

**HARBOR BEND HOMEOWNERS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

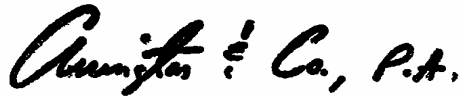
May 16, 2006

To the Board of Directors and Members  
Harbor Bend Homeowners' Association, Inc.

We have compiled the accompanying Balance Sheet of Harbor Bend Homeowners' Association, Inc. (the Association) as of December 31, 2005, and the related Statement of Revenues, Expenses and Changes in Fund Balance and Statement of Cash Flows for the year then ended, in accordance with Statements of 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 management. We have not audited or reviewed the accompanying financial statements and, accordingly, we do not express such an opinion.

The Association has not presented the supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Arrington & Co., P.A.  
Certified Public Accountants

**HARBOR BEND HOMEOWNERS' ASSOCIATION, INC.**

**BALANCE SHEET**

**DECEMBER 31, 2005**

<b>ASSETS</b>	<b><u>Operating Fund</u></b>	<b><u>Replacement Fund</u></b>	<b><u>Total</u></b>
Cash, including interest-bearing deposits	\$ 14,173	\$ 454	\$ 14,627
Member assessments receivable	2,128	-	2,128
Deposits	<u>375</u>	<u>-</u>	<u>375</u>
	<u>\$ 16,676</u>	<u>\$ 454</u>	<u>\$ 17,130</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Prepaid member assessments	\$ 5,245	\$ -	\$ 5,245
Fund balance	<u>11,431</u>	<u>454</u>	<u>11,885</u>
	<u>\$ 16,676</u>	<u>\$ 454</u>	<u>\$ 17,130</u>

See accompanying notes and accountant's compilation report.

**HARBOR BEND HOMEOWNERS' ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues:			
Member and special assessments	\$ 44,550	\$ -	\$ 44,550
Other income	865	-	865
	<u>45,415</u>	<u>-</u>	<u>45,415</u>
Expenses:			
Grounds and general maintenance	32,822	-	32,822
Insurance	579	-	579
Management fees	7,715	-	7,715
Other general and administrative	4,083	-	4,083
Printing and postage	615	-	615
Professional fees	600	-	600
Security	1,640	-	1,640
Utilities	5,280	-	5,280
	<u>53,334</u>	<u>-</u>	<u>53,334</u>
Deficiency of revenues over expenses	(7,919)	-	(7,919)
Fund balance, December 31, 2004	3,843	2,004	5,847
Transfer of unspent insurance proceeds	13,957	-	13,957
Transfer between funds	<u>1,550</u>	<u>(1,550)</u>	<u>-</u>
Fund balance, December 31, 2005	<u>\$ 11,431</u>	<u>\$ 454</u>	<u>\$ 11,885</u>

See accompanying notes and accountant's compilation report.

**HARBOR BEND HOMEOWNERS' ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Deficiency of revenues over expenses	<u>\$ (7,919)</u>	<u>\$ -</u>	<u>\$ (7,919)</u>
<b>Adjustments to reconcile deficiency of revenues over expenses to net cash used in operating activities:</b>			
Transfer between funds	1,550	(1,550)	-
Increase in member assessments receivable	(979)	-	(979)
Decrease in prepaid expenses	721	-	721
Increase in deposits	(68)	-	(68)
Increase in prepaid member assessments	<u>3,835</u>	<u>-</u>	<u>3,835</u>
Total adjustments	<u>5,059</u>	<u>(1,550)</u>	<u>3,509</u>
Net decrease in cash	(2,860)	(1,550)	(4,410)
Cash at beginning of year	<u>17,033</u>	<u>2,004</u>	<u>19,037</u>
Cash at end of year	<u>\$ 14,173</u>	<u>\$ 454</u>	<u>\$ 14,627</u>

See accompanying notes and accountant's compilation report.

**HARBOR BEND HOMEOWNERS' ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

**A. ORGANIZATION**

Harbor Bend Homeowners' Association, Inc. is incorporated as a not-for-profit corporation in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Orange County, Florida and consists of 162 residential units.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Fund Accounting

The Association's 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 the principles of fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - The operating fund is used to account for the day-to-day activities of the Association, including the general management and upkeep of the common property.

Replacement Fund - The replacement fund is used to account for monies accumulated to fund capital expenditures and maintenance, repair and replacement of property.

2. Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Member assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

3. Income Taxes

The Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2005, the Association elected to be taxed as a homeowners' association. Under this election, the Association is generally exempt from taxation on membership and is taxed only on nonmembership income items, such as interest earnings.

**HARBOR BEND HOMEOWNERS' ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4. Real and Common Area Property

Real and common area property acquired by the original homeowners from the developer is not capitalized on the Association's financial statements, since it is owned by the individual owners in common and not by the Association. As a result, improvements to the real property and common areas are expensed as incurred.

5. 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.

6. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less.

7. Allocation of Revenues and Expenses to Owners

Revenue and expenses are allocated equally among all of the owners within the Association.

**C. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. The funds are segregated and held primarily in interest-bearing accounts. The Association's Board of Directors has estimated the remaining useful lives and replacement costs of common property components.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on current estimates of replacements 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 to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**HARBOR BEND HOMEOWNERS' ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

**C. FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)**

Member's equity designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows:

<u>Components</u>	<u>Balance 1/1/05</u>	<u>Fund Transfers-out</u>	<u>Major Repairs/ Replacements</u>	<u>Balance 12/31/05</u>
Contingency	<u>\$ 2,004</u>	<u>\$ (1,550)</u>	<u>\$ -</u>	<u>\$ 454</u>