

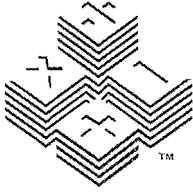
**DAVE BROWN AT MOUNTAIN AND UNIVERSITY HOMEOWNERS'
ASSOCIATION**

FINANCIAL STATEMENT

DECEMBER 31, 2011

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**Mansperger
Patterson
& McMullin, PLC**
CERTIFIED PUBLIC ACCOUNTANTS

Jeffrey C. McMullin
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Bradley W. Enos
Diane R. Hayes
Russell K. Kimberlin
Stephen G. Hale
LaDawn Setser
William A. Brown

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors of

DAVE BROWN AT MOUNTAIN AND UNIVERSITY HOMEOWNERS' ASSOCIATION

Mesa, Arizona

We have compiled the accompanying statement of cash receipts and disbursements of Dave Brown at Mountain and University Homeowners' Association. for the year ended December 31, 2011. We have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or provide any assurance about whether the financial statement is in accordance with the cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statement.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statement.

The supplementary information contained in the Schedule of Cash Disbursements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 7 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. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, we do not express an opinion or provide any assurance on such required supplementary information.

*Mansperger Patterson & McMullin, PLC
by Bradley W. Enos*

Tempe, Arizona

April 30, 2012

DAVE BROWN AT MOUNTAIN AND UNIVERSITY HOMEOWNERS' ASSOCIATION
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>
CASH RECEIPTS	
Residential assessments	\$ 71,123
Collection income	17,286
Transfer fee	3,250
Interest income	128
	<u>91,787</u>
 CASH DISBURSEMENTS	
Reserve Expense	990
Maintenance & Repair	25,604
Utilities	7,172
Administrative	26,730
	<u>60,946</u>
 INCREASE IN CASH	 30,841
 BEGINNING CASH	 <u>79,889</u>
 ENDING CASH	 \$ <u><u>110,730</u></u>

See Independent Accountants' Compilation Report.
The Accompanying Notes are an Integral Part
of These Financial Statements.

**DAVE BROWN AT MOUNTAIN AND UNIVERSITY HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

Nature of Operations

Dave Brown at Mountain and University Homeowners' Association was incorporated on January 14, 1998 in the State of Arizona. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Mesa, Arizona and consists of 166 residential lots. The Board of Directors has engaged Kinney Management Service as the managing agent for the Association.

Basis of Presentation

The accompanying financial statement has been prepared on the cash basis of accounting. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recorded. The cash basis differs from generally accepted accounting principles primarily because accounts receivable from homeowners, inventory, fixed assets, accounts payable to vendors, and long-term debt are not included in the financial statements.

Residential Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. As noted above, these financial statements are presented on the cash basis of accounting. Accordingly, unpaid member assessments have not been reflected in the financial statements.

Income Taxes

The association filed its income tax returns as a homeowners' association in accordance with Internal Revenue Service Code Section 528 for the current fiscal year. 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 approximately 7% after adding any Form 1120-H \$100 exemption. There is a minimum tax of \$50.

Federal income taxes disbursed in the current fiscal year include \$-0- for the prior fiscal year.

Arizona income taxes disbursed in the current fiscal year include \$50 for the prior fiscal year.

**DAVE BROWN AT MOUNTAIN AND UNIVERSITY HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

Common Property

The Common Property of the Association consists of land and land improvements. Real property and common areas acquired from the developer are owned by the individual homeowners in common and not by the Association. Accordingly, the Common Property has not been reflected in the financial statement. In addition, as noted above, these financial statements are presented on the cash basis of accounting. Under the cash basis of accounting, fixed assets are not reflected in the financial statement.

Subsequent Event

Management has evaluated subsequent events through April 30, 2012, the date the financial statements were available to be issued.

NOTE 2 - CASH BALANCES, END OF YEAR

Cash per the statement of cash receipts and disbursements includes the operating accounts and the reserve account. The following schedule provides detail of the cash at December 31, 2011.

	<u>2011</u>
Operating	
Cash - Wells Fargo	\$ 46,979
Cash - Mutual of Omaha	3,780
	<u>50,759</u>
Reserve	
Reserve savings	<u>59,971</u>
Total	<u>\$ 110,730</u>

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has established a reserve fund to accumulate funds for future major repairs and replacements. Accumulated funds, which aggregate \$59,971 at December 31, 2011, are held in separate accounts and are generally not available for operating purposes.

In 1999, the Association's board of directors engaged Reserve Data Analysis, Inc. to conduct a study to estimate the remaining useful lives and replacement costs of the common property components.

**DAVE BROWN AT MOUNTAIN AND UNIVERSITY HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 3 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

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

Total cash allocated to the reserve account during 2011 is as follows:

Beginning Reserve Balance	\$ 55,289
Interest Income	128
Allocation to reserves	5,544
Reserve expenses	<u>(990)</u>
Ending Reserve Balance	<u>\$ 59,971</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

As noted above, the Board of Directors has engaged Kinney Management Services as the managing agent for the Association. The Association has also engaged Kinney Management's collection division to provide collection services. Kinney's collection division operates under the name Sentinel Servicing and is licensed by the Arizona State Banking Department.

SCHEDULE I

DAVE BROWN AT MOUNTAIN AND UNIVERSITY HOMEOWNERS' ASSOCIATION
SCHEDULE OF CASH DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011
Reserve expense	
Playground equipment	\$ 990
 Maintenance & Repair	
Landscape maintenance	20,400
Contract services	3,150
Playground repairs	1,324
Irrigation repairs	730
	25,604
 Parts & Supplies	
Winter seed	450
	450
 Utilities	
Electric	2,576
Water	4,596
	7,172
 Administrative	
Management fees	9,780
Collection costs	9,474
Insurance	575
Legal and accounting	1,129
Website design/maintenance	300
Lien expenses	1,460
Postage	351
Bank service charge	691
Community notices	256
Income taxes	50
Property Taxes	836
Copies	775
Coupons	556
Miscellaneous	497
	26,730
 TOTAL CASH DISBURSEMENTS	\$ 60,946

See Independent Accountants' Compilation Report.

**DAVE BROWN AT MOUNTAIN AND UNIVERSITY HOMEOWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2011**

FUTURE MAJOR REPAIRS AND REPLACEMENTS

Reserve Data Analysis, Inc. conducted a study in June 1999 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs at the date of the study. Estimated current replacement costs and estimated remaining useful lives 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>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Replacement Costs</u>
Roof		
Ramada, unfunded	N/A	\$ -
Paint		
Ramada supports	7	222
Wrought iron fencing	3	1,368
Fencing - wrought iron, unfunded	N/A	-
Walls - block, repairs	24	5,914
Miscellaneous		
BBQ grills - replace	11	210
Park equipment - replace	15	1,778
Playstructure - replace	15	9,000
Irrigation Controller - replace	11	755
Sand - replenishment	9	275
		<u>\$ 19,522</u>

See Independent Accountants' Compilation Report.