

THE M.P.R. HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

(WITH INDEPENDENT AUDITOR'S REPORT)

AS OF

DECEMBER 31, 2008

AND FOR THE YEAR THEN ENDED

THE M.P.R. HOMEOWNERS ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The M.P.R. Homeowners Association
Phoenix, Arizona

We have audited the accompanying balance sheet of The M.P.R. Homeowners Association as of December 31, 2008, and the related statements of revenues and expenses and changes in fund balances 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of The M.P.R. Homeowners Association as of December 31, 2008, and its revenues, expenses, changes in fund balances and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Butler, Jones & Hansen, P.C.

Mesa, Arizona
February 27, 2009

**THE M.P.R. HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2008**

	<u>Operating Funds</u>			Reserve Replacement Fund	Total
	Operating Fund	Special Designations Fund	Capital Fund		
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 370,875	\$ -	\$ -	\$ 205,834	\$ 576,709
Accounts Receivable, net of allowance of \$38,211	32,593	-	-	-	32,593
Interest Receivable	9,396	-	-	25,087	34,483
Prepaid Expenses	31,105	-	-	-	31,105
Interfund Balances	(40,551)	-	-	40,551	-
Short-Term Investments	750,000	-	-	1,789,090	2,539,090
Total Current Assets	<u>1,153,418</u>	<u>-</u>	<u>-</u>	<u>2,060,562</u>	<u>3,213,980</u>
PROPERTY AND EQUIPMENT					
Property and Equipment	-	-	2,852,037	-	2,852,037
Less: Accumulated Depreciation	-	-	1,746,889	-	1,746,889
Net Property and Equipment	<u>-</u>	<u>-</u>	<u>1,105,148</u>	<u>-</u>	<u>1,105,148</u>
OTHER ASSETS					
Long-Term Investments	190,000	-	-	258,617	448,617
Utility Deposits	2,000	-	-	-	2,000
Total Other Assets	<u>192,000</u>	<u>-</u>	<u>-</u>	<u>258,617</u>	<u>450,617</u>
TOTAL ASSETS	<u>\$ 1,345,418</u>	<u>\$ -</u>	<u>\$ 1,105,148</u>	<u>\$ 2,319,179</u>	<u>\$ 4,769,745</u>
LIABILITIES & FUND BALANCES					
CURRENT LIABILITIES					
Accounts Payable	\$ 25,001	\$ -	\$ -	\$ -	\$ 25,001
Accrued Payroll Expenses	23,240	-	-	-	23,240
Income Taxes Payable	6,709	-	-	-	6,709
Prepaid Owner Assessments	536,268	-	-	-	536,268
Total Current Liabilities	<u>591,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,218</u>
FUND BALANCES					
Total Fund Balances	<u>754,200</u>	<u>-</u>	<u>1,105,148</u>	<u>2,319,179</u>	<u>4,178,527</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,345,418</u>	<u>\$ -</u>	<u>\$ 1,105,148</u>	<u>\$ 2,319,179</u>	<u>\$ 4,769,745</u>

See accompanying notes to the financial statements.

**THE M.P.R. HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Operating Funds</u>			<u>Reserve Replacement Fund</u>	<u>Total</u>
	<u>Operating Fund</u>	<u>Special Designations Fund</u>	<u>Capital Fund</u>		
REVENUES					
Homeowner Assessments	\$ 1,601,490	\$ -	\$ -	\$ -	\$ 1,601,490
Commercial Assessments	329,406	-	-	-	329,406
Developer Assessments	794	-	-	-	794
Service, Transfer, & Other Fees	166,025	-	-	-	166,025
Easement Income	30,400	-	-	-	30,400
Investment Income	51,253	-	-	92,212	143,465
Total Revenues	<u>2,179,368</u>	<u>-</u>	<u>-</u>	<u>92,212</u>	<u>2,271,580</u>
EXPENSES					
Operating	1,287,661	-	-	-	1,287,661
Administrative	621,025	-	-	238	621,263
Depreciation	-	-	105,925	-	105,925
Loss on Sale of Fixed Assets	-	-	291	-	291
Designated Unrestricted Expenditures	-	21,950	-	-	21,950
Major Repairs and Replacements	-	-	-	359,512	359,512
Total Expenses	<u>1,908,686</u>	<u>21,950</u>	<u>106,216</u>	<u>359,750</u>	<u>2,396,602</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	270,682	(21,950)	(106,216)	(267,538)	(125,022)
FUND BALANCES, Beginning of Year	823,268	-	1,209,864	2,270,417	4,303,549
FUND BALANCES TRANSFERS					
Capitalized Fixed Asset Transfers	-	-	1,500	(1,500)	-
Allocation to Reserves	(317,800)	-	-	317,800	-
Special Designated Expenditures	(21,950)	21,950	-	-	-
FUND BALANCES, End of Year	<u>\$ 754,200</u>	<u>\$ -</u>	<u>\$ 1,105,148</u>	<u>\$ 2,319,179</u>	<u>\$ 4,178,527</u>

See accompanying notes to the financial statements.

**THE M.P.R. HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Operating Funds</u>				<u>Total</u>
	<u>Operating Fund</u>	<u>Special Designations Fund</u>	<u>Capital Fund</u>	<u>Reserve Replacement Fund</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Excess (Deficit) of Revenues Over Expenses	\$ 270,682	\$ (21,950)	\$ (106,216)	\$ (267,538)	\$ (125,022)
Adjustments to Reconcile Excess (Deficit) of Revenues Over Expenses to Cash Provided (Used) by Operating Activities:					
Depreciation	-	-	105,925	-	105,925
Bad Debt Expense/Change in Allowance	15,873	-	-	-	15,873
Loss on Sale of Fixed Assets	-	-	291	-	291
(Increase)/Decrease In:					
Accounts Receivable	(14,574)	-	-	-	(14,574)
Interest Receivable	(3,592)	-	-	(3,653)	(7,245)
Prepaid Expenses	(1,348)	-	-	-	(1,348)
Increase/(Decrease) In:					
Accounts Payable	(11,113)	-	-	-	(11,113)
Accrued Payroll Expenses	(9,485)	-	-	-	(9,485)
Income Taxes Payable	(1,170)	-	-	-	(1,170)
Prepaid Owner Assessments	109,088	-	-	-	109,088
Net Cash Provided (Used) by Operating Activities	<u>354,361</u>	<u>(21,950)</u>	<u>-</u>	<u>(271,191)</u>	<u>61,220</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Purchases of Investments	(1,169,712)	-	-	(1,634,767)	(2,804,479)
Proceeds from Maturities of Investments	1,277,417	-	-	1,635,843	2,913,260
Purchase of Property & Equipment	-	-	(1,500)	-	(1,500)
Net Cash Provided (Used) by Investing Activities	<u>107,705</u>	<u>-</u>	<u>(1,500)</u>	<u>1,076</u>	<u>107,281</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Capitalized Fixed Asset Transfers	-	-	1,500	(1,500)	-
Allocation to Reserves	(317,800)	-	-	317,800	-
Special Designated Expenditures	(21,950)	21,950	-	-	-
Adjustments to Reconcile Fund Transfers to Cash Provided (Used) by Financing Activities					
Interfund Borrowing, Net	40,551	-	-	(40,551)	-
Net Cash Provided (Used) by Financing Activities	<u>(299,199)</u>	<u>21,950</u>	<u>1,500</u>	<u>275,749</u>	<u>-</u>
NET INCREASE IN CASH	162,867	-	-	5,634	168,501
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	208,008	-	-	200,200	408,208
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 370,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,834</u>	<u>\$ 576,709</u>
<u>SUPPLEMENTARY INFORMATION</u>					
Income Taxes Paid	\$ 39,307				
Interest Expense	\$ -				

See accompanying notes to the financial statements.

THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - NATURE OF THE ORGANIZATION

The M.P.R. Homeowners Association is a nonprofit homeowner association incorporated on June 28, 1984. The Association provides for the operation, maintenance and preservation of facilities, property and common areas within a residential development. The Association is managed by paid staff with oversight and policy making conducted by the Board of Directors. The Board of Directors also approves and implements an annual financial budget from which the Association operates. Each year the actual operating results are compared to budgeted amounts. At December 31, 2008, the Association consisted of 5,817 residential lots, 39 commercial lots, and 4 apartment complexes on approximately 2,700 acres in the city of Phoenix, Arizona.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 using the following funds established according to their nature and purpose:

Operating Fund

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

Capital Fund

The Capital Fund is used to account for financial transactions for the common property and equipment owned by the Association for the benefit of all members.

Other Funds

The Association also maintains a Reserve Replacement Fund and a Special Designations Fund. The Reserve Replacement Fund is used to account for the accumulation of funds for future major repairs and replacements. The Special Designations fund is used to account for Operating fund balances designated for special expenditures.

Member Assessments

Association members are subject to assessments used to provide funds for operating expenses and major repairs and future replacements. For the year ended December 31, 2008, annual assessments were designated for operating expenses and funding for future major repairs and replacements. Annual assessments for the Association's 7,008 billable units for the year ended December 31, 2008, included: residential assessments of \$276 per unit billed semi-annually in the amount of \$138; undeveloped lot assessments which are billed at 25% of the residential assessment rate on a semi-annual basis; commercial assessments of \$276 per unit, based on acreage, billed on a monthly basis (1,196 billable units at December 31, 2008); and apartment complex assessments of \$276 per unit billed monthly in the amount of \$23. Any excess assessments at year-end are retained by the Association for use in future years.

Property and Equipment

The Association capitalizes all common property additions, replacements, and equipment to which it has title or other evidence of ownership with a cost basis of \$1,000 or more with the exception of certain real property. Common real property not capitalized consists of land, landscape, and landscape rights-of-way. Property and equipment is recorded at cost and depreciated utilizing the straight line method over the estimated useful lives of the property, which generally range from 5 to 40 years.

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements, in accordance 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For statement of cash flow purposes, the Association considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit with original maturity dates of 90 days or less as cash and cash equivalents.

Investments

Certificates of deposit with original maturity dates greater than 90 days that mature in less than one year are classified as short-term investments. Investments with remaining maturity dates exceeding one year are classified as long-term investments.

Common Property

Certain land areas contributed by the developer upon completion of the project, at no cost to the Association, are not reflected in the financial statements. The contributed areas consist of certain parcels of land, landscape, and landscape rights-of-way which can not be sold or subdivided unless the Board and seventy-five percent of the members agree to a dedication or transfer of such property to a public agency, authority, or utility.

Fair Value of Financial Instruments

Unless otherwise indicated, fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

NOTE 3 - RECEIVABLES

Interest receivable totaled \$34,483 for the year ended December 31, 2008. Accounts Receivable at December 31, 2008, represents assessments due, late fees charged on overdue accounts, and other fees levied by the Association. At December 31, 2008, gross accounts receivable was \$70,804, the allowance for doubtful accounts was \$38,211, and the net accounts receivable balance was \$32,593. Gross Accounts Receivable greater than 90 days past due at December 31, 2008 totaled \$50,347. The Association's assessments receivable are secured via the real property assessed and every reasonable effort is applied in attempting to collect receivables. However, some receivables have historically proven to be uncollectible. The Association may bring legal action against owners obligated to pay, or foreclose on the property as it deems necessary, to collect assessments receivable.

NOTE 4 - INVESTMENTS

The Association's investments consist of certificates of deposit with maturity dates ranging from January 2008 through December 2010 and interest rates ranging from 1.65% to 5.30%. The carrying value, which approximates both cost and fair value of investments, at December 31, 2008, was as follows:

Short-term: (31) Certificates of Deposit maturing in 2009	\$ 2,539,090
Long-term: (7) Certificates of Deposit maturing through June 2010	448,617
	<u>\$ 2,987,707</u>

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 - PROPERTY AND EQUIPMENT

Depreciation expense for 2008 was \$105,925. Property and equipment, as of December 31, 2008, consisted of the following:

Land	\$ 240,000
Recreation Centers (3)	1,538,352
Lakes (4)	300,000
Entry Monuments	477,626
Recreation Furniture & Fixtures	67,621
Vehicles	36,902
Machinery and Equipment	14,772
Infrastructure Major Repairs & Replacements	111,733
Office Furniture and Equipment	47,630
Software	2,490
Leasehold Improvements	<u>14,911</u>
	2,852,037
Less: Accumulated Depreciation	<u>(1,746,889)</u>
Net Book Value	<u>\$ 1,105,148</u>

NOTE 6 - INCOME TAXES

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2008. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

For federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files Form 1120, which has graduated effective tax rates of 15% to 39% that are applied to net taxable income.

For state income tax purposes, the Association is also taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses. Any net membership income is not subject to taxation. The tax rate that is applied to net taxable income is 6.98%. The Association's tax liability for the year ended December 31, 2008, was \$37,309, comprised of federal and state income tax expense of \$28,571 and \$8,738, respectively. In the year ended December 31, 2008, the Association also incurred \$828 in additional tax expense related to prior year federal and state income tax obligations.

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 7 - FUTURE MAJOR REPAIRS AND REPLACEMENT COSTS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements. Accumulated reserve replacement funds are generally not available for operating purposes.

The Board of Directors engaged an independent engineering firm, which conducted a full reserve study dated May 30, 2006, to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for 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 accumulated in the replacement fund. The balance of funds for future major repairs and replacements aggregated to approximately \$2,319,179 at December 31, 2008.

Using the 2006 study present values, the reserve replacement fund balance of \$2,319,179 at December 31, 2008, approximates 21% of the estimated fully funded balance of the 30 year costs of \$11,056,242 and 107% of the recommended funded balance at December 31, 2008, of \$2,161,040. Actual expenditures, however, may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve 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, levy special assessments, subject to member approval, or delay major repair and replacements until funds are available.

NOTE 8 - FUND BALANCE TRANSFERS

During 2008, the Association transferred \$317,800 from the Operating Fund to the Reserve Replacement Fund and \$21,950 from the Operating Fund to the Special Designated Expenditures Fund. The Capital Fund, maintained by the Association, accounts for the purchases and disposal of property and equipment capitalized by the Association. During the year ended December 31, 2008, the Association purchased \$1,500 of capitalized fixed assets with \$1,500 of reserve funds. The value of these assets was transferred to the Capital Fund for future accounting purposes.

NOTE 9 - OPERATING LEASE COMMITMENT

The Association leases office space under an operating lease expiring in 2011. Rent expense for the office space, for the year ended December 31, 2008, was \$29,616. Minimum future lease payments under the noncancellable operating lease are as follows:

<u>Years Ending December 31,</u>	
2009	\$ 26,700
2010	27,450
2011	<u>28,200</u>
Total minimum future rental payments	<u>\$ 82,350</u>

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The financial instruments that potentially subject the Association to credit risk consist principally of cash deposits in bank accounts, investments and assessments receivable. In the event that the property owners did not comply with the terms of the Covenants, Conditions and Restrictions, and collection efforts by the Association were unsuccessful, the Association could incur a loss equal to the amount due. The Association has net member assessments receivable at December 31, 2008, totaling \$32,593, which are subject to a significant concentration of risk given that the revenue is received primarily within a small geographic area that can be adversely impacted by similar economic conditions.

The Association holds its cash and cash equivalents and investments with several financial institutions. Checking and savings accounts with banks are secured by Federal Deposit Insurance Corporation (FDIC) coverage up to \$250,000 at each bank. One institution also provides additional insurance coverage under the Transaction Account Guarantee Program (TAGP), which covers all interest-bearing and noninterest-bearing accounts. Brokerage accounts at two financial institutions provide that investments are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC). Both of these institutions also provide supplemental SIPC-like insurance with Lloyds' of London Syndicate with additional coverage up to \$149.5 million, including up to \$900,000 in cash.

At December 31, 2008, the Association had \$3,043,831 in deposits covered by FDIC, \$135,461 in deposits covered by TAGP, \$200,000 in funds covered by SIPC, \$218,059 in funds covered by supplemental Lloyd's of London Syndicate programs, and \$200 in petty cash with no insurance coverage.

NOTE 11 – EASEMENT INCOME

During the year ended December 31, 2008, the Association received \$30,400 in proceeds from the City of Phoenix for a Permanent Drainage Easement and Temporary Construction Easement for the improvement of a water tank on Association property.

SUPPLEMENTARY INFORMATION

Butler, Jones & Hansen, P.C.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
The M.P.R. Homeowners Association
Phoenix, Arizona

Our report, dated February 27, 2009, on our audit of the basic financial statements of The M.P.R. Homeowners Association appears on page 1. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the schedules of revenues, expenses, and changes in fund balances for the year ended December 31, 2008, appearing on pages 11 through 13, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

The supplementary information on future major repairs and replacements presented on page 14 is not a required part of the basic financial statements of The M.P.R. Homeowners Association, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information as prepared by an independent company. However, we did not audit the information and express no opinion on it.

Butler, Jones & Hansen, P.C.

Mesa, Arizona
February 27, 2009

THE M.P.R. HOMEOWNERS ASSOCIATION
SUPPLEMENTARY STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Operating Funds</u>				<u>Total</u>
	<u>Operating Fund</u>	<u>Special Designations Fund</u>	<u>Capital Fund</u>	<u>Reserve Replacement Fund</u>	
REVENUES					
Homeowner Assessments	\$ 1,601,490	\$ -	\$ -	\$ -	\$ 1,601,490
Commercial Assessments	329,406	-	-	-	329,406
Undeveloped Lot Assessments	794	-	-	-	794
Late Fee Income	22,304	-	-	-	22,304
Administrative Fee Income	2,448	-	-	-	2,448
Fine Income	7,591	-	-	-	7,591
Legal Fees Reimbursement	5,893	-	-	-	5,893
Collection Cost Reimbursement	32,127	-	-	-	32,127
Recreation Keys Income	6,515	-	-	-	6,515
Escrow Fee Income	89,130	-	-	-	89,130
Miscellaneous Income	17	-	-	-	17
Easement Income	30,400	-	-	-	30,400
Investment Income	51,253	-	-	92,212	143,465
TOTAL REVENUE	2,179,368	-	-	92,212	2,271,580
EXPENSES					
GENERAL & ADMINISTRATIVE					
Administrative Wages & Salaries	255,851	-	-	-	255,851
Administrative Payroll	70,201	-	-	-	70,201
Advertising Expense	662	-	-	-	662
Assessment Collection Costs	24,761	-	-	-	24,761
Bad Debt Expense	39,000	-	-	-	39,000
Bank & Finance Charges	370	-	-	238	608
Billing Expense	4,594	-	-	-	4,594
Office Cleaning Service	1,735	-	-	-	1,735
Community Events	2,982	-	-	-	2,982
Computer Support	3,853	-	-	-	3,853
Contract Labor - Office	136	-	-	-	136
Conventions & Seminars	647	-	-	-	647
Dues & Subscriptions	834	-	-	-	834
Education & Training	3,134	-	-	-	3,134
Provision for Income Taxes	38,137	-	-	-	38,137
Insurance	47,251	-	-	-	47,251
Legal Fees - CC&R Enforcement	7,162	-	-	-	7,162
Meeting Expense	3,233	-	-	-	3,233
Office Supplies & Equipment	14,499	-	-	-	14,499
Office Telecommunications	1,584	-	-	-	1,584
Office Telephone	5,008	-	-	-	5,008
General Office Expense	874	-	-	-	874
Payroll Services	3,540	-	-	-	3,540
Permits & Licenses	76	-	-	-	76
Postage	31,100	-	-	-	31,100
Printing	3,285	-	-	-	3,285
Professional Fees	12,630	-	-	-	12,630
Rent Expense - Office	29,616	-	-	-	29,616
Storage Expense	1,950	-	-	-	1,950
Travel Expense	8,702	-	-	-	8,702
Office Utilities	2,983	-	-	-	2,983
Web Site Expense	635	-	-	-	635
Total General & Administrative	621,025	-	-	238	621,263

(CONTINUED)

See independent auditor's report on supplementary information.

**THE M.P.R. HOMEOWNERS ASSOCIATION
SUPPLEMENTARY STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Operating Funds</u>			<u>Reserve Replacement Fund</u>	<u>Total</u>
	<u>Operating Fund</u>	<u>Special Designations Fund</u>	<u>Capital Fund</u>		
COMMON AREAS					
Erosion Control	25,125	-	-	-	25,125
Fertilizer, Seed & Chemicals	25,900	-	-	-	25,900
Landscape Contract	444,876	-	-	-	444,876
Non-contract Landscape Expense	14,315	-	-	-	14,315
Pest Control	3,853	-	-	-	3,853
Plant & Tree Replacement	8,855	-	-	-	8,855
Trash Removal Fees	17,004	-	-	-	17,004
Sprinkler Parts & Repairs	19,725	-	-	-	19,725
Tree & Palm Maintenance	117,690	-	-	-	117,690
Water & Sewer - Common Areas	124,576	-	-	-	124,576
Electric - Common Areas	9,409	-	-	-	9,409
Tree Removal	14,524	-	-	-	14,524
Total Common Areas	<u>825,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>825,852</u>
RECREATION CENTERS					
Pool & Spa Chemicals	22,601	-	-	-	22,601
Pool Monitor's Wages	46,318	-	-	-	46,318
Pool Monitor Overhead	6,361	-	-	-	6,361
Pool Monitor Uniforms & Training	1,897	-	-	-	1,897
Lighting Maintenance & Repair	5,400	-	-	-	5,400
Pool & Spa Heat	55,491	-	-	-	55,491
Gate Security	5,551	-	-	-	5,551
Tennis Courts	685	-	-	-	685
Recreation Center Pay Phones	5,895	-	-	-	5,895
Pool Operator Permit Fees	1,476	-	-	-	1,476
E-Keys & Tennis Court Keys	1,108	-	-	-	1,108
Recreation Center Electricity	27,657	-	-	-	27,657
Recreation Center Water & Sewer	62,800	-	-	-	62,800
Pool Parts & Repairs	10,735	-	-	-	10,735
Building Parts & Repairs	12,132	-	-	-	12,132
Total Recreation Centers	<u>266,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,107</u>
GENERAL MAINTENANCE					
General Repairs & Maintenance	9,061	-	-	-	9,061
Maintenance Equipment Rental	47	-	-	-	47
Maintenance Supplies	7,428	-	-	-	7,428
Maintenance Payroll Overhead	28,307	-	-	-	28,307
Maintenance Wages & Salaries	86,262	-	-	-	86,262
Small Signs	595	-	-	-	595
Small Tools & Equipment	535	-	-	-	535
Special Projects	23,450	-	-	-	23,450
Telephone-Maintenance	1,736	-	-	-	1,736
Vehicle Fuel	3,314	-	-	-	3,314
Vehicle Registration	400	-	-	-	400
Common Area Security	20,030	-	-	-	20,030
Vehicle Repairs & Maintenance	801	-	-	-	801
Total General Maintenance	<u>181,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,966</u>

See independent auditor's report on supplementary information.

(CONTINUED)

THE M.P.R. HOMEOWNERS ASSOCIATION
SUPPLEMENTARY STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Operating Funds</u>			<u>Reserve Replacement Fund</u>	<u>Total</u>
	<u>Operating Fund</u>	<u>Special Designations Fund</u>	<u>Capital Fund</u>		
LAKES					
Lake Maintenance Contract	7,200	-	-	-	7,200
Lake Equipment Parts & Repairs	5,133	-	-	-	5,133
Lake Supplies	1,403	-	-	-	1,403
Total Lakes	<u>13,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,736</u>
DEPRECIATION	-	-	105,925	-	105,925
LOSS ON SALE OF FIXED ASSETS	-	-	291	-	291
SPECIAL DESIGNATIONS					
Land Wall	-	1,138	-	-	1,138
Recreation Refurbishment	-	10,000	-	-	10,000
City Wash Maintenance	-	10,000	-	-	10,000
Fountain, Trash, & Miscellaneous	-	812	-	-	812
Total Special Designations	<u>-</u>	<u>21,950</u>	<u>-</u>	<u>-</u>	<u>21,950</u>
MAJOR REPAIRS & REPLACEMENTS					
Landscape Improvements	-	-	-	177,621	177,621
Monuments	-	-	-	49,050	49,050
Common Area Trash Receptacles	-	-	-	2,825	2,825
Computers and Printers	-	-	-	1,486	1,486
Lake Pump Refurbishment	-	-	-	5,868	5,868
Recreation Center Ramada & Grounds	-	-	-	64,119	64,119
Pool Repairs	-	-	-	27,314	27,314
Playground Equipment	-	-	-	31,229	31,229
Total Major Repairs & Replacements	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,512</u>	<u>359,512</u>
TOTAL EXPENSES	<u>1,908,686</u>	<u>21,950</u>	<u>106,216</u>	<u>359,750</u>	<u>2,396,602</u>
EXCESS REVENUES (EXPENSES)	270,682	(21,950)	(106,216)	(267,538)	(125,022)
FUND BALANCES, Beginning of Year	823,268	-	1,209,864	2,270,417	4,303,549
FUND BALANCE TRANSFERS					
Capitalized Fixed Asset Transfers	-	-	1,500	(1,500)	-
Allocation to Reserves	(317,800)	-	-	317,800	-
Special Designated Expenditures	(21,950)	21,950	-	-	-
FUND BALANCES, End of Year	<u>\$ 754,200</u>	<u>\$ -</u>	<u>\$ 1,105,148</u>	<u>\$ 2,319,179</u>	<u>\$ 4,178,527</u>

See independent auditor's report on supplementary information.

**THE M.P.R. HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2008**

An independent engineering firm conducted a full reserve study dated May 30, 2006, to estimate the remaining useful lives and the replacement 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; the figures below 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 amounts reported in the reserve replacement fund are for demonstrative purposes only and were allocated based on the estimated current replacement cost. Since the Board of Directors has the discretion to expend the accumulated funds as required, the funds are not designated to the specific components.

The funding program for future major repairs and replacements is based on the above mentioned reserve study. According to that independent study, \$2,161,040 is the recommended funded reserve balance at December 31, 2008; the Association's December 31, 2008 reserve replacement fund balance of \$2,319,179 approximates 107% of that recommendation. The study also estimates that the fully funded balance, using 2006 present values, for costs over the 30 year period from that date is \$11,056,242; the Association's December 31, 2008 reserve replacement fund balance of \$2,319,179 approximates 21% of these estimated costs.

The following information is based on the study and presents significant information about the components of common property.

SUMMARY OF RESERVE STUDY				
Component	Estimated Remaining Useful Life in 2006	Estimated Current Replacement Costs at 2006	Estimated Total 30 Year Current Costs at 2006	Replacement Fund Balance at December 31, 2008
Property Site Elements	1 to 30	\$ 640,235	\$ 1,794,684	\$ 912,546
Perimeter Wall Elements	2 to 15	397,448	7,740,394	566,495
Pool and Spa Elements	5 to 19	323,199	947,329	460,665
Pool Structure Elements	2 to 27	169,835	273,835	242,071
Pond Elements	2 to 13	46,000	144,500	65,565
Office Elements	1 to 15	41,600	146,700	59,294
Reserve Study Elements	0 to 2	8,800	8,800	12,543
Total		\$ 1,627,117	\$ 11,056,242	\$ 2,319,179

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