



THE M.P.R. HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2014
AND FOR THE YEAR THEN ENDED



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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

Report on the Financial Statements

We have audited the accompanying financial statements of The M.P.R. Homeowners Association (an Arizona Corporation), which comprise the balance sheet as of December 31, 2014, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The M.P.R. Homeowners Association as of December 31, 2014, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property, on page 15, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of revenues, expenses and changes in fund balances, on pages 12 - 14, which is the responsibility of the Association's management, 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 financial statements, and, accordingly we do not express an opinion or provide any assurance on it.



Mesa, Arizona
February 26, 2015

**THE M.P.R. HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2014**

	<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>		
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 671,570	\$ -	\$ -	\$ 511,135	\$ 1,182,705
Accounts Receivable, Net of Allowance of \$53,735	2,910	-	-	-	2,910
Interest Receivable	1,304	-	-	2,344	3,648
Prepaid Expenses	28,506	-	-	-	28,506
Income Tax Deposits	1,477	-	-	-	1,477
Interfund Balances	3,086	-	-	(3,086)	-
Short-Term Investments	781,351	-	-	1,160,036	1,941,387
TOTAL CURRENT ASSETS	<u>1,490,204</u>	<u>-</u>	<u>-</u>	<u>1,670,429</u>	<u>3,160,633</u>
OTHER ASSETS					
Net Property and Equipment	-	-	691,291	-	691,291
Long-Term Investments	-	-	-	836,536	836,536
Utility Deposits	2,000	-	-	-	2,000
TOTAL OTHER ASSETS	<u>2,000</u>	<u>-</u>	<u>691,291</u>	<u>836,536</u>	<u>1,529,827</u>
TOTAL ASSETS	<u>\$ 1,492,204</u>	<u>\$ -</u>	<u>\$ 691,291</u>	<u>\$ 2,506,965</u>	<u>\$ 4,690,460</u>
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts Payable	\$ 23,715	\$ -	\$ -	\$ -	\$ 23,715
Accrued Payroll Expenses	35,228	-	-	-	35,228
Prepaid Owner Assessments	506,605	-	-	-	506,605
TOTAL CURRENT LIABILITIES	<u>565,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>565,548</u>
FUND BALANCES					
TOTAL FUND BALANCES	<u>926,656</u>	<u>-</u>	<u>691,291</u>	<u>2,506,965</u>	<u>4,124,912</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,492,204</u>	<u>\$ -</u>	<u>\$ 691,291</u>	<u>\$ 2,506,965</u>	<u>\$ 4,690,460</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, 2014**

	<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	\$ 1,741,200	\$ -	\$ -	\$ -	\$ 1,741,200
Commercial Assessments	357,000	-	-	-	357,000
Developer Assessments	1,050	-	-	-	1,050
Service, Transfer, and Other Fees	159,932	-	-	-	159,932
Sale of Fixed Asset	207	-	-	-	207
Gain on Investment	-	-	-	75	75
Investment Income	3,828	-	-	20,646	24,474
TOTAL REVENUES	<u>2,263,217</u>	<u>-</u>	<u>-</u>	<u>20,721</u>	<u>2,283,938</u>
EXPENSES					
Administration	632,767	-	-	25	632,792
Common Areas	1,072,548	-	-	-	1,072,548
Recreation Centers	128,580	-	-	-	128,580
General Maintenance	181,383	-	-	-	181,383
Lakes	14,950	-	-	-	14,950
Special Projects	13,800	-	-	-	13,800
Depreciation	-	-	77,105	-	77,105
Special Designations	-	55,526	-	-	55,526
Major Repairs and Replacements	-	-	-	283,310	283,310
TOTAL EXPENSES	<u>2,044,028</u>	<u>55,526</u>	<u>77,105</u>	<u>283,335</u>	<u>2,459,994</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	219,189	(55,526)	(77,105)	(262,614)	(176,056)
FUND BALANCES, BEGINNING OF YEAR	955,702	-	738,329	2,606,937	4,300,968
FUND BALANCE TRANSFERS					
Allocation to Reserves	(172,529)	-	-	172,529	-
Special Designated Expenditures	(75,706)	75,706	-	-	-
Capitalized Fixed Asset Transfers	-	(20,180)	30,067	(9,887)	-
TOTAL FUND BALANCE TRANSFERS	<u>(248,235)</u>	<u>55,526</u>	<u>30,067</u>	<u>162,642</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 926,656</u>	<u>\$ -</u>	<u>\$ 691,291</u>	<u>\$ 2,506,965</u>	<u>\$ 4,124,912</u>

See accompanying notes to the financial statements.

**THE M.P.R. HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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	\$ 219,189	\$ (55,526)	\$ (77,105)	\$ (262,614)	\$ (176,056)
Adjustments to Reconcile Excess (Deficit) of Revenues Over Expenses to Cash Provided (Used) by Operating Activities:					
Depreciation	-	-	77,105	-	77,105
Bad Debt Expense	400	-	-	-	400
(Increase)/Decrease In:					
Accounts Receivable	4,406	-	-	-	4,406
Interest Receivable	74	-	-	(440)	(366)
Prepaid Expenses	972	-	-	-	972
Income Tax Deposits	1,101	-	-	-	1,101
Increase/(Decrease) In:					
Accounts Payable	(431)	-	-	-	(431)
Accrued Payroll Expenses	142	-	-	-	142
Prepaid Owner Assessments	(935)	-	-	-	(935)
Net Cash Provided (Used) by Operating Activities	<u>224,918</u>	<u>(55,526)</u>	<u>-</u>	<u>(263,054)</u>	<u>(93,662)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Proceeds from Maturities of Investments	854,000	-	-	1,170,196	2,024,196
Purchases of Investments	(831,000)	-	-	(1,016,000)	(1,847,000)
Reinvested Interest	(251)	-	-	(6,013)	(6,264)
Purchases of Fixed Assets	-	-	(30,067)	-	(30,067)
Net Cash Provided (Used) by Investing Activities	<u>22,749</u>	<u>-</u>	<u>(30,067)</u>	<u>148,183</u>	<u>140,865</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Allocation to Reserves	(172,529)	-	-	172,529	-
Special Designated Expenditures	(75,706)	75,706	-	-	-
Fund Balance Transfers	-	(20,180)	30,067	(9,887)	-
Interfund Borrowing, Net	26,227	-	-	(26,227)	-
Net Cash Provided (Used) by Financing Activities	<u>(222,008)</u>	<u>55,526</u>	<u>30,067</u>	<u>136,415</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	25,659	-	-	21,544	47,203
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	645,911	-	-	489,591	1,135,502
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 671,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,135</u>	<u>\$ 1,182,705</u>
<u>SUPPLEMENTARY INFORMATION</u>					
Income Taxes Paid	\$ -				
Interest Expense	\$ -				

See accompanying notes to the financial statements.

THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - NATURE OF THE ORGANIZATION

The M.P.R. Homeowners Association is a nonprofit homeowners 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, 2014, the Association consisted of 5,818 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.

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, purchased with original maturity dates of three months or less, as cash and cash equivalents. Certificates of deposit and financial instruments, with maturities at date of purchase, of more than three months, are classified as investments.

Investments

Certificates of deposit purchased with original maturity dates greater than three months, which 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. The Association's policy is to invest in cash, money market funds, and certificates of deposits, with a reasonable effort to preserve capital, maximize return, and minimize loss.

Accounts Receivable

Association members are subject to semi-annual assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from homeowners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments become delinquent.

THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Common Property

Certain land areas contributed by the developer at the 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 cannot 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. The common properties include three recreation centers with pools, spas and tennis courts at each location.

Property and Equipment

In accordance with American Institute of Certified Public Accountants guidelines, the Association capitalizes all common real property to which it has title or other evidence of ownership and either:

- 1) can dispose of the property, at the discretion of its Board of Directors, for cash or claims to cash and it can retain the proceeds,
- or –
- 2) the property is used to generate significant cash flows from the members on the basis of usage.

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.

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.

Fair Value Measurement

The Association measures the fair value of its investments in accordance with FASB ASC, *Fair Value Measurements and Disclosures*. The standard provides a hierarchy for prioritizing inputs to valuation techniques:

- Level 1 - inputs are unadjusted quoted prices in active markets.
- Level 2 - inputs are observable market data, generally other than quoted prices.
- Level 3 - inputs are significant unobservable data.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Assessments Collected in Advance

Payments received by the Association prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Association. Payments made in advance by homeowners are presented as prepaid assessments.

Date of Management's Review

Subsequent events have been evaluated through March xx, 2015, which is the date the financial statements were available to be issued.

THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

NOTE 3 - 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, 2014, totaling \$2,910, 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 places its cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. The Association also maintains investment accounts in a brokerage account, which are covered up to \$500,000, limited to \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At various times, deposits with these financial institutions, designated as cash and cash equivalents and investments, may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC), or other types of insurance programs. However, the Board manages its funds utilizing an additional program called Insured Cash Sweep (ICS) service. This allows the Association to earn additional interest and gain access to multi-million dollar FDIC protection on large savings deposits.

NOTE 4 - INVESTMENTS

The Association's investments consist of certificates of deposit with maturity dates ranging from January 2015 through September 2017 and interest rates ranging from 0.20% to 1.61%. The carrying value, which approximates both cost and fair value of investments, at December 31, 2014, was as follows:

Short-term: (25) Certificates of Deposit maturing in 2015	\$ 1,941,387
Long-term: (12) Certificates of Deposit maturing in 2016 and 2017	<u>836,536</u>
	<u>\$ 2,777,923</u>

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts Receivable at December 31, 2014, represents assessments due, late fees charged on overdue accounts, and other fees levied by the Association. At December 31, 2014, gross accounts receivable was \$56,645, the allowance for doubtful accounts was \$53,735, and the net accounts receivable balance was \$2,910. At December 31, 2014, the Association had \$51,056 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. Bad debt expense was \$400 for the year ended December 31, 2014.

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment, as of December 31, 2014, 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	44,522
Vehicles	36,902
Machinery and Equipment	16,961
Infrastructure Major Repairs and Replacements	169,451
Office Furniture and Equipment	29,982
Leasehold Improvements	<u>14,911</u>
Total Property and Equipment	2,868,707
Less: Accumulated Depreciation	<u>(2,177,416)</u>
Net Property and Equipment	<u>\$ 691,291</u>

Depreciation expense was \$77,105 for the year ended December 31, 2014.

NOTE 7 - FUND BALANCE TRANSFERS

During 2014, the Association transferred \$172,529 from the Operating Fund to the Reserve Replacement Fund and \$75,706 from the Operating Fund to the Special Designations Fund.

NOTE 8 - 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, 2014. 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, 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, 2014, was \$1,101, comprised of federal and state income tax expense of \$752 and \$349, respectively.

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 9 – UNCERTAIN TAX POSITIONS

The Association accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Association recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax position for the year ending December 31, 2014.

The Association believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association’s financial condition net income or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at December 31, 2014.

The Association is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Association believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2012, or by Arizona state tax authorities for years before 2011.

NOTE 10 - OPERATING LEASE COMMITMENT

The Association leases office space, and a Xerox copier under operating leases expiring in 2016. Lease expense for the office space, including property and rental taxes, for the year ended December 31, 2014, was \$31,602. Lease expense for the copier, including minimum copy fees, for the year ended December 31, 2014, was \$6,379. Minimum future lease payments, excluding taxes, under the noncancellable operating lease for both leases are as follows:

Years Ending <u>December 31,</u>	
2015	37,144
2016	<u>36,715</u>
Total minimum future rental payments	<u>\$ 73,859</u>

NOTE 11 – MAINTENANCE ASSESSMENTS AND EXPENSES

Residential 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, 2014, 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, 2014, included: 5,804 residential units assessed \$300 annually that are billed semi-annually at \$150. Any excess assessments at year-end are retained by the Association for use in future years.

Builder Assessments

Builders may be assessed at either 25% or 100% of the annualized residential assessment rates, depending upon whether the lot is developed or undeveloped. Builders are assessed on a semi-annually basis for the undeveloped parcels. For the year ended December 31, 2014, the Association received assessments from builders in the amount of \$1,050. The builders were billed at the 25% reduced residential assessment rate of \$37.50 semi-annually, for each of the 14 undeveloped lots in 2014.

**THE M.P.R. HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 11 – MAINTENANCE ASSESSMENTS AND EXPENSES (CONTINUED)

Commercial Assessments

As specified within the governing documents, commercial parcels are billed at the same rate as the residential units. At December 31, 2014, 94 commercial units were assessed \$300 annually per unit, based on acreage, and are billed on a monthly basis; and 1,096 apartment units, classified as commercial properties, assessed \$300 per unit annually, billed on a monthly basis.

NOTE 12 - 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 February 27, 2014, 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 \$2,506,965 at December 31, 2014.

Using the 2014 study present values, the Reserve Replacement Fund balance of \$2,506,965 at December 31, 2014, approximates 94.82% of the recommended funded balance at December 31, 2014, of \$2,643,972. 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

SUPPLEMENTARY INFORMATION



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**THE M.P.R. HOMEOWNERS ASSOCIATION
SUPPLEMENTARY STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Operating Funds				Total
	Operating Fund	Special Designations Fund	Capital Fund	Reserve Replacement Fund	
REVENUES					
Homeowner Assessments	\$ 1,741,200	\$ -	\$ -	\$ -	\$ 1,741,200
Commercial Assessments	357,000	-	-	-	357,000
Undeveloped Lot Assessments	1,050	-	-	-	1,050
Late Fee Income	16,895	-	-	-	16,895
Administrative Fee Income	8,023	-	-	-	8,023
Fine Income	5,280	-	-	-	5,280
Collection Cost Reimbursement	42,480	-	-	-	42,480
Recreation Keys Income	6,745	-	-	-	6,745
Escrow Fee Income	78,000	-	-	-	78,000
Sale of Fixed Asset	207	-	-	-	207
Gain on Investment	-	-	-	75	75
Miscellaneous Income	2,509	-	-	-	2,509
Investment Income	3,828	-	-	20,646	24,474
TOTAL REVENUE	2,263,217	-	-	20,721	2,283,938
EXPENSES					
ADMINISTRATION					
Administrative Wages and Salaries	301,440	-	-	-	301,440
Administrative Payroll	82,911	-	-	-	82,911
Advertising Expense	1,065	-	-	-	1,065
Assessment Collection Costs	39,997	-	-	-	39,997
Bad Debt Expense	400	-	-	-	400
Bank and Finance Charges	130	-	-	25	155
Billing Expense	6,635	-	-	-	6,635
Office Cleaning Service	3,092	-	-	-	3,092
Community Events	3,912	-	-	-	3,912
Computer Support	4,397	-	-	-	4,397
Contingency Costs	1,728	-	-	-	1,728
Dues and Subscriptions	931	-	-	-	931
Education and Training	3,635	-	-	-	3,635
Insurance	44,977	-	-	-	44,977
Legal Fees - CC&R Enforcement	4,270	-	-	-	4,270
Meeting Expense	3,203	-	-	-	3,203
Newsletter	6,899	-	-	-	6,899
Office Supplies and Equipment	11,657	-	-	-	11,657
Office Telecommunications	1,692	-	-	-	1,692
Office Telephone	4,500	-	-	-	4,500
General Office Expense	1,383	-	-	-	1,383
Payroll Services	3,967	-	-	-	3,967
Permits and Licenses	87	-	-	-	87
Postage	22,406	-	-	-	22,406
Printing	9,998	-	-	-	9,998
Professional Fees	18,360	-	-	-	18,360
Lease Expense - Office	31,602	-	-	-	31,602
Provision for Income Taxes	1,101	-	-	-	1,101
Storage Expense	4,352	-	-	-	4,352
Travel Expense	8,928	-	-	-	8,928
Website Expense	120	-	-	-	120
Office Utilities	2,992	-	-	-	2,992
TOTAL ADMINISTRATION	632,767	-	-	25	632,792

(CONTINUED)

See independent auditor's report.

**THE M.P.R. HOMEOWNERS ASSOCIATION
SUPPLEMENTARY STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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					
Landscape Contract	476,520	-	-	-	476,520
Pest Control	6,868	-	-	-	6,868
Tree and Palm Maintenance	108,685	-	-	-	108,685
Tree Removal	5,935	-	-	-	5,935
Trash Removal Fees	25,453	-	-	-	25,453
Sprinkler Parts and Repairs	26,029	-	-	-	26,029
Fertilizer, Seed and Chemicals	43,193	-	-	-	43,193
Plant and Tree Replacement	30,740	-	-	-	30,740
Non-Contract Landscape Expense	32,842	-	-	-	32,842
View Fence - Maintenance and Repairs	1,639	-	-	-	1,639
Stucco Walls - Repairs and Maintenance	6,254	-	-	-	6,254
Water and Sewer	261,186	-	-	-	261,186
Electricity	47,204	-	-	-	47,204
TOTAL COMMON AREAS	<u>1,072,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,072,548</u>
RECREATION CENTERS					
Pool and Spa Chemicals	24,931	-	-	-	24,931
Pool Monitor's Wages	31,304	-	-	-	31,304
Pool Monitor Overhead	3,151	-	-	-	3,151
Pool Monitor Uniforms and Training	2,146	-	-	-	2,146
Lighting Maintenance and Repair	3,980	-	-	-	3,980
Pool and Spa Heat	42,000	-	-	-	42,000
Video Security	1,928	-	-	-	1,928
Tennis Courts	483	-	-	-	483
Recreation Center Pay Phones	6,262	-	-	-	6,262
Pool Operator Permit Fees	2,160	-	-	-	2,160
E-Keys and Tennis Court Keys	4,813	-	-	-	4,813
Pool Parts and Repairs	4,062	-	-	-	4,062
Building Parts and Repairs	1,360	-	-	-	1,360
TOTAL RECREATION CENTERS	<u>128,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,580</u>
GENERAL MAINTENANCE					
General Repairs and Maintenance	3,787	-	-	-	3,787
Maintenance Supplies	10,052	-	-	-	10,052
Maintenance Payroll Overhead	35,880	-	-	-	35,880
Maintenance Wages and Salaries	106,055	-	-	-	106,055
Equipment Rental	33	-	-	-	33
Small Tools and Equipment	443	-	-	-	443
Telephone-Maintenance	1,788	-	-	-	1,788
Vehicle Fuel	4,932	-	-	-	4,932
Vehicle Registration	173	-	-	-	173
Common Area Security	15,016	-	-	-	15,016
Vehicle Repairs and Maintenance	3,224	-	-	-	3,224
TOTAL GENERAL MAINTENANCE	<u>181,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,383</u>

(CONTINUED)

See independent auditor's report.

**THE M.P.R. HOMEOWNERS ASSOCIATION
SUPPLEMENTARY STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Operating Funds</u>			Reserve Replacement Fund	Total
	Operating Fund	Special Designations Fund	Capital Fund		
LAKES					
Lake Maintenance Contract	7,200	-	-	-	7,200
Lake Equipment Parts and Repairs	524	-	-	-	524
Lake Supplies	7,226	-	-	-	7,226
TOTAL LAKES	<u>14,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,950</u>
SPECIAL PROJECTS	<u>13,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,800</u>
DEPRECIATION	<u>-</u>	<u>-</u>	<u>77,105</u>	<u>-</u>	<u>77,105</u>
SPECIAL DESIGNATIONS					
Erosion/Granite	-	55,376	-	-	55,376
Computers/Pool Technology Upgrade	-	150	-	-	150
TOTAL SPECIAL DESIGNATIONS	<u>-</u>	<u>55,526</u>	<u>-</u>	<u>-</u>	<u>55,526</u>
MAJOR REPAIRS AND REPLACEMENTS					
Landscape Improvements	-	-	-	239,268	239,268
Benches/Tables/Trash Receptacle	-	-	-	3,253	3,253
Recreation Centers	-	-	-	3,900	3,900
Lake Pumps and Equipment	-	-	-	2,191	2,191
Concrete Repairs/Replacement	-	-	-	1,100	1,100
Reserve Study	-	-	-	3,850	3,850
General Maintenance	-	-	-	1,620	1,620
Pool Deck Repairs	-	-	-	13,695	13,695
Pool Repairs	-	-	-	14,433	14,433
TOTAL MAJOR REPAIRS AND REPLACEMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,310</u>	<u>283,310</u>
TOTAL EXPENSES	<u>2,044,028</u>	<u>55,526</u>	<u>77,105</u>	<u>283,335</u>	<u>2,459,994</u>
EXCESS REVENUES (EXPENSES)	219,189	(55,526)	(77,105)	(262,614)	(176,056)
FUND BALANCES, BEGINNING OF YEAR	955,702	-	738,329	2,606,937	4,300,968
FUND BALANCE TRANSFERS					
Allocation to Reserves	(172,529)	-	-	172,529	-
Special Designated Expenditures	(75,706)	75,706	-	-	-
Capitalized Fixed Asset Transfers	-	(20,180)	30,067	(9,887)	-
Total Fund Balance Transfers	<u>(248,235)</u>	<u>55,526</u>	<u>30,067</u>	<u>162,642</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 926,656</u>	<u>\$ -</u>	<u>\$ 691,291</u>	<u>\$ 2,506,965</u>	<u>\$ 4,124,912</u>

See independent auditor's report.

**THE M.P.R. HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
 REPAIRS AND REPLACEMENTS (UNAUDITED)
 DECEMBER 31, 2014**

An independent engineering firm conducted a full reserve study dated February 27, 2014, 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 the independent study, \$2,643,972 is the targeted funded reserve balance at December 31, 2014; the Association's December 31, 2014, reserve replacement fund balance of \$2,506,965 approximates 94.82% of that recommendation.

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 2014	Estimated Current Replacement Costs at 2014	Estimated Total 30 Year Current Costs at 2014	Reserve Replacement Fund Balance at December 31, 2014
Property Site Elements	0 to 29	\$ 1,167,326	\$ 5,840,891	\$ 1,300,605
Pool House and Office Elements	0 to 21	90,950	242,650	101,334
Pool Elements	0 to 30	987,940	1,830,150	1,100,737
Reserve Study Elements	2	3,850	3,850	4,289
Total		\$ 2,250,066	\$ 7,917,541	\$ 2,506,965

See independent auditor's report.