

ARBOR VILLAGE HOMEOWNERS ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

BOPP & BOPP

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Arbor Village Homeowners Association
Banks, Oregon

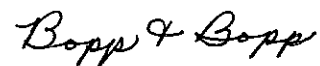
We have reviewed the accompanying statement of assets and fund balances arising from the cash basis of Arbor Village Homeowners Association as of December 31, 2008, and the related statements of revenues, expenses paid, and changes in fund balances-cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Arbor Village Homeowners Association.

A review consists principally of inquiries of association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting as described in Note B.

The supplementary information about future repairs and replacements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management of Arbor Village Homeowners Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

March 26, 2009



Bopp & Bopp

ARBOR VILLAGE HOMEOWNERS ASSOCIATION
STATEMENT OF ASSETS AND FUND BALANCES
CASH BASIS
DECEMBER 31, 2008

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Total</u>	
<u>ASSETS</u>			
Current assets			
Cash, including interest- bearing deposits	\$ <u>57,954</u>	\$ <u>10,533</u>	\$ <u>68,487</u>
<u>FUND BALANCES</u>	\$ <u>57,954</u>	\$ <u>10,533</u>	\$ <u>68,487</u>

See accountants' review report and
accompanying notes to financial statements.

ARBOR VILLAGE HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES PAID,
AND CHANGES IN FUND BALANCES
CASH BASIS
YEAR ENDED DECEMBER 31, 2008

	<u>Operating</u> Fund	<u>Replacement</u> Fund	<u>Total</u>
Revenue			
Assessment	\$ 122,149	\$ 6,860	\$ 129,009
Rental income	1,000		1,000
Interest income	29	151	180
Late fees	<u>1,355</u>		<u>1,355</u>
	<u>124,533</u>	<u>7,011</u>	<u>131,544</u>
Expenses			
Landscaping contract	56,232		56,232
Landscaping other	4,811		4,811
Water	26,297		26,297
Management	15,410		15,410
Maintenance and repair	1,338	12,725	14,063
Professional fees	4,793		4,793
Office expense	4,479		4,479
Insurance	3,775		3,775
Utilities	583		583
Newsletters	434		434
Meetings	361		361
Website and domain	240		240
Income tax	<u>10</u>		<u>10</u>
	<u>118,763</u>	<u>12,725</u>	<u>131,488</u>
Excess of revenue (expenses) over expenses (revenue)	5,770	(5,714)	56
Fund balance, beginning of period	<u>52,184</u>	<u>16,247</u>	<u>68,431</u>
Fund balance, end of period	\$ <u>57,954</u>	\$ <u>10,533</u>	\$ <u>68,487</u>

See accountants' review report and
accompanying notes to financial statements.

ARBOR VILLAGE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE A - ORGANIZATION

The Association is a planned community organized as a Oregon nonprofit corporation, for the purposes of operating and maintaining the common property of Arbor Village Homeowners Association. The Association began its operations in January 1997. Arbor Village Homeowners Association consists of 251 lots for attached and detached single family residences, easements, wetlands and an array of common areas in Banks, Oregon.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines to 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 propose:

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

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

Basis of Accounting

The financial statements of Arbor Village Homeowners Association have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the obligations are incurred.

Assessment - Members

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, and major repairs and replacements. Any excess assessments at year end are retained by the Association for use in the succeeding year.

ARBOR VILLAGE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

Condominiums associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2008 the Association was taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30% by the federal and 6.6% by the state. Exempt function income, which consists primarily of member assessments, is not taxable.

Common elements, improvements, and equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$10,533 at December 31, 2008, are held in separate accounts and are generally not available for operating purposes.

The Association engaged an outside consulting firm to update the current reserve study in 2008 to estimate the remaining useful lives and replacement costs of the common property components. The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously designated for future repairs and replacements. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements 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.

SUPPLEMENTARY INFORMATION

ARBOR VILLAGE HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (COMPILED)
 DECEMBER 31, 2008

The Association engaged an outside consulting firm to update the current reserve study in 2008 to estimate the remaining useful lives and the replacement of costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following table is based on the study and present significant information about the components of common property

<u>Components</u>	<u>Estimated Remaining Useful Lives (years)</u>	<u>Estimated Current Replacement Costs</u>
Concrete and curbs	5	\$ 10,000
Asphalt road resurface	20	21,790
Asphalt seal and repair	0	2,973
Mailboxes	10	33,600
Picnic assets	3	6,600
Gazebo paint and repair	15	2,350
Gazebo roof	20	5,040
Vinyl fence	20	174,000
Vinyl fence clean and repair	0	4,500
Wood fence	12	34,650
Wood fence seal	0	9,240
Irrigation system repair	0	1,200
Trees remove and trim	2	2,250
Landscape refurbish	0	900
Bar refurbish	0	1,700
Watershed refurbish	0	3,000
Carriage Collection		
Asphalt road resurface	20	55,660
Asphalt road seal and repair	0	7,008
Irrigation system repair	0	3,100
Trees remove and trim	2	5,250
Landscape refurbish	0	2,100
Bark refurbish	0	6,500
		<u>\$ 393,411</u>