



**mccormick
ranch**
property owners' association_____

March 12, 2007

Enclosed within this pamphlet are Financial Statements for the year 2006 as compared with like values for 2005.

Listed below are Officers and Directors of the Association along with key staff members.

OFFICERS & DIRECIORS

Pres	R.H. Crain	Mgmt., Business
V Pres	J.M. Wilson	Community Volunteer
Treas	M.J. Hart	Mgmt., Business
Sec	J.S. Draper	Mgmt., Business
	G.O. Ori	Interior Design
	P.M. D'Spain	Mgmt., Business
	N.F. Pratt	Electrical Engineer
	F.A. Luft	Real Estate Business
	J.D. Myers	Mgmt., Business

STAFF MEMBERS

Garth E. Saager	- Executive Director
Jaime Uhrich	- Assistant Executive Director
David Reid	- Director of Maintenance
Rosemary Foster	- Director of Regulations
Chris Campbell	- Regulations Coordinator/AP Clerk

Sincerely,

RICHARD H. CRAIN
President

MCCORMICK RANCH PROPERTY OWNERS' ASSOCIATION, INC.

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
McCormick Ranch Property
Owners' Association, Inc.

We have audited the accompanying balance sheets of McCormick Ranch Property Owners' Association, Inc., (a nonprofit corporation), as of December 31, 2006 and 2005, and the related statements of operations, fund balance and cash flows for the years 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 audits.

We conducted our audits 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 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 audits provide 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 the Association as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anderson, Church & Co.

March 5, 2007

McCORMICK RANCH
PROPERTY OWNERS' ASSOCIATION, INC.
(A Nonprofit Corporation)

BALANCE SHEETS, DECEMBER 31, 2006 AND 2005

	2006	2005
<u>A S S E T S</u>		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$1,384,892	\$1,416,131
Members' assessments receivable (Note 3)	55,107	74,119
Investments (Note 8)	986,274	784,883
Prepaid expenses	8,511	8,265
Total current assets	<u>2,434,784</u>	<u>2,283,398</u>
PROPERTY AND EQUIPMENT -		
At cost (Note 2):		
Land	323,990	323,990
Land improvements	782,500	744,196
Building	278,476	278,476
Machinery and equip.	677,608	671,564
Office furn. & fixtures	145,865	133,882
Total	2,208,439	2,152,108
Less accum. depr.	<u>1,516,605</u>	<u>1,466,047</u>
Total property - net	<u>691,834</u>	<u>686,061</u>
TOTAL	<u>\$3,126,618</u>	<u>\$2,969,459</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES:		
Accounts payable -		
Trade	\$ 88,266	\$ 60,380
Accrued liab. & other	166,286	145,937
Members' assessments received in advance	31,676	39,225
Total current liabilities	<u>286,228</u>	<u>245,542</u>
FUND BALANCE:		
Contributed by developer (Note 2)	890,005	890,005
Unreserved	<u>1,950,385</u>	<u>1,833,912</u>
Total fund balance	<u>2,840,390</u>	<u>2,723,917</u>
TOTAL	<u>\$3,126,618</u>	<u>\$2,969,459</u>

See Accompanying Notes and Auditor's Report.

McCORMICK RANCH
PROPERTY OWNERS' ASSOCIATION, INC.
(A Nonprofit Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
INCREASE (DECREASE) IN CASH

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING		
ACTIVITIES:		
Excess (deficiency) of revenues	\$ 116,473	\$ 205,481
Adjustment to reconcile excess revenues to net cash provided by operating activities:		
Gain (loss) on sale of fixed assets		1,547
Unrealized gain (loss) on investments	1,537	12,010
Depreciation	81,857	69,926
Net changes in:		
Assessments receivable	19,012	(41,868)
Prepaid expenses	(246)	3,308
Accounts payable	27,886	22,503
Accrued liabilities	20,349	17,930
Members assessments paid in advance	<u>(7,549)</u>	<u>(10,695)</u>
Net cash provided by operating activities	<u>259,319</u>	<u>280,142</u>
CASH FLOWS FROM INVESTING		
ACTIVITIES:		
Purchase of investments	(202,928)	(796,893)
Purchase of property and equipment	(87,630)	(116,605)
Proceeds from sale of fixed assets		<u>7,800</u>
Net cash used by investing activities	<u>(290,558)</u>	<u>(905,698)</u>
NET INCREASE (DECREASE) IN CASH	(31,239)	(625,556)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,416,131</u>	<u>2,041,687</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$1,384,892</u>	<u>\$1,416,131</u>

See Accompanying Notes and Auditor's Report.

McCORMICK RANCH
PROPERTY OWNERS' ASSOCIATION, INC.
(A Nonprofit Corporation)

STATEMENTS OF OPERATIONS AND FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
REVENUES:		
Members' assessments	\$2,464,629	\$2,382,673
Interest income	101,300	79,484
Other	<u>301,476</u>	<u>354,780</u>
Total revenues	<u>2,867,405</u>	<u>2,816,937</u>
EXPENSES:		
Payroll and related exp.	1,546,233	1,478,568
Transportation	61,552	50,560
Other supplies	73,250	88,412
Water	298,117	286,821
Electricity	67,180	53,396
Professional services	84,563	69,742
Repairs & maintenance	385,130	363,428
Insurance	88,157	75,677
Lake maintenance	32,685	33,036
Property taxes	1,194	1,372
Rent	2,106	81
Other	<u>27,371</u>	<u>26,880</u>
Total expenses	<u>2,667,538</u>	<u>2,527,973</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE GAIN ON SALE OF FIXED ASSETS AND DEPRECIATION		
	199,867	288,964
Gain (loss) on sale of fixed assets		(1,547)
Unrealized gain (loss) on investments	(1,537)	(12,010)
Depreciation (Note 2)	<u>(81,857)</u>	<u>(69,926)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES		
	116,473	205,481
FUND BALANCE, BEGINNING OF YEAR		
	<u>2,723,917</u>	<u>2,518,436</u>
FUND BALANCE, END OF YEAR		
	<u>\$2,840,390</u>	<u>\$2,723,917</u>

See Accompanying Notes and Auditor's Report.

McCORMICK RANCH
PROPERTY OWNERS' ASSOCIATION, NC.
(A Nonprofit Organization)

1. ORGANIZATION OF THE ASSOCIATION

The Association was incorporated under the laws of the State of Arizona as a nonprofit corporation on September 21, 1972, to provide for orderly development, maintenance, preservation and architectural control of owners' property and common area within the 4236 acre McCormick Ranch development located in Scottsdale, Arizona.

McCormick Ranch owners of assessable property are members of the Association. Under the Declaration of Covenants (as amended) and the Association By-Laws, the owners of the assessable property are required to make certain annual payments, and nonmembers are required to pay special use fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) Property and equipment - Land and land improvements that were contributed to the Association by the developer are recorded at the developer's cost or estimated fair market value, as of the transfer date. Depreciation is provided using the straight-line method over the estimated useful lives of the property. Depreciation expense for the years ended December 31, 2006 and 2005 was \$81,857 and \$69,926, respectively.
- b) 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 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.
- c) Cash equivalents - Cash equivalents for purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- d) Accumulated unpaid time off - Paid time off pay and other benefits are accrued when earned. Upon termination employees are paid the unused paid time off pay at current pay rates.

3. ACCOUNTS RECEIVABLE

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are considered delinquent. It is the opinion of the board of directors that the Association will ultimately collect from homeowners whose assessments are delinquent, and, accordingly, no allowance for uncollectible accounts is deemed necessary.

4. REPLACEMENT RESERVES

The Association has estimated the remaining lives and methods of funding future repairs, replacement or additions to existing facilities, which the Association is obligated to maintain.

Actual expenditures may vary from the estimated future expenditures and the variations may be material. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

5. PENSION PLAN

The Association's plan was amended to cover all full-time employees over 21 years old who have completed one year of employment, in order to comply with changes in federal regulations. The Board of Directors determines the annual contribution, which currently is 5% of the members' compensation for 2006. Total pension expense for 2006 and 2005 was \$54,987 and \$49,861, respectively.

	<u>2006</u>	<u>2005</u>
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Total plan assets at

12/31	<u>\$1,201,689</u>	<u>\$1,067,117</u>
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6. CONCENTRATION OF CREDIT RISK

The Association maintains their cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2006, the Association did not exceed the insured limit.

7. INCOME TAXES

The Association is exempt from Federal and state income taxes as prescribed under §501(c) (4) of the Internal Revenue Code and the Arizona Revised Statutes.

8. INVESTMENTS

The Association accounts for investments under SFAS No. 124, Accounting of Certain Investments Held by Not-for-Profit Organizations. Under SFAS No. 124, the Association is required to report investments in equity securities that have readily determinable fair value, and all investments in debt securities, at fair value.

9. OPERATING LEASE

The Association leases a copy machine under an operating lease. The copy machine lease payments are \$699 per month for three years, beginning November 2006. Rental expense for the year ended December 31, 2006 was \$704.

The Association's commitment over the next five years is as follows:

<u>Year Ended</u>	<u>Amount</u>
<u>December 31</u>	
2007	\$ 8,388
2008	8,388
2009	6,990
Thereafter	<u>-</u>
Total	<u>\$23,766</u>
