

Barron square

**TO: ALL MEMBERS OF
BARRON SQUARE HOMEOWNERS ASSOCIATION**

**FROM: DEBORAH McGRAW, PML MANAGEMENT CORP.
ASSOCIATION MANAGER**

**SUBJECT: COPY OF INDEPENDENT AUDITORS' REPORT
FOR YEARS ENDED DEC. 31, 2006 AND 2005**

DATE: APRIL 16, 2007

Enclosed please find your copy of the *Financial Statements and Independent Auditors' Report for the Years Ended December 31, 2006 and 2005*, more commonly referred to as the **2006 AUDIT**, for Barron Square Homeowners Association as prepared by Levy, Erlanger & Company, CPA's, the Association's auditors. This audit is being mailed to you as specified in Section 1365 of the California Civil Code.

Please keep your copy of the **2006 AUDIT** with your other Association documents for easy reference and for availability in the event that you should sell or refinance your unit.

If you have any question regarding the **2006 AUDIT**, please submit them, *in writing*, to the Board of Governors, in care of PML Management at the address below.

Encl.

audit cover letter 2006.bs

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2006 AND 2005

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

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YEARS ENDED DECEMBER 31, 2006 AND 2005

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LEVY, ERLANGER & COMPANY
Certified Public Accountants

222 Front Street, Suite 700
San Francisco, CA 94111

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Barron Square Homeowners Association
Palo Alto, California

We have audited the accompanying balance sheets of **The Barron Square Homeowners Association** (the Association) as of December 31, 2006 and 2005 and the related statements of revenues, expenses and changes in fund balances, and the statements of cash flows, for the years then ended. These statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Barron Square Homeowners Association** as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and

Board of Directors

The Barron Square Homeowners Association

Independent Auditors' Report (Continued)

replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list, and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement until sufficient funds are available.

The Supplementary Information On Future Major Repairs And Replacements 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 therefore express no opinion on it.

Lee, Eberly & Company

February 6, 2007

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**BALANCE SHEETS
DECEMBER 31, 2006 AND 2005**

	2006			2005
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	\$ 19,613	\$ 94,199	\$ 113,812	\$ 56,791
Investment in certificates of deposit (Note 2)		630,000	630,000	590,000
Assessments receivable (Note 2)	649		649	61
Interest receivable		8,648	8,648	5,585
Prepaid insurance	26,104		26,104	20,326
Other prepaid expenses	2,886		2,886	6,761
Total assets	\$ 49,252	\$ 732,847	\$ 782,099	\$ 679,524
LIABILITIES				
Accounts payable	\$ 2,124	\$ 29,334	\$ 31,458	\$ 5,449
Assessments paid in advance	5,839		5,839	1,839
Income taxes payable	31	2,182	2,213	1,293
Interfund reclassifications and transfers	48,494	(48,494)		
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	56,488	(16,978)	39,510	8,581
COMMITMENTS (NOTE 4)				
	-	-	-	-
FUND BALANCE (DEFICIT)				
	(7,236)	749,825	742,589	670,943
Total liabilities and fund balance	\$ 49,252	\$ 732,847	\$ 782,099	\$ 679,524

See independent auditors' report and accompanying notes.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006			2005
	Operations Fund	Replacement Fund	Total Funds	Total, Funds
REVENUES				
Assessments	\$ 183,249	\$ 195,315	\$ 378,564	\$ 360,516
Major repairs special assessments				8,061
Interest income (Note 2)	372	25,886	26,258	16,285
Late charges and other income	500		500	151
Total revenues	184,121	221,201	405,322	385,013
EXPENSES				
<u>Administration</u>				
Income tax provision (Note 2)	79	5,494	5,573	3,333
Insurance	40,573		40,573	44,929
Legal and accounting	2,663		2,663	2,645
Management	23,040		23,040	22,620
Office, printing and postage	6,937		6,937	7,476
Reserve study				1,530
	73,292	5,494	78,786	82,533
<u>Maintenance and operations</u>				
Landscape maintenance	55,460	-	55,460	52,212
Pool and spa maintenance	3,911		3,911	4,853
Other maintenance and operations	40,567		40,567	36,402
	99,938	-	99,938	93,467
<u>Utilities</u>				
Cable television	1,740	-	1,740	1,560
Gas and electricity	4,489		4,489	5,539
Water and sewer	20,253		20,253	18,764
	26,482	-	26,482	25,863

See independent auditors' report and accompanying notes.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006			2005
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Major repairs and replacements</u>				
Gutters and downspouts	\$ -	\$ -	\$ -	\$ 41,600
Landscaping, trees and irrigation		24,050	24,050	9,891
Other building exterior		67,153	67,153	
Pool and spa		4,454	4,454	
Termite fumigation		29,334	29,334	
Other major repairs and replacements		3,479	3,479	27,552
	-	128,470	128,470	79,043
Total expenses	199,712	133,964	333,676	280,906
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(15,591)	87,237	71,646	104,107
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	8,355	662,588	670,943	566,836
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (7,236)</u>	<u>\$ 749,825</u>	<u>\$ 742,589</u>	<u>\$ 670,943</u>

See independent auditors' report and accompanying notes.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006			2005
	Operations Fund	Replacement Fund	Total Funds	Total Funds
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ (15,591)	\$ 87,237	\$ 71,646	\$ 104,107
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Decrease (increase) in assets:				
Assessments receivable	(588)	-	(588)	(1)
Interest receivable		(3,063)	(3,063)	(2,337)
Other receivables				518
Prepaid insurance	(5,778)		(5,778)	451
Other prepaid expenses	3,875		3,875	(5,783)
Increase (decrease) in liabilities:				
Accounts payable	(2,151)	28,160	26,009	(501)
Assessments paid in advance	4,000		4,000	(3,708)
Income taxes payable	12	908	920	1,234
Interfund reclassifications and transfers	25,718	(25,718)		
Total adjustments	25,088	287	25,375	(10,127)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	9,497	87,524	97,021	93,980
INVESTING ACTIVITIES				
Net (purchase) sale of certificates of deposit	-	(40,000)	(40,000)	(130,000)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	(40,000)	(40,000)	(130,000)

See independent auditors' report and accompanying notes.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006			2005
	Operations Fund	Replacement Fund	Total Funds	Total Funds
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 9,497	\$ 47,524	\$ 57,021	\$ (36,020)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,116	46,675	56,791	92,811
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,613	\$ 94,199	\$ 113,812	\$ 56,791
<u>Supplemental Disclosures</u>				
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	\$ 67	\$ 4,586	\$ 4,653	\$ 2,099

See independent auditors' report and accompanying notes.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2006 AND 2005

1. THE ASSOCIATION

The Barron Square Homeowners Association (the Association) is a common interest development located in Palo Alto, California which consists of 65 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in April 1979 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assessments. Association members are subject to annual assessments, usually payable in equal monthly installments, to provide funds for operating expenses and major repairs and replacements. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's board of directors, under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year. Revenue and expenses and information about future major repairs and replacements is explained in greater detail in the annually distributed pro forma operating budget (pursuant to California Civil Code Section 1365).

Assessments receivable at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed delinquent assessment

See independent auditors' report.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Assessments receivable (continued) collection policy (pursuant to California Civil Code Section 1365.1). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible.

Basis of presentation. The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents. For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Concentrations of credit risk. Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2006 totaled approximately \$-0-.

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.

See independent auditors' report.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates (continued). Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund accounting. The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

Income taxes are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and investments.

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at graduated rates from 15% to 39% on net nonmember income; in the latter case it is taxed on net nonexempt function income (which is generally similar to net nonmember income) at a flat 30% rate. California income taxes normally approximate 9% of taxable income.

Interest earned on operating and replacement funds, net of related income taxes, is retained in said respective funds.

Investments consist of federally-insured certificates of deposit stated at cost which approximates market value.

See independent auditors' report.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Membership in the Association is mandatory by virtue of unit ownership.

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 1365), require that the Board of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected cost increase (aka inflation) and interest earning rates.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material.

See independent auditors' report.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 1365.2.5).

4. COMMITMENTS

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' notice.

See independent auditors' report.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2006
(UNAUDITED)**

The following information on common area major components was compiled by Carter-Gough & Company of Martinez, California as of December 2002 and has served as the basis for the current estimates of replacement reserve funding:

Component	Pres. Est. Cost	Est. Use. Life	Est. Rem. Life	Req'd Bal at 12/31/2006	2007 Additions	2007 Expenses	Req'd Bal at 12/31/2007
BUILDING EXTERIORS							
Shingles, Residential & Clbse - Repair	21,425	5	1	17,140	4,285	0	21,425
T-111 Siding - Repair	32,137	5	1	25,710	6,427	0	32,137
Termite Fumigation & Repairs (2006)	65,000	10	10	0	6,500	0	6,500
Straight Stairs & Entr Dk - Replace (6) @ \$8500	54,638	28	24	7,805	1,951	0	9,757
Straight Stairs & Entr Dk - Replace (3) @ \$8500	27,324	28	10	17,565	976	0	18,541
U-Shaped Stairs & Dk - Replace (7) @ \$15000	112,484	28	24	16,069	4,017	0	20,086
U-Shaped Stairs & Dk - Replace (2) @ \$15000	32,137	28	13	17,216	1,148	0	18,364
L-Shaped Stairs & Dk - Replace (8) @ \$12000	102,838	28	24	14,691	3,673	0	18,364
L-Shaped Stairs & Dk - Replace (1) @ \$12000	12,855	28	4	11,019	459	0	11,478
L-Shaped Stairs & Dk - Replace (3) @ \$12000	38,564	28	11	23,414	1,377	0	24,791
Other Stairs & Dk - Repair	30,108	6	3	15,054	5,018	0	20,072
Small Balconies - Replace (4) @ \$7330	31,412	30	26	4,188	1,047	0	5,235
Small Balconies - Replace (4) @ \$7330	31,412	30	6	25,130	1,047	0	26,177
Small Balconies - Replace (2) @ \$7330	15,711	30	12	9,427	524	0	9,950
Townhouse Balconies - Replace (3) @ \$12300	39,537	30	2	36,901	1,318	0	38,219
Townhouse Balconies - Replace (2) @ \$12300	28,361	30	8	19,331	879	0	20,210
Large Balconies - Replace (23)	421,317	30	26	56,176	14,044	0	70,220
Large Balconies - Replace (8)	146,546	30	8	107,467	4,885	0	112,352
Large Balconies - Replace (10)	183,185	30	12	109,911	6,106	0	116,017
Large Balconies - Replace (10)	183,185	30	16	85,486	6,106	0	91,593
Large Balconies - Replace (10)	183,185	30	20	61,062	6,106	0	67,168
Large Balconies - Replace (5)	91,598	30	24	18,320	3,053	0	21,373
Repair Small, Large, & Twnhse Balconies	98,553	6	2	65,702	16,426	0	82,128
Gutters & Downspouts - Replace + Paint	94,175	25	23	7,534	3,767	0	11,301
Trash Enclosure Doors - Replace & Paint (68)	12,606	20	13	4,412	630	0	5,042
GROUND S							
Entry Sign (Monument)	2,256	21	11	1,074	107	0	1,182
Signs & Mapboard - Replace	2,381	12	10	397	198	0	595
Concrete Repairs	7,000	3	3	0	2,333	0	2,333
Fence - Chain-Link - Replace	11,354	30	4	9,840	378	0	10,219
Fence - Wood - Property Line	8,280	20	17	1,242	414	0	1,656
Fence - Property line	20,700	20	13	7,245	1,035	0	8,280
Fence - Wood - Patio Fences	20,358	18	16	2,262	1,131	0	3,393
Fence - Wood - Patio Fences	20,358	18	6	13,572	1,131	0	14,703
El Camino & Steel Pool Gates - Replace	7,763	25	3	6,831	311	0	7,142
Wood Gates - Clbse - Replace	652	20	0	652	33	652	33
Irrigation (Controllrs, Valves , etc.)	35,211	13	2	29,794	2,709	0	32,502
Large Tree Care	15,525	2	1	7,763	7,763	0	15,525
Light Fixtures	48,421	25	9	30,989	1,937	0	32,926
Mail Kiosks	12,969	23	11	6,766	564	0	7,330
Television System - MATV	6,427	15	1	5,999	428	0	6,427
PAVING							
Asphalt Paving - Major Repair	57,008	40	17	32,780	1,425	0	34,205
Asphalt Paving - Slurry Coating & Repairs	14,764	5	2	8,858	2,953	0	11,811
ROOFS - FLAT							
Buildings 1, 4, 5 & 7 - Replace	30,794	20	10	15,397	1,540	0	16,937
Buildings 2, 3 & 6 - Replace	26,288	20	10	13,144	1,314	0	14,458
Building 8 - Replace	6,751	20	9	3,713	338	0	4,051
Buildings 9,10,11 &12 - Replace	30,623	20	13	10,718	1,531	0	12,249
Clubhouse & Garages - Replace	34,155	20	12	13,662	1,708	0	15,370
All Res., Garages, & Clbse - Repair	15,008	5	0	15,008	3,002	15,008	3,002

See independent auditors' report and accompanying notes.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2006
(UNAUDITED)**

Component	Pres. Est. Cost	Est. Use. Life	Est. Rem. Life	Req'd Bal at 12/31/2006	2007 Additions	2007 Expenses	Req'd Bal at 12/31/2007
ROOFS - SHAKE							
Buildings 1, 4, 5 & 7 - Replace	177,166	35	25	50,619	5,062	0	55,681
Buildings 2, 3 & 6 - Replace	102,089	35	24	32,085	2,917	0	35,002
Building 8 - Replace	40,828	35	28	8,166	1,167	0	9,332
Buildings 9, 10, 11 & 12 - Replace	184,772	35	27	42,234	5,279	0	47,513
Clubhouse - Replace	17,890	35	28	3,578	511	0	4,089
Garages-528,544,550,582,4128,4137, & 4139-	10,012	35	22	3,719	286	0	4,005
Garages - All 57 Other Units - Replace	75,085	36	28	16,686	2,086	0	18,771
All Res., Garages, Clbhse - Repair	23,546	7	1	20,182	3,364	0	23,546
CLUBHOUSE AREA							
Carpet - Replace	2,225	10	8	445	223	0	668
Linoleum - Replace	2,000	15	14	133	133	0	267
Furniture Replace	7,540	10	8	1,508	754	0	2,262
Refrigerator - Replace	480	15	13	64	32	0	96
Disposal - Replace	279	20	1	265	14	0	279
HVAC Unit - Replace	3,500	26	1	3,365	135	0	3,500
Clubhouse & Sauna Fans - Replace	756	15	2	655	50	0	706
Sauna Room Rehabilitation	9,543	30	4	8,271	318	0	8,589
Sauna Mechanical - Replace	1,180	20	3	1,003	59	0	1,062
Spa - Replace	5,630	18	3	4,692	313	0	5,004
Pool Replaster & Tile	8,787	15	12	1,757	586	0	2,343
Pool Signs - Replace	186	6	3	93	31	0	124
Pool Area Retaining Wall/Planter - Replace	10,712	18	15	1,785	595	0	2,380
Pool Furniture - Replace	1,700	8	6	425	213	0	638
Pool/Spa Mechanical - Replace	12,969	18	11	5,044	721	0	5,764
Spa Heater - Replace	1,563	12	1	1,433	130	0	1,563
Pool/Spa Chlorinators & Filters	1,791	12	1	1,642	149	0	1,791
Pool/Spa Pumps & Motors - Replace	2,080	15	1	1,941	139	0	2,080
Storage Shed (Modular) - Replace	1,346	15	0	1,346	90	1,346	90
Clubhouse Deck & Stairs - Replace	7,876	18	8	4,376	438	0	4,813
Water Heater, 50 Gal. (Replace with Tankless?)	1,300	12	1	1,192	108	0	1,300
.NT							
Paint - Interior (Clubhouse)	4,000	10	8	800	400	0	1,200
Paint - Mail Kiosks, signs, etc.)	1,573	8	4	787	197	0	983
Paint - Wood Fences	20,700	8	4	10,350	2,588	0	12,938
Paint - Garages & Garbage Areas	24,809	8	4	12,405	3,101	0	15,506
Paint - Residences	43,201	8	4	21,601	5,400	0	27,001
Paint - Doors	7,183	8	4	3,592	898	0	4,489
TENNIS COURT							
Tennis Court - Resurface	3,405	10	1	3,065	341	0	3,405
Tennis Court Net - Replace	207	5	3	83	41	0	124
Basket Ball Pole/Net - Replace	238	10	8	48	24	0	71
MISCELLANEOUS & CONTINGENCIES							
Arborist Tree Report	5,382	5	2	3,229	1,076	0	4,306
Reserve Study	1,700	3	3	0	567	0	567
Merrill Lynch Service Charge						300	
Unallocated Items	5,175	1	0	5,175	5,175	5,175	5,175
Component	3,355,743			1,294,271	181,759	22,481	1,453,849

See independent auditors' report and accompanying notes.

THE BARRON SQUARE HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2006
(UNAUDITED)

The Association has conducted a study to estimate the remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **before-tax** interest rate of **-0--%** on replacement fund cash balances and an annual inflation rate of **3-1/2%** on major component replacement costs. The replacement fund cash and investment balances at December 31, 2006 totaled **\$724,199**. The estimated liability for major repairs and replacements at this date totaled approximately **\$1,294,000**. The portion of **2007** regular assessments budgeted to be allocated to the replacement fund totals **\$169,533**.

See independent auditors' report and accompanying notes.