

THE M.P.R. HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

(WITH INDEPENDENT AUDITOR'S REPORT)

AS OF

DECEMBER 31, 2009

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 (an Arizona Corporation), as of December 31, 2009, and the related statements of revenues, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2009, 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.


Mesa, Arizona
March 24, 2010

**THE M.P.R. HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2009**

	<u>Operating Funds</u>			Reserve Replacement Fund	Total
	Operating Fund	Special Designations Fund	Capital Fund		
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 132,065	\$ -	\$ -	\$ 306,914	\$ 438,979
Accounts Receivable, net of allowance of \$66,951	34,557	-	-	-	34,557
Interest Receivable	2,821	-	-	7,834	10,655
Prepaid Expenses	16,799	-	-	-	16,799
Income Tax Deposits	28,833	-	-	-	28,833
Interfund Balances	26,619	-	-	(26,619)	-
Short-Term Investments	855,000	-	-	1,566,846	2,421,846
Total Current Assets	1,096,694	-	-	1,854,975	2,951,669
PROPERTY AND EQUIPMENT					
Property and Equipment	-	-	2,852,275	-	2,852,275
Less: Accumulated Depreciation	-	-	(1,847,491)	-	(1,847,491)
Net Property and Equipment	-	-	1,004,784	-	1,004,784
OTHER ASSETS					
Long-Term Investments	175,005	-	-	487,552	662,557
Utility Deposits	2,000	-	-	-	2,000
Total Other Assets	177,005	-	-	487,552	664,557
TOTAL ASSETS	\$ 1,273,699	\$ -	\$ 1,004,784	\$ 2,342,527	\$ 4,621,010
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts Payable	\$ 30,219	\$ -	\$ -	\$ -	\$ 30,219
Accrued Payroll Expenses	26,172	-	-	-	26,172
Prepaid Owner Assessments	456,707	-	-	-	456,707
Total Current Liabilities	513,098	-	-	-	513,098
FUND BALANCES					
Total Fund Balances	760,601	-	1,004,784	2,342,527	4,107,912
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,273,699	\$ -	\$ 1,004,784	\$ 2,342,527	\$ 4,621,010

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, 2009**

	<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	\$ 1,671,984	\$ -	\$ -	\$ -	\$ 1,671,984
Commercial Assessments	342,864	-	-	-	342,864
Developer Assessments	864	-	-	-	864
Service, Transfer, & Other Fees	220,346	-	-	-	220,346
Investment Income	31,498	-	-	57,519	89,017
Total Revenues	<u>2,267,556</u>	<u>-</u>	<u>-</u>	<u>57,519</u>	<u>2,325,075</u>
EXPENSES					
Administration	662,067	-	-	50	662,117
Common Areas	820,854	-	-	-	820,854
Recreation Centers	274,175	-	-	-	274,175
General Maintenance	164,974	-	-	-	164,974
Lakes	10,077	-	-	-	10,077
Special Projects	24,465	-	-	-	24,465
Depreciation	-	-	101,883	-	101,883
Loss on Sale of Fixed Assets	-	-	320	-	320
Special Designations	-	27,143	-	-	27,143
Major Repairs & Replacements	-	-	-	309,682	309,682
Total Expenses	<u>1,956,612</u>	<u>27,143</u>	<u>102,203</u>	<u>309,732</u>	<u>2,395,690</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	310,944	(27,143)	(102,203)	(252,213)	(70,615)
FUND BALANCES, Beginning of Year	754,200	-	1,105,148	2,319,179	4,178,527
FUND BALANCES TRANSFERS					
Capitalized Fixed Asset Transfers	-	-	1,839	(1,839)	-
Allocation to Reserves	(277,400)	-	-	277,400	-
Special Designated Expenditures	(27,143)	27,143	-	-	-
Total Fund Balances Transfers	<u>(304,543)</u>	<u>27,143</u>	<u>1,839</u>	<u>275,561</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 760,601</u>	<u>\$ -</u>	<u>\$ 1,004,784</u>	<u>\$ 2,342,527</u>	<u>\$ 4,107,912</u>

See accompanying notes to the financial statements.

**THE M.P.R. HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Excess (Deficit) of Revenues Over Expenses	\$ 310,944	\$ (27,143)	\$ (102,203)	\$ (252,213)	\$ (70,615)
Adjustments to Reconcile Excess (Deficit) of Revenues Over Expenses to Cash Provided (Used) by Operating Activities:					
Depreciation	-	-	101,883	-	101,883
Bad Debt Expense/Change in Allowance	28,740	-	-	-	28,740
Loss on Sale of Fixed Assets	-	-	320	-	320
(Increase)/Decrease In:					
Accounts Receivable	(30,704)	-	-	-	(30,704)
Interest Receivable	6,575	-	-	17,253	23,828
Prepaid Expenses	14,306	-	-	-	14,306
Income Tax Deposits	(28,833)	-	-	-	(28,833)
Increase/(Decrease) In:					
Accounts Payable	5,218	-	-	-	5,218
Accrued Payroll Expenses	2,932	-	-	-	2,932
Income Taxes Payable	(6,709)	-	-	-	(6,709)
Prepaid Owner Assessments	(79,561)	-	-	-	(79,561)
Net Cash Provided (Used) by Operating Activities	<u>222,908</u>	<u>(27,143)</u>	<u>-</u>	<u>(234,960)</u>	<u>(39,195)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Proceeds from Maturities of Investments	937,348	-	-	2,015,309	2,952,657
Purchases of Investments	(1,027,353)	-	-	(2,022,000)	(3,049,353)
Purchase of Property and Equipment	-	-	(1,839)	-	(1,839)
Net Cash Provided (Used) by Investing Activities	<u>(90,005)</u>	<u>-</u>	<u>(1,839)</u>	<u>(6,691)</u>	<u>(98,535)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Capitalized Fixed Asset Transfers	-	-	1,839	(1,839)	-
Allocation to Reserves	(277,400)	-	-	277,400	-
Special Designated Expenditures	(27,143)	27,143	-	-	-
Adjustments to Reconcile Fund Transfers to Cash Provided (Used) by Financing Activities					
Interfund Borrowing, Net	(67,170)	-	-	67,170	-
Net Cash Provided (Used) by Financing Activities	<u>(371,713)</u>	<u>27,143</u>	<u>1,839</u>	<u>342,731</u>	<u>-</u>
NET INCREASE IN CASH	(238,810)	-	-	101,080	(137,730)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>370,875</u>	<u>-</u>	<u>-</u>	<u>205,834</u>	<u>576,709</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 132,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,914</u>	<u>\$ 438,979</u>
<u>SUPPLEMENTARY INFORMATION</u>					
Income Taxes Paid	\$ 44,069				
Interest Expense	\$ -				

See accompanying notes to the financial statements.

THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009, 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, 2009, 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, 2009, included: residential assessments of \$288 per unit billed semi-annually in the amount of \$144; undeveloped lot assessments, which are billed at 25% of the residential assessment rate on a semi-annual basis; commercial assessments of \$288 per unit, based on acreage, billed on a monthly basis (1,190 billable units at December 31, 2009); and apartment complex commercial assessments of \$288 per unit that are billed monthly in the amount of \$24. Any excess assessments at year-end are retained by the Association for use in future years.

Property and Equipment

The Association capitalizes all personal property to which it has title or other evidence of ownership, with a cost basis of \$2,500 or more. Real property, with a cost of \$5,000 or more, is capitalized only in the event the property is severable and saleable by the Board of Directors, without member approval, or if the property produces significant income to the Association. Depreciable 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, 2009**

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.

Date of Management's Review

Subsequent events have been evaluated through March 24, 2010, which is the date the financial statements were available to be issued.

NOTE 3 – RECEIVABLES

Interest receivable totaled \$10,655 for the year ended December 31, 2009. Accounts Receivable at December 31, 2009, represents assessments due, late fees charged on overdue accounts, and other fees levied by the Association. At December 31, 2009, gross accounts receivable was \$101,508, the allowance for doubtful accounts was \$66,951, and the net accounts receivable balance was \$34,557. At December 31, 2009, the Association had \$85,888 in gross Accounts Receivable greater than 90 days past due. The Association's assessments receivable are secured via the real property assessed; 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.

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 - INVESTMENTS

The Association's investments consist of certificates of deposit with maturity dates ranging from January 2010 through November 2012 and interest rates ranging from 1.01% to 4.28%. The carrying value, which approximates both cost and fair value of investments, at December 31, 2009, was as follows:

Short-term: (29) Certificates of Deposit maturing in 2010	\$ 2,421,846
Long-term: (7) Certificates of Deposit maturing through November 2012	<u>662,557</u>
	<u>\$ 3,084,403</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Depreciation expense for 2009 was \$101,883. Property and equipment, as of December 31, 2009, consisted of the following:

Land	\$ 240,000
Recreation Centers (3)	1,538,352
Lakes (4)	300,000
Entry Monuments	477,626
Recreation Furniture and Fixtures	67,621
Vehicles	36,902
Machinery and Equipment	14,771
Infrastructure Major Repairs and Replacements	111,972
Office Furniture and Equipment	47,630
Software	2,490
Leasehold Improvements	<u>14,911</u>
	2,852,275
Less: Accumulated Depreciation	<u>(1,847,491)</u>
Net Property and Equipment	<u>\$ 1,004,784</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, 2009. 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.

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 6 - INCOME TAXES (Continued)

For state income tax purposes, the Association is also taxed on all net income from nonmembership activities, which is 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 subject to taxation, however, the Association elected to carry any excess membership income to the following year for subsequent expenditures. The tax rate that is applied to net taxable income is 6.98%. The Association's estimated tax liability for the year ended December 31, 2009, was \$8,527, comprised of federal and state income tax expense of \$5,819 and \$2,708, respectively.

NOTE 7 - OPERATING LEASE COMMITMENT

The Association leases office space under an operating lease expiring in 2011. Lease expense for the office space, including property and rental taxes, for the year ended December 31, 2009, was \$29,462. Minimum future lease payments, excluding taxes, under the noncancellable operating lease are as follows:

Years Ending <u>December 31,</u>	
2010	\$ 25,200
2011	<u>25,200</u>
Total minimum future rental payments	<u>\$ 50,400</u>

NOTE 8 - 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, designated as the Reserve Replacement Fund, aggregated to approximately \$2,342,527 at December 31, 2009.

Using the 2006 study present values, the Reserve Replacement Fund balance of \$2,342,527 at December 31, 2009, approximates 21% of the estimated fully funded balance of the 30 year costs of \$11,056,242 and 110% of the recommended funded balance at December 31, 2009, of \$2,121,236. 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.

THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9 - FUND BALANCE TRANSFERS

During 2009, the Association transferred \$277,400 from the Operating Fund to the Reserve Replacement Fund and \$27,143 from the Operating Fund to the Special Designations Fund. The Capital Fund accounts for the purchases and disposal of property and equipment capitalized by the Association. During the year ended December 31, 2009, the Association purchased \$1,839 of capitalized fixed assets with \$1,839 of reserve funds. The value of these assets was transferred to the Capital Fund for future accounting purposes.

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 accounts receivable at December 31, 2009, totaling \$34,557, which is subject to a significant concentration of risk, given that the revenue is received primarily within a small geographic area, which 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. This institution also offers additional coverage for money market accounts up to \$5 million per client. 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, 2009, the Association had \$3,010,003 in deposits covered by FDIC, \$123,220 in deposits covered by TAGP, \$210,227 in deposits covered by SIPC, and \$120,729 in money market funds covered by an Excess Deposit Protection program. All deposits at December 31, 2009, had insurance coverage.

NOTE 11 - LITIGATION

During the year ended December 31, 2009, the Association was one of the parties named in a lawsuit by an individual allegedly suffering injury, as a result of falling on a sidewalk, in the area of the community in 2008. The Board's position is that the Association did not have possession or control over the sidewalk at issue and was not responsible for repairs and maintenance of the subject sidewalk.

The Association was also named in a lawsuit by two homeowners in regards to drainage issues in a previous period. The case settled in early 2010, and no contingency loss was required to be recorded or disclosed.

SUPPLEMENTARY INFORMATION

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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 March 24, 2010, 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 supplementary statement of revenues, expenses and changes in fund balances for the year ended December 31, 2009, 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
March 24, 2010

**THE M.P.R. HOMEOWNERS ASSOCIATION
SUPPLEMENTARY STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Operating Funds				Total
	Operating Fund	Special Designations Fund	Capital Fund	Reserve Replacement Fund	
REVENUES					
Homeowner Assessments	\$ 1,671,984	\$ -	\$ -	\$ -	\$ 1,671,984
Commercial Assessments	342,864	-	-	-	342,864
Undeveloped Lot Assessments	864	-	-	-	864
Late Fee Income	20,921	-	-	-	20,921
Administrative Fee Income	3,354	-	-	-	3,354
Fine Income	5,614	-	-	-	5,614
Legal Fees Reimbursement	10,088	-	-	-	10,088
Collection Cost Reimbursement	47,999	-	-	-	47,999
Recreation Keys Income	8,085	-	-	-	8,085
Escrow Fee Income	124,200	-	-	-	124,200
Miscellaneous Income	85	-	-	-	85
Investment Income	31,498	-	-	57,519	89,017
TOTAL REVENUE	2,267,556	-	-	57,519	2,325,075
EXPENSES					
ADMINISTRATION					
Administrative Wages & Salaries	273,495	-	-	-	273,495
Administrative Payroll	80,796	-	-	-	80,796
Advertising Expense	589	-	-	-	589
Assessment Collection Costs	37,499	-	-	-	37,499
Bad Debt Expense	57,000	-	-	-	57,000
Bank & Finance Charges	547	-	-	50	597
Billing Expense	4,538	-	-	-	4,538
Office Cleaning Service	1,705	-	-	-	1,705
Community Events	4,090	-	-	-	4,090
Computer Support	9,275	-	-	-	9,275
Contract Labor - Office	164	-	-	-	164
Conventions & Seminars	329	-	-	-	329
Dues & Subscriptions	814	-	-	-	814
Education & Training	2,482	-	-	-	2,482
Provision for Income Taxes	8,527	-	-	-	8,527
Insurance	48,081	-	-	-	48,081
Legal Fees - CC&R Enforcement	10,534	-	-	-	10,534
Meeting Expense	3,803	-	-	-	3,803
Newsletter	3,738	-	-	-	3,738
Office Supplies & Equipment	9,208	-	-	-	9,208
Office Telecommunications	2,006	-	-	-	2,006
Office Telephone	5,057	-	-	-	5,057
General Office Expense	4,012	-	-	-	4,012
Payroll Services	4,022	-	-	-	4,022
Permits & Licenses	67	-	-	-	67
Postage	24,388	-	-	-	24,388
Printing	6,667	-	-	-	6,667
Professional Fees	15,118	-	-	-	15,118
Lease Expense - Office	29,462	-	-	-	29,462
Storage Expense	1,708	-	-	-	1,708
Travel Expense	8,972	-	-	-	8,972
Office Utilities	3,204	-	-	-	3,204

(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, 2009**

	Operating Funds			Reserve Replacement Fund	Total
	Operating Fund	Special Designations Fund	Capital Fund		
ADMINISTRATION (Continued)					
Web Site Expense	170	-	-	-	170
Total Administration	<u>662,067</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>662,117</u>
COMMON AREAS					
Landscape Contract	444,876	-	-	-	444,876
Pest Control	4,060	-	-	-	4,060
Tree & Palm Maintenance	98,689	-	-	-	98,689
Tree Removal	5,474	-	-	-	5,474
Trash Removal Fees	18,937	-	-	-	18,937
Sprinkler Parts & Repairs	26,038	-	-	-	26,038
Fertilizer, Seed & Chemicals	29,601	-	-	-	29,601
Plant & Tree Replacement	11,736	-	-	-	11,736
Erosion Control	23,437	-	-	-	23,437
Non-contract Landscape Expense	8,146	-	-	-	8,146
Water & Sewer - Common Areas	139,782	-	-	-	139,782
Electric - Common Areas	10,078	-	-	-	10,078
Total Common Areas	<u>820,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>820,854</u>
RECREATION CENTERS					
Pool & Spa Chemicals	24,909	-	-	-	24,909
Pool Monitor's Wages	53,484	-	-	-	53,484
Pool Monitor Overhead	6,765	-	-	-	6,765
Pool Monitor Uniforms & Training	1,511	-	-	-	1,511
Lighting Maintenance & Repair	4,014	-	-	-	4,014
Pool & Spa Heat	47,586	-	-	-	47,586
Video Security	6,702	-	-	-	6,702
Tennis Courts	1,262	-	-	-	1,262
Recreation Center Pay Phones	5,902	-	-	-	5,902
Pool Operator Permit Fees	1,392	-	-	-	1,392
E-Keys & Tennis Court Keys	1,493	-	-	-	1,493
Water & Sewer - Recreation Centers	77,280	-	-	-	77,280
Electric - Recreation Centers	28,693	-	-	-	28,693
Pool Parts & Repairs	5,155	-	-	-	5,155
Building Parts & Repairs	8,027	-	-	-	8,027
Total Recreation Centers	<u>274,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,175</u>
GENERAL MAINTENANCE					
General Repairs & Maintenance	5,675	-	-	-	5,675
Maintenance Equipment Rental	192	-	-	-	192
Maintenance Supplies	15,294	-	-	-	15,294
Maintenance Payroll Overhead	29,805	-	-	-	29,805
Maintenance Wages & Salaries	90,977	-	-	-	90,977
Small Signs	317	-	-	-	317
Small Tools & Equipment	519	-	-	-	519
Telephone-Maintenance	1,483	-	-	-	1,483
Vehicle Fuel	2,942	-	-	-	2,942
Vehicle Registration	337	-	-	-	337
Common Area Security	17,060	-	-	-	17,060
Vehicle Repairs & Maintenance	373	-	-	-	373
Total General Maintenance	<u>164,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,974</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, 2009**

	<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	2,045	-	-	-	2,045
Lake Supplies	832	-	-	-	832
Total Lakes	<u>10,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,077</u>
SPECIAL PROJECTS					
Special Projects and Reserve Expenditures	24,465	-	-	-	24,465
DEPRECIATION	-	-	101,883	-	101,883
LOSS ON SALE OF FIXED ASSETS	-	-	320	-	320
SPECIAL DESIGNATIONS					
Recreation/Community Refurbishment	-	10,000	-	-	10,000
Volleyball Lights	-	12,698	-	-	12,698
Wash Maintenance	-	4,445	-	-	4,445
Total Special Designations	<u>-</u>	<u>27,143</u>	<u>-</u>	<u>-</u>	<u>27,143</u>
MAJOR REPAIRS & REPLACEMENTS					
Landscape Improvements	-	-	-	221,536	221,536
Monuments	-	-	-	5,342	5,342
Tennis & Basketball Court Coating	-	-	-	12,300	12,300
Concrete Benches & Table Tops	-	-	-	1,081	1,081
Lake Pump Refurbishment	-	-	-	3,649	3,649
Recreation Center Ramada & Grounds	-	-	-	6,857	6,857
Pool Repairs	-	-	-	25,364	25,364
Playground Equipment	-	-	-	33,553	33,553
Total Major Repairs & Replacements	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,682</u>	<u>309,682</u>
TOTAL EXPENSES	<u>1,956,612</u>	<u>27,143</u>	<u>102,203</u>	<u>309,732</u>	<u>2,395,690</u>
EXCESS REVENUES (EXPENSES)	310,944	(27,143)	(102,203)	(252,213)	(70,615)
FUND BALANCES, Beginning of Year	754,200	-	1,105,148	2,319,179	4,178,527
FUND BALANCE TRANSFERS					
Capitalized Fixed Asset Transfers	-	-	1,839	(1,839)	-
Allocation to Reserves	(277,400)	-	-	277,400	-
Special Designated Expenditures	(27,143)	27,143	-	-	-
Total Fund Balances Transfers	<u>(304,543)</u>	<u>27,143</u>	<u>1,839</u>	<u>275,561</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 760,601</u>	<u>\$ -</u>	<u>\$ 1,004,784</u>	<u>\$ 2,342,527</u>	<u>\$ 4,107,912</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, 2009**

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, \$2,121,236 is the targetted funded reserve balance at December 31, 2009; the Association's December 31, 2009, reserve replacement fund balance of \$2,342,527 approximates 110% 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; at December 31, 2009, the Association's Reserve Replacement Fund balance of \$2,342,527 approximated 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	Reserve Replacement Fund Balance at December 31, 2009
Property Site Elements	1 to 30	\$ 640,235	\$ 1,794,684	\$ 921,733
Perimeter Wall Elements	2 to 15	397,448	7,740,394	572,198
Pool and Spa Elements	5 to 19	323,199	947,329	465,303
Pool Structure Elements	2 to 27	169,835	273,835	244,508
Pond Elements	2 to 13	46,000	144,500	66,225
Office Elements	1 to 15	41,600	146,700	59,891
Reserve Study Elements	0 to 2	8,800	8,800	12,669
Total		<u>\$ 1,627,117</u>	<u>\$ 11,056,242</u>	<u>\$ 2,342,527</u>

See independent auditor's report on supplementary information.