

Ginsburg & Dwaileebe CPAs LLP

Certified Public Accountants and Consultants

MIRABEL COMMUNITY ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2009**

MIRABEL COMMUNITY ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members
Mirabel Community Association, Inc.
Scottsdale, Arizona

We have audited the accompanying balance sheet of Mirabel Community Association, Inc., 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 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Mirabel Community Association, Inc., as of December 31, 2009, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on future major repairs and replacements included in the accompanying schedule is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Ginsburg & Dwaileebe CPAs, LLP

Ginsburg & Dwaileebe CPAs, LLP
Mesa, Arizona
March 9, 2010

MIRABEL COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2009

ASSETS

	Operating Fund	Reserve / Replacement Fund	Construction Security Deposit Fund	Total
ASSETS				
Cash	\$ 274,226	\$ 698,526	\$ 265,660	\$ 1,238,412
Accounts receivable, net	18,892	-	-	18,892
Prepaid expenses	5,780	-	-	5,780
TOTAL ASSETS	298,898	698,526	265,660	1,263,084

LIABILITIES AND FUND BALANCES

LIABILITIES				
Accounts payable	60,631	-	-	60,631
Accrued expenses	-	-	265,660	265,660
Prepaid assessments	49,449	-	-	49,449
TOTAL LIABILITIES	110,079	-	265,660	375,739
 FUND BALANCES	 188,819	 698,526	 -	 887,345
 TOTAL LIABILITIES AND FUND	 \$ 298,898	 \$ 698,526	 \$ 265,660	 \$ 1,263,084

See accompanying notes to the financial statements

MIRABEL COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Operating Fund	Reserve / Replacement Fund	Construction Security Deposit Fund	Total
REVENUES				
Homeowner assessments	\$ 1,063,774	\$ 87,926	\$ -	\$ 1,151,700
Insurance claim	6,040	-	-	6,040
Design review fee	17,000	-	-	17,000
Collection fees	5,165	-	-	5,165
Fine fees	75	-	-	75
Bond forfeiture	-	-	80,000	80,000
Developer settlement	334,800	250,000	-	584,800
Interest- bank accounts	700	6,503	2,880	10,083
Late fees	12,561	-	-	12,561
Impact fee	10,000	-	-	10,000
Security cost share	69,300	-	-	69,300
Sign income	1,132	-	-	1,132
NSF fees	90	-	-	90
Gate openers/remotes	10,510	-	-	10,510
TOTAL REVENUES	1,531,146	344,429	82,880	1,958,455
EXPENSES				
Utilities	59,857	-	-	59,857
Maintenance	792,695	-	-	792,695
Gatehouse	167,284	-	-	167,284
Fence	153,585	-	-	153,585
Supplies	13,380	-	-	13,380
Administrative	270,874	-	-	270,874
Major repairs and replacements	-	-	-	-
TOTAL EXPENSES	1,457,675	-	-	1,457,675
Excess of Revenues over (under) Expenses	73,471	344,429	82,880	500,780
Fund Balances, Beginning of Year	32,468	354,097	-	386,565
Interfund Transfers	82,880	-	(82,880)	-
Fund Balances, End of Year	\$ 188,819	\$ 698,526	\$ -	\$ 887,345

See accompanying notes to the financial statements

MIRABEL COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Operating Fund	Reserve / Replacement Fund	Construction Security Deposit Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenues over (under) expenses	\$ 73,471	\$ 344,429	\$ 82,880	\$ 500,780
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities				
Decrease (increase) in				
Accounts receivable	27,227	-	-	27,227
Prepaid expenses	(512)	-	-	(512)
Deposits	2,105	-	-	2,105
Increase (decrease) in				
Accounts payable	(29,669)	-	-	(29,669)
Accrued expenses	(3,767)	-	(185,340)	(189,107)
Assessments paid in advance	(35,057)	-	-	(35,057)
Net Cash Provided By (Used in) operating activities	<u>33,797</u>	<u>344,429</u>	<u>(102,460)</u>	<u>275,766</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Due to/from reserve	64,433	(64,433)	-	-
Interfund transfers	82,880	-	(82,880)	-
Net Cash Provided By (Used in) financing activities	<u>147,313</u>	<u>(64,433)</u>	<u>(82,880)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	181,110	279,996	(185,340)	275,766
CASH, BEGINNING OF YEAR	<u>93,116</u>	<u>418,530</u>	<u>451,000</u>	<u>962,646</u>
CASH, END OF YEAR	<u><u>\$ 274,226</u></u>	<u><u>\$ 698,526</u></u>	<u><u>\$ 265,660</u></u>	<u><u>\$ 1,238,412</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid for income taxes	\$ 10,627	\$ -	\$ -	\$ 10,627

See accompanying notes to the financial statements

MIRABEL COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: NATURE AND ORGANIZATION

Mirabel Community Association, Inc., (the "Association"), a non-stock homeowners association, was incorporated on November 30, 2000 under the general non-profit laws of the State of Arizona and was organized for the purposes of maintaining common areas, holding title to property and maintaining architectural control. The Association consists of 349 residential units located in Scottsdale, Arizona. There is a board of directors that is elected by the member homeowners.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The Association's financial statements are prepared on the accrual basis of accounting, accordingly, revenues are recognized when earned and expenses are recognized when incurred. Assessments paid by members in advance are deferred and recognized as revenue when earned.

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

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

Reserve/Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Construction Security Deposit Fund - This fund is used to account for cash deposits required to be posted prior to commencing construction.

Cash

Cash listed as operating is available for current operations and is not bound by any restriction or designation. Cash listed as reserves is designated for future major repairs and replacements and is generally not available for current operations. Cash listed as construction security deposits is designated generally as security for completion of construction in accordance with approved plans and design review guidelines and is generally not available for current operations. The Association considers all highly liquid investments with an original maturity of three months or less to be cash.

MIRABEL COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Association has established an allowance for doubtful accounts, which was \$57,893 as of December 31, 2009 and is netted against the accounts receivable balance. There was \$84,489 in bad debts written off during 2009.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements.

Homeowner Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses and future major repairs and replacements. The Association's policy is to assess late fees and, if necessary, place liens on the properties and retain legal counsel of the homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year. Homeowner assessments during 2009 were \$3,300 per unit, payable in four equal quarterly installments.

Income Taxes

The Association files its income tax return as a homeowner's association in accordance with Internal Revenue Code Section 528 using Form 1120-H. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income.

Arizona income tax is based on the federal taxable income at 6.968% after adding the Form 1120-H \$100 specific deduction and deducting any net disbursements carryover from prior years.

MIRABEL COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

NOTE 3: CONSTRUCTION SECURITY DEPOSITS

The Association requires a cash construction security deposit to be posted on any new construction. The deposit is refundable without interest, less any fines imposed and costs incurred by the Association during construction and upon completion of construction in accordance with approved plans and design review guidelines. Any interest income earned is the Association's and is transferred into the operating account.

NOTE 4: RELATED PARTY TRANSACTIONS

Commencing in January 2007, the Association entered into a cost sharing agreement with the Mirabel Golf Club (Club). Under the agreement, the Club agreed to reimburse the Association for certain benefits from road maintenance, landscaping, and security services based upon a calculation of the benefits derived by members who are not homeowners. The amount paid to the Association by the Club for these services for the year ended December 31, 2009 was \$69,300. In addition, at December 31, 2009 the Club owed the Association \$841 for shared water. During the year, the Association purchased fuel and certain other items from the Club totaling \$8,147, including an amount due to the Club of \$720 at year end.

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is setting aside funds for future major repairs and replacements, as required by the governing documents, based on funding requirements determined by the Board of Directors and a professional reserve study. The funds set aside each year are generated from member assessments and other net revenues, and are periodically transferred from the operating checking account into segregated reserve cash accounts.

Actual expenditures may vary from the estimated funding amounts determined by the Board of Directors and the reserve study, and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association may increase regular assessments, levy special assessments or delay major repairs and replacements until funds are available.

MIRABEL COMMUNITY ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (UNAUDITED)
 DECEMBER 31, 2009

An independent engineer conducted a study on September 28, 2009, for the year beginning January 1, 2010 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 and replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and 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 following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Fund Balance at December 31, 2009</u>
Main Gatehouse	0 - 25	\$ 163,985	\$ -
Community Streets	0 - 21	1,756,325	-
Common Area	0 - 29	172,470	-
Unallocated Funds		-	698,526
		<u>\$ 2,092,780</u>	<u>\$ 698,526</u>
Fully Funded Reserve Balance as of January 1, 2010			\$ 896,993
Percentage Funded			77.87%