

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**YEAR ENDED FEBRUARY 28, 2006 AND  
TWO MONTHS ENDED FEBRUARY 28, 2005**

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**C O N T E N T S**

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Board of Directors  
Arranmore Homeowners' Association  
Portland, Oregon

We have compiled the accompanying balance sheets of ARRANMORE HOMEOWNERS' ASSOCIATION as of February 28, 2006 and 2005 and the related statements of revenues, expenses and changes in fund balance and statements of cash flows for the periods indicated, and the accompanying supplementary information contained on page 8, which is presented only for supplementary analysis purposes, 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 and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

*Jack W. Olds & Company, LLP*

May 9, 2006

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**BALANCE SHEETS - FEBRUARY 28, 2006 AND 2005**

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	<b><u>ASSETS</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>CURRENT ASSETS</b>			
Cash, checking		\$ 49,905	\$ 2,770
Cash, interest bearing		25,757	71,633
Cash, capital fund		32,052	21,446
Accounts receivable		1,563	220
Prepaid insurance		<u>270</u>	<u>176</u>
Total current assets		<u>109,547</u>	<u>96,245</u>
<b>FACILITIES AND EQUIPMENT</b>			
Recreational facilities		184,457	184,457
Recreational equipment		2,142	2,142
Water well		<u>67,146</u>	<u>67,146</u>
		253,745	253,745
Less accumulated depreciation		<u>253,745</u>	<u>253,745</u>
		-	-
		<u>\$109,547</u>	<u>\$ 96,245</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 3,995	\$ 1,510
Unearned assessments		<u>60,060</u>	<u>72,252</u>
Total current liabilities		<u>64,055</u>	<u>73,762</u>
<b>FUND BALANCE</b>			
		<u>45,492</u>	<u>22,483</u>
		<u>\$109,547</u>	<u>\$ 96,245</u>

See accountants' compilation report  
See notes to financial statements

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCE  
YEAR ENDED FEBRUARY 28, 2006 AND  
TWO MONTHS ENDED FEBRUARY 28, 2005**

	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>		
Membership assessment	\$159,159	\$ -
Capital fund special assessment	32,175	-
Investment income	1,685	93
Miscellaneous income	50	-
<b>Total Revenues</b>	<u>193,069</u>	<u>93</u>
<b>OPERATING EXPENSES</b>		
Administrative:		
Insurance	2,065	352
Legal and accounting	7,296	302
Newsletter	349	-
Office operations	1,076	109
Other	4,412	34
<b>Total Administrative</b>	<u>15,198</u>	<u>797</u>
Landscape:		
Maintenance contract	93,840	17,906
Repairs and maintenance	35,194	17,965
Water systems	8,455	11
<b>Total Landscape</b>	<u>137,489</u>	<u>35,882</u>
Recreational Center:		
Other	302	-
Pool operations	8,348	-
Repairs and maintenance	1,594	374
Utilities	7,129	376
<b>Total Recreational Center</b>	<u>17,373</u>	<u>750</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>170,060</u>	<u>37,429</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	23,009	(37,336)
<b>FUND BALANCE, BEGINNING OF PERIOD</b>	<u>22,483</u>	<u>59,819</u>
<b>FUND BALANCE, END OF PERIOD</b>	<u>\$ 45,492</u>	<u>\$ 22,483</u>

See accountants' compilation report  
See notes to financial statements

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEAR ENDED FEBRUARY 28, 2006 AND  
TWO MONTHS ENDED FEBRUARY 28, 2005**

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	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 23,009	\$ (37,336)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:		
(Increase) decrease in prepaid insurance	(94)	352
Increase in accounts receivable	(1,343)	-
Increase in accounts payable	2,485	-
Increase (decrease) in unearned assessments	<u>(12,192)</u>	<u>72,252</u>
Net cash provided by operating activities	<u>11,865</u>	<u>35,268</u>
<b>NET CASH INCREASE</b>	11,865	35,268
CASH, BEGINNING OF PERIOD	<u>95,849</u>	<u>60,581</u>
CASH, END OF PERIOD	<u>\$107,714</u>	<u>\$ 95,849</u>

See accountants' compilation report  
See notes to financial statements

## ARRANMORE HOMEOWNERS' ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED FEBRUARY 28, 2006 AND TWO MONTHS ENDED FEBRUARY 28, 2005

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#### 1. Summary of Significant Accounting Policies

##### **Organization**

The Arranmore Homeowners' Association was incorporated in January 1978, under the Oregon Non-Profit Corporation Law for the purpose of maintenance, preservation and architectural control of the residents' lots and common areas within the Arranmore Project. The Association was formalized with the first general meeting held August 2, 1979.

##### **Fund Accounting**

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

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

##### **Member Assessments**

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from homeowners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. The Association considers all assessments receivable at February 28, 2006 to be fully collectible. Any excess assessments at year end are retained by the Association for use in the succeeding year.

##### **Interest Income**

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

##### **Management 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.

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2006 AND  
TWO MONTHS ENDED FEBRUARY 28, 2005**

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**1. Summary of Significant Accounting Policies (continued)**

**Facilities, Equipment and Depreciation**

Recreational equipment, pool facilities and the water well are stated at cost and are being depreciated using accelerated and straight-line methods over the estimated useful life of the related assets.

**Cash Equivalents**

For purposes of the statements of cash flows, the Association considers all investments purchased with a maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk**

Accounts receivable consist of membership fees due from homeowner members. Members are located exclusively in the Southwest Portland area.

**Donated Time and Services**

No amounts have been recognized in the accompanying financial statements for time and services donated to the Association, since amounts are not susceptible to objective measurement or valuation.

**Income Taxes**

The Association is subject to income taxes, generally on unrelated investment income, under Section 528 of the Internal Revenue Code. At February 28, 2006, the Organization estimates no income tax liability will be incurred for the current year.

**2. Capital Fund**

In 2004 the Board of Directors acknowledged the need to provide for future repairs and replacements of the Association's facilities. To accommodate this objective, the board authorized a special assessment in 2005 and 2006 of \$225 to each homeowner. These funds are to be held in a segregated account specifically for the repair and maintenance of the Association's facilities.

Following is a recap of 2006 and 2005 capital account cash transactions:

	<b><u>2006</u></b>	<b><u>2005</u></b>
Balance, beginning of period	\$ 21,447	\$ 26,537
Authorized transfer of funds from operating account	8,514	-
Member assessments	19,800	12,150
Investment income	250	16
Landscape repairs	<u>(17,959)</u>	<u>(17,256)</u>
Balance, end of period	<u>\$ 32,052</u>	<u>\$ 21,447</u>



**ARRANMORE HOMEOWNERS' ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2006 AND  
TWO MONTHS ENDED FEBRUARY 28, 2005**

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**3. Change in Accounting Year**

The Board of Directors elected to change the accounting period from a calendar year to a fiscal year beginning March 1 and ending February 28. This change resulted in an interim two-month fiscal period, from January 1, 2005 to February 28, 2005. This short year is followed by the 2006 fiscal year of March 1, 2005 to February 28, 2006.

**ARRANMORE HOMEOWNERS' ASSOCIATION**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
FEBRUARY 28, 2006**

The Association's board of directors has estimated the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated current costs to repair or replace the common property components. The Bylaws of the Association do not require funding of the estimated future replacement costs.

The following information is based on the board's estimates and presents significant components of common property.

<b><u>Components</u></b>	<b><u>Average Estimated Useful Lives (Years)</u></b>	<b><u>Estimated Remaining Useful Lives (Years)</u></b>	<b><u>Estimated Current Replacement Costs</u></b>	<b><u>Suggested Funding at February 28, 2006</u></b>
Irrigation system	50	37	\$112,000	\$ 29,120
Water well casing and pumps	10	4	15,000	9,000
Landscaping	5	2	10,000	6,000
Pool deck, spa and pumps	10	7	14,000	4,200
Recreation center building	50	38	28,500	6,840
Fencing	20	10	8,100	4,050
Pathways	10	5	<u>50,000</u>	<u>25,000</u>
			<u>\$237,600</u>	<u>\$ 84,210</u>