

COUNTRY PLACE HOMEOWNERS' ASSOCIATION, INC.

HAUGHTON, LOUISIANA

SEPTEMBER 30, 2001

COUNTRY PLACE HOMEOWNERS' ASSOCIATION, INC.

HAUGHTON, LOUISIANA

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November 5, 2001

The Board of Directors and Homeowners  
Country Place Homeowners' Association, Inc.  
Haughton, Louisiana

## Independent Auditors' Report

We have audited the accompanying balance sheet of Country Place Homeowners' Association, Inc. as of September 30, 2001, and the related statements of income, retained earnings, 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 auditing standards generally accepted in the United States of America. 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 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 Country Place Homeowners' Association, Inc. as of September 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Heard, McElroy & Vestal, L.L.P.*

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COUNTRY PLACE HOMEOWNERS' ASSOCIATION, INC.

BALANCE SHEET

SEPTEMBER 30, 2001

A S S E T S

Current assets:

Cash	1,807
Dues and assessments receivable, net of allowance for doubtful accounts of \$1,668	<u>4,747</u>
Total current assets	6,554

Fixed assets, at cost:

Land improvements	69,310
Buildings	70,797
Equipment	111,654
Furniture and fixtures	14,277
Tennis court lights	<u>5,965</u>
	272,003
Less-accumulated depreciation	<u>(185,360)</u>
Total fixed assets	<u>86,643</u>

Total assets 93,197

LIABILITIES AND HOMEOWNERS' EQUITY

Current liabilities:

Accounts payables	959
Unearned dues	<u>6,407</u>
Total current liabilities	7,366

Homeowners' equity:

Donated equity	106,259
Retained earnings (deficit)	<u>(20,428)</u>
Total homeowners' equity	<u>85,831</u>

Total liabilities and homeowners' equity 93,197

The accompanying notes are an integral part of these financial statements.

COUNTRY PLACE HOMEOWNERS' ASSOCIATION, INC.

STATEMENT OF INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2001

<u>Income:</u>	
Dues	62,324
Assessment fees	19,300
Pool parties	1,255
Pool patches	1,934
Clubhouse rentals	1,707
Soft drinks	143
Swimming lessons	595
Miscellaneous	<u>450</u>
Total income	87,708
<u>Operating expenses:</u>	
Advertising	149
Bad debts	1,171
Bank charges	171
Clubhouse	2,146
Corn	227
Depreciation	11,687
Discounts	2,420
Electricity-clubhouse	2,218
Electricity-pool	980
Electricity-security lights	1,429
Electricity-street lights	1,164
Electricity-tennis	173
Electricity-wall lights	403
Insurance	8,958
Legal and professional	11,204
Maintenance-grounds	12,035
Maintenance-lake	1,463
Maintenance-lights	574
Miscellaneous	161
Office expense	711
Pool-maintenance	609
Pool-lifeguards	4,657
Pool-supplies	2,375
Postage	1,631
Printing	813
Sanitation	180
Security	1,770
Soft drinks	268
Swimming lessons	536
Taxes and licenses	690
Telephone	687
Water	<u>1,102</u>
Total operating expenses	<u>74,762</u>
<u>Income from operations</u>	12,946
<u>Other income:</u>	
Interest	<u>61</u>
<u>Net income</u>	<u>13,007</u>

The accompanying notes are an integral part of these financial statements.

COUNTRY PLACE HOMEOWNERS' ASSOCIATION, INC.

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

<u>Balance (deficit), beginning of year</u>	(33,435)
Net income	<u>13,007</u>
<u>Balance (deficit), end of year</u>	<u>(20,428)</u>

The accompanying notes are an integral part of these financial statements.

COUNTRY PLACE HOMEOWNERS' ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

<u>Operating activities:</u>	
Net income	13,007
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	11,687
Changes in operating assets and liabilities:	
(Decrease) in dues receivable-net	(3,814)
Increase in accounts payable	959
Increase in unearned dues	<u>793</u>
Total adjustments	<u>9,625</u>
Net cash provided by operating activities	22,632
<u>Investing activities:</u>	
Purchase of equipment	(9,600)
Purchase of land improvements	(9,464)
Purchase of building improvements	(4,787)
Purchase of furniture and fixtures	<u>(300)</u>
Net cash (used) by investing activities	(24,151)
<u>Net (decrease) in cash</u>	(1,519)
<u>Cash, beginning of year</u>	<u>3,326</u>
<u>Cash, end of year</u>	<u>1,807</u>

The accompanying notes are an integral part of these financial statements.

COUNTRY PLACE HOMEOWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2001

1. Nature of Business:

The corporation is a homeowners' association located in Haughton, Louisiana which began operations September 10, 1975, and is organized under Internal Revenue Code Section 528 as a nonprofit organization.

2. Summary of Significant Accounting Policies:

- a. The accounting records are maintained on the accrual basis of accounting.
- b. Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method.

Estimated useful lives are:

Land improvements	7-20 years
Buildings:	
Buildings	30 years
Building improvements	5-7 years
Equipment:	
Equipment	5-7 years
Swimming pool	20 years
Tennis court	20 years
Furniture and fixtures	5-7 years
Tennis court improvements	7 years

Normal maintenance and repairs are charged to expense as incurred. Renewals, betterments, and major repairs that materially extend the life of equipment are capitalized and the assets replaced, if any, are retired. When capital assets are disposed of, any profit or loss after accumulated depreciation, is credited or charged to income currently.

- c. Income taxes are computed at the annual rate of 30% on the lesser of taxable nonexempt income or net income from exempt and nonexempt sources. Nonexempt income is investment income net of applicable expenses associated with producing the investment income.
- d. Allowance for uncollectible accounts is based on management's estimates of uncollectible dues that are over 180 days old.

2. Summary of Significant Accounting Policies: (Continued)

- e. For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.
  - f. The preparation of financial statements in conformity with generally accepted accounting principles requires the Association 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 statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
3. The Association has a net operating loss carryforward of \$25,460 which is available to offset future federal taxable income.

<u>Carryforward Amount</u>	<u>Year of Expiration</u>
7,835	2010
6,778	2011
3,955	2012
6,892	2014