

Meadowlake Village Homeowners' Assoc.
Financial Statements
and Supplementary Information
For the One Month and Twelve Months Ended
December 31, 2005

To the Board of Directors
Meadowlake Village Homeowners' Assoc.
Houston, TX 77210-4346

We have compiled the accompanying balance sheet of Meadowlake Village Homeowners' Assoc. as of December 31, 2005, the related statements of revenues and expenses, changes in fund balances and cash flows for the one month and twelve months then ended, and the accompanying supplementary information which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

The Association has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The American Institute of Certified Public Accountants has determined that supplementary information about future repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Association has not presented this supplementary information.

February 8, 2006

**Meadowlake Village Homeowners' Assoc.
Balance Sheet
As of December 31, 2005**

Assets

	<u>Operating Fund</u>	<u>Maintenance Projects Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Current Assets				
Checking-Amegy Bank	\$ 76,232.93	\$ 0.00	\$ 0.00	\$ 76,232.93
Prepaid Insurance	10,247.25	0.00	0.00	10,247.25
Due From/(To) Other Funds	<u>(54,083.17)</u>	<u>1,379.12</u>	<u>52,704.05</u>	<u>0.00</u>
Total Cash	32,397.01	1,379.12	52,704.05	86,480.18
Maintenance Fees Receivable	<u>58,637.48</u>	<u>0.00</u>	<u>0.00</u>	<u>58,637.48</u>
Accounts Receivable, Net	<u>58,637.48</u>	<u>0.00</u>	<u>0.00</u>	<u>58,637.48</u>
Total Current Assets	91,034.49	1,379.12	52,704.05	145,117.66
Property and Equipment				
Playground Equipment	10,344.00	0.00	0.00	10,344.00
Pool Furniture	5,991.61	0.00	0.00	5,991.61
Accumulated Depreciation	<u>(14,581.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(14,581.00)</u>
Net Property and Equipment	1,754.61	0.00	0.00	1,754.61
Other Assets				
Deposits-Street Lights	<u>2,328.80</u>	<u>0.00</u>	<u>0.00</u>	<u>2,328.80</u>
Total Other Assets	<u>2,328.80</u>	<u>0.00</u>	<u>0.00</u>	<u>2,328.80</u>
Total Assets	<u>\$ 95,117.90</u>	<u>\$ 1,379.12</u>	<u>\$ 52,704.05</u>	<u>\$ 149,201.07</u>

Liabilities and Fund Balances

	<u>Operating Fund</u>	<u>Maintenance Projects Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Current Liabilities				
Unapplied A/R Payment	\$ 414.00	\$ 0.00	\$ 0.00	\$ 414.00
Accounts Payable	<u>1.28</u>	<u>0.00</u>	<u>0.00</u>	<u>1.28</u>
Total Current Liabilities	<u>415.28</u>	<u>0.00</u>	<u>0.00</u>	<u>415.28</u>
Total Liabilities	415.28	0.00	0.00	415.28
Fund Balance	<u>94,702.62</u>	<u>1,379.12</u>	<u>52,704.05</u>	<u>148,785.79</u>
Total Liabilities and Fund Balance	<u>\$ 95,117.90</u>	<u>\$ 1,379.12</u>	<u>\$ 52,704.05</u>	<u>\$ 149,201.07</u>

See Accountants' Compilation Letter

**Meadowlake Village Homeowners' Assoc.
Statement of Revenues and Expenses
For The One Month Ended December 31, 2005**

	<u>Operating</u>	%	<u>Maintenance</u>	%	<u>Capital</u>	%	<u>Total</u>	%
	<u>Fund</u>		<u>Projects</u>		<u>Projects</u>			
			<u>Fund</u>		<u>Fund</u>			
Revenues								
Maintenance Fee Income	\$ 16,437.78	98.97	\$ 83.33	100.00	\$ 1,616.05	100.00	\$ 18,137.16	99.07
Transfer Fee Income	100.00	0.60	-	-	-	-	100.00	0.55
Interest Income-Homeowners	60.53	0.36	-	-	-	-	60.53	0.33
Penalty Charges Income	(20.00)	(0.12)	-	-	-	-	(20.00)	(0.11)
Pool Rental Income	30.00	0.18	-	-	-	-	30.00	0.16
Total Revenues	<u>16,608.31</u>	<u>100.00</u>	<u>83.33</u>	<u>100.00</u>	<u>1,616.05</u>	<u>100.00</u>	<u>18,307.69</u>	<u>100.00</u>
Expenses								
Accounting Fees	1,401.00	8.44	-	-	-	-	1,401.00	7.65
Bank Service Charges	22.92	0.14	-	-	-	-	22.92	0.13
Insurance Expense	1,522.75	9.17	-	-	-	-	1,522.75	8.32
Depreciation Expense	57.00	0.34	-	-	-	-	57.00	0.31
Postage & Copying	267.29	1.61	-	-	-	-	267.29	1.46
Taxes-Property & Income	1.26	0.01	-	-	-	-	1.26	0.01
Transfer Fee Expense	100.00	0.60	-	-	-	-	100.00	0.55
Legal Fees	(1,839.75)	(11.08)	-	-	-	-	(1,839.75)	(10.05)
Bad Debt Expense	50.00	0.30	-	-	-	-	50.00	0.27
Neighborhood Watch	427.59	2.57	-	-	-	-	427.59	2.34
Entrance Expense	595.25	3.58	-	-	-	-	595.25	3.25
Bath House Repairs & Maintenance	233.33	1.40	-	-	-	-	233.33	1.27
Pool Staff/Chemicals	1,045.00	6.29	-	-	-	-	1,045.00	5.71
Pool Electricity	864.92	5.21	-	-	-	-	864.92	4.72
Pool Telephone	75.55	0.45	-	-	-	-	75.55	0.41
Pool Water & Sewer	30.02	0.18	-	-	-	-	30.02	0.16
Street Lights Electricity	1,853.49	11.16	-	-	-	-	1,853.49	10.12
Patrol Service	3,620.00	21.80	-	-	-	-	3,620.00	19.77
Lawn Maintenance - Common Area	938.53	5.65	-	-	-	-	938.53	5.13
Operating Expenses	<u>11,266.17</u>	<u>67.83</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,266.17</u>	<u>61.54</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 5,342.14</u>	<u>32.17</u>	<u>\$ 83.33</u>	<u>100.00</u>	<u>\$ 1,616.05</u>	<u>100.00</u>	<u>\$ 7,041.52</u>	<u>38.46</u>

See Accountants' Compilation Letter

**Meadowlake Village Homeowners' Assoc.
Statement of Revenues and Expenses
For The Twelve Months Ended December 31, 2005**

	<u>Operating</u>	%	<u>Maintenance</u>	%	<u>Capital</u>	%	<u>Total</u>	%
	<u>Fund</u>		<u>Projects</u>		<u>Projects</u>			
			<u>Fund</u>		<u>Fund</u>			
Revenues								
Maintenance Fee Income	\$ 198,618.94	95.78	\$ 998.96	100.00	\$ 19,392.60	100.00	\$ 219,010.50	96.16
Transfer Fee Income	1,300.00	0.63	-	-	-	-	1,300.00	0.57
Interest Income-Homeowners	829.00	0.40	-	-	-	-	829.00	0.36
NSF Charge Income	75.00	0.04	-	-	-	-	75.00	0.03
Penalty Charges Income	5,490.00	2.65	-	-	-	-	5,490.00	2.41
Pool Rental Income	1,055.00	0.51	-	-	-	-	1,055.00	0.46
Other Income	0.25	-	-	-	-	-	0.25	-
Total Revenues	<u>207,368.19</u>	<u>100.00</u>	<u>998.96</u>	<u>100.00</u>	<u>19,392.60</u>	<u>100.00</u>	<u>227,759.75</u>	<u>100.00</u>
Expenses								
Accounting Fees	15,384.45	7.42	-	-	-	-	15,384.45	6.75
Bank Service Charges	957.84	0.46	-	-	-	-	957.84	0.42
Insurance Expense	17,468.63	8.42	-	-	-	-	17,468.63	7.67
Depreciation Expense	702.00	0.34	-	-	-	-	702.00	0.31
Miscellaneous Expenses	54.76	0.03	-	-	-	-	54.76	0.02
Office Supplies	149.87	0.07	-	-	-	-	149.87	0.07
Postage & Copying	3,980.20	1.92	-	-	-	-	3,980.20	1.75
Taxes-Property & Income	1.28	-	-	-	-	-	1.28	-
Transfer Fee Expense	1,300.00	0.63	-	-	-	-	1,300.00	0.57
Legal Fees	4,300.87	2.07	-	-	-	-	4,300.87	1.89
Bad Debt Expense	2,765.29	1.33	-	-	-	-	2,765.29	1.21
Communication (Newsletter)	1,585.98	0.76	-	-	-	-	1,585.98	0.70
Neighborhood Watch	472.59	0.23	-	-	-	-	472.59	0.21
Entrance Expense	2,100.71	1.01	-	-	-	-	2,100.71	0.92
Bath House Repairs & Maintenance	4,030.33	1.94	-	-	-	-	4,030.33	1.77
Pool Staff/Chemicals	37,052.50	17.87	-	-	-	-	37,052.50	16.27
Pool Electricity	8,701.00	4.20	-	-	-	-	8,701.00	3.82
Pool Overhead (Tags, Etc)	134.58	0.06	-	-	-	-	134.58	0.06
Pool Repairs & Maintenance	2,912.71	1.40	-	-	-	-	2,912.71	1.28
Pool Telephone	939.60	0.45	-	-	-	-	939.60	0.41
Pool Water & Sewer	367.39	0.18	-	-	-	-	367.39	0.16
Street Lights Electricity	21,753.55	10.49	-	-	-	-	21,753.55	9.55
Community Trash Pick Up	1,694.69	0.82	-	-	-	-	1,694.69	0.74
Patrol Service	38,650.00	18.04	-	-	-	-	38,650.00	16.97
Patrol Service Phone Expense	451.00	0.22	-	-	-	-	451.00	0.20
Lawn Maintenance - Common Area	11,262.36	5.43	-	-	-	-	11,262.36	4.94
Maintenance Expenditure	-	-	3,611.90	361.57	-	-	3,611.90	1.59
Operating Expenses	<u>179,174.18</u>	<u>86.40</u>	<u>3,611.90</u>	<u>361.57</u>	<u>-</u>	<u>-</u>	<u>182,786.08</u>	<u>80.25</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 28,194.01</u>	<u>13.60</u>	<u>\$ (2,612.94)</u>	<u>(261.57)</u>	<u>\$ 19,392.60</u>	<u>100.00</u>	<u>\$ 44,973.67</u>	<u>19.75</u>

See Accountants' Compilation Letter

**Meadowlake Village Homeowners' Assoc.
Statement of Changes in Fund Balances
For the One Month ended December 31, 2005**

	<u>Operating Fund</u>	<u>Maintenance Projects Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund Balance - Beginning of Period	\$ 89,360.48	\$ 1,295.79	\$ 51,088.00	\$ 141,744.27
Excess (deficiency) of revenues over expenses	<u>5,342.14</u>	<u>83.33</u>	<u>1,616.05</u>	<u>7,041.52</u>
Fund Balance - End of Period	<u>\$ 94,702.62</u>	<u>\$ 1,379.12</u>	<u>\$ 52,704.05</u>	<u>\$ 148,785.79</u>

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**Meadowlake Village Homeowners' Assoc.
Statement of Changes in Fund Balances
For the Twelve Months ended December 31, 2005**

	<u>Operating Fund</u>	<u>Maintenance Projects Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund Balance - Beginning of Year	\$ 66,508.61	\$ 3,992.06	\$ 33,311.45	\$ 103,812.12
Excess (deficiency) of revenues over expenses	<u>28,194.01</u>	<u>(2,612.94)</u>	<u>19,392.60</u>	<u>44,973.67</u>
Fund Balance - End of Period	<u>\$ 94,702.62</u>	<u>\$ 1,379.12</u>	<u>\$ 52,704.05</u>	<u>\$ 148,785.79</u>

See Accountants' Compilation Letter

**Meadowlake Village Homeowners' Assoc.
Statement of Cash Flows
For the One Month ended December 31, 2005**

	<u>Operating Fund</u>	<u>Maintenance Projects Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Cash Flows From Operating Activities				
Excess (deficiency) of revenues over expenses	\$ 5,342.14	\$ 83.33	\$ 1,616.05	\$ 7,041.52
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and Amortization	57.00	-	-	57.00
Accounts Receivable	5,607.90	-	-	5,607.90
Prepaid Expenses	2,567.75	-	-	2,567.75
Due to/(from) Other Funds	1,699.38	(83.33)	(1,616.05)	-
Accounts Payable	(1,173.02)	-	-	(1,173.02)
Deferred Income	(18,208.66)	-	-	(18,208.66)
Net cash provided by (used in) operating activities	(4,107.51)	-	-	(4,107.51)
Net increase (decrease) in cash and cash equivalents	(4,107.51)	-	-	(4,107.51)
Cash and cash equivalents at beginning of period	80,340.44	-	-	80,340.44
Cash and cash equivalents at ending of period	<u>\$ 76,232.93</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,232.93</u>

Meadowlake Village Homeowners' Assoc.
Statement of Cash Flows
For the Twelve Months ended December 31, 2005

	<u>Operating Fund</u>	<u>Maintenance Projects Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Cash Flows From Operating Activities				
Excess (deficiency) of revenues over expenses	\$ 28,194.01	\$ (2,612.94)	\$ 19,392.60	\$ 44,973.67
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and Amortization	702.00	-	-	702.00
Accounts Receivable	(22,692.23)	-	-	(22,692.23)
Prepaid Expenses	1,240.63	-	-	1,240.63
Due to/(from) Other Funds	16,779.66	2,612.94	(19,392.60)	-
Accounts Payable	<u>187.28</u>	<u>-</u>	<u>-</u>	<u>187.28</u>
Net cash provided by (used in) operating activities	24,411.35	-	-	24,411.35
Net increase (decrease) in cash and cash equivalents	24,411.35	-	-	24,411.35
Cash and cash equivalents at beginning of period	<u>51,821.58</u>	<u>-</u>	<u>-</u>	<u>51,821.58</u>
Cash and cash equivalents at ending of period	<u>\$ 76,232.93</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,232.93</u>

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Supplementary Information

**Meadowlake Village Homeowners' Assoc.
Comparative Statement of Revenues and Expenses
Actual vs. Budget**

	1 Month Ended December 31, 2005 Actual	1 Month Ended December 31, 2005 Budget	Variance	12 Months Ended December 31, 2005 Actual	12 Months Ended December 31, 2005 Budget	Variance	Yearly Budget
Revenues							
Maintenance Fee Income	\$ 18,137.16	\$ 18,208.68	\$ (71.52)	\$ 219,010.50	\$ 218,503.08	\$ 507.42	\$ 218,503.08
Transfer Fee Income	100.00	0.00	100.00	1,300.00	0.00	1,300.00	0.00
Interest Income-Homeowners	60.53	65.36	(4.83)	829.00	709.51	119.49	709.51
NSF Charge Income	0.00	0.00	0.00	75.00	100.00	(25.00)	100.00
Penalty Charges Income	(20.00)	(40.00)	20.00	5,490.00	4,500.00	990.00	4,500.00
Pool Rental Income	30.00	25.00	5.00	1,055.00	1,025.00	30.00	1,025.00
Pool Tag Income	0.00	0.00	0.00	0.00	39.90	(39.90)	39.90
Other Income	0.00	0.00	0.00	0.25	210.00	(209.75)	210.00
Total Revenues	18,307.69	18,259.04	48.65	227,759.75	225,087.49	2,672.26	225,087.49
Expenses							
Accounting Fees	1,401.00	1,146.80	254.20	15,384.45	15,791.80	(407.35)	15,791.80
Bank Service Charges	22.92	139.53	(116.61)	957.84	2,144.56	(1,186.72)	2,144.56
Insurance Expense	1,522.75	1,407.83	114.92	17,468.63	16,893.96	574.67	16,893.96
Depreciation Expense	57.00	58.25	(1.25)	702.00	699.00	3.00	699.00
Membership Fees	0.00	0.00	0.00	0.00	570.00	(570.00)	570.00
Miscellaneous Expenses	0.00	(0.30)	0.30	54.76	2,509.54	(2,454.78)	2,509.54
Office Supplies	0.00	0.00	0.00	149.87	746.49	(596.62)	746.49
Postage & Copying	267.29	119.63	147.66	3,980.20	2,766.49	1,213.71	2,766.49
Taxes-Property & Income	1.28	0.00	1.28	1.28	6.44	(5.16)	6.44
Transfer Fee Expense	100.00	0.00	100.00	1,300.00	0.00	1,300.00	0.00
Legal Fees	(1,839.75)	380.13	(2,219.88)	4,300.87	3,688.95	711.92	3,688.95
Bad Debt Expense	50.00	0.00	50.00	2,765.29	2,160.48	604.81	2,160.48
Communication (Newsletter)	0.00	0.00	0.00	1,585.98	2,070.30	(484.32)	2,070.30
Neighborhood Watch	427.59	0.00	427.59	472.59	325.00	147.59	325.00
Entrance Expense	595.25	359.15	237.10	2,100.71	4,023.00	(1,922.29)	4,023.00
Bath House Repairs & Maintenance	233.33	390.46	(157.13)	4,030.33	2,961.90	1,068.43	2,961.90
Pool Staff/Chemicals	1,045.00	1,110.31	(65.31)	37,052.50	32,590.15	4,472.35	32,590.15
Pool Electricity	664.92	427.52	237.40	8,701.00	6,577.47	2,123.53	6,577.47

See Accountants' Compilation Letter

**Meadowlake Village Homeowners' Assoc.
Comparative Statement of Revenues and Expenses
Actual vs. Budget**

	1 Month Ended December 31, 2005 Actual		1 Month Ended December 31, 2005 Budget		12 Months Ended December 31, 2005 Actual		12 Months Ended December 31, 2005 Budget		Yearly Budget	
Pool Overhead (Tags, Etc)	0.00	0.00	0.00	0.00	134.58	130.00	130.00	130.00	130.00	130.00
Pool Repairs & Maintenance	0.00	57.06	(57.06)		2,912.71	1,892.87	1,892.87	1,892.87	1,892.87	1,892.87
Pool Telephone	75.55	83.67	(8.12)		939.60	975.12	975.12	975.12	975.12	975.12
Pool Water & Sewer	30.02	113.21	(83.19)		367.39	1,449.81	1,449.81	1,449.81	1,449.81	1,449.81
Tennis Courts Repairs & Maintena	0.00	0.00	0.00		0.00	321.00	321.00	321.00	321.00	321.00
Street Lights Electricity	1,853.49	1,805.62	47.87		21,753.55	21,667.44	21,667.44	21,667.44	21,667.44	21,667.44
Community Trash Pick Up	0.00	0.00	0.00		1,694.69	2,586.00	2,586.00	2,586.00	2,586.00	2,586.00
Patrol Service	3,620.00	3,500.00	120.00		38,650.00	42,000.00	42,000.00	42,000.00	42,000.00	42,000.00
Patrol Service Phone Expense	0.00	0.00	0.00		451.00	461.77	461.77	461.77	461.77	461.77
Lawn Maintenance - Homes	0.00	0.00	0.00		0.00	160.00	160.00	160.00	160.00	160.00
Lawn Maintenance - Vacant Lots	0.00	64.95	(64.95)		0.00	779.40	779.40	779.40	779.40	779.40
Lawn Maintenance - Common Are	938.53	938.53	0.00		11,262.36	11,262.36	11,262.36	11,262.36	11,262.36	11,262.36
Maintenance Expenditure	0.00	0.00	0.00		3,611.90	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
Total Expenses	11,266.17	12,101.35	(835.18)		182,786.08	184,601.30	184,601.30	184,601.30	184,601.30	184,601.30
Excess (Deficiency) of Revenues Over Expenses	\$ 7,041.52	\$ 6,157.69	\$ 883.83		\$ 44,973.67	\$ 40,486.19	\$ 40,486.19	\$ 40,486.19	\$ 40,486.19	\$ 40,486.19

See Accountants' Compilation Letter