance	32,700	-	32,700
<u>Total Current Liabilities</u>	<u>66,852</u>	<u>-</u>	<u>66,852</u>
<u>Fund Balances</u>	<u>158,177</u>	<u>77,882</u>	<u>236,059</u>
<u>Total Liabilities and Fund Balances</u>	<u>225,029</u>	<u>77,882</u>	<u>302,911</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, 2008

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Revenue</u>			
Owners' assements (506 lots X \$200)	93,200	8,000	101,200
Owners's special assessments (504 lots X \$300)	151,200		151,200
Interest	1,591	1,056	2,647
Other income	<u>1,977</u>	<u>-</u>	<u>1,977</u>
<u>Total Revenue</u>	<u>247,968</u>	<u>9,056</u>	<u>257,024</u>
<u>Expenses</u>			
Accounting and legal	8,566		8,566
Bad debt	7,461		7,461
Consulting	1,518		1,518
Contributions	340		340
Depreciation	10,541	2,886	13,427
Insurance	10,522		10,522
Office and printing	1,901		1,901
Outside bookkeeping services	5,835		5,835
Payroll taxes	1,974		1,974
Road repairs and maintenance	111,923		111,923
Salaries and wages	25,810		25,810
Taxes and licenses	1,614		1,614
Uitilities	<u>631</u>	<u>-</u>	<u>631</u>
<u>Total Expenses</u>	<u>188,636</u>	<u>2,886</u>	<u>191,522</u>
<u>Net Income</u>	59,332	6,170	65,502
<u>Beginning Fund Balances</u>	<u>98,845</u>	<u>71,712</u>	<u>170,557</u>
<u>Ending Fund Balances</u>	<u>158,177</u>	<u>77,882</u>	<u>236,059</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, 2008

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Net income	59,332	6,170	65,502
Noncash item:			
Depreciation	10,541	2,886	13,427
Changes in assets and liabilities:			
Assessments receivable	(546)		(546)
Prepaid income tax	764		764
Accounts payable	(2,500)		(2,500)
Payroll taxes payable	696		696
Assessments received in advance	(17,050)	-	(17,050)
<u>Net Cash Provided by Operating Activities</u>	<u>51,237</u>	<u>9,056</u>	<u>60,293</u>
<u>Cash Flows from Investing Activities</u>			
Purchase of fixed assets	(8,540)	-	(8,540)
<u>Increase in Cash</u>	<u>42,697</u>	<u>9,056</u>	<u>51,753</u>
<u>Cash at Beginning of Year</u>	<u>128,316</u>	<u>55,838</u>	<u>184,154</u>
<u>Cash at End of Year</u>	<u>171,013</u>	<u>64,894</u>	<u>235,907</u>

The accompanying notes are an integral part of these statements.

Highland Ranches Property Owners' Association

Notes to Financial Statements

December 31, 2008

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 2009

In September 2008, the Board of Directors authorized regular assessment of \$200 to each lot owner for the year 2009.

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.