

# Barron square

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

**FROM: DEBORAH McGRAW, CCAM  
ASSOCIATION MANAGER**

**SUBJECT: COPY OF INDEPENDENT AUDITORS' REPORT  
FOR YEARS ENDED DECEMBER 31, 2009 AND 2008**

**DATE: JUNE 17, 2010**

Enclosed please find your copy of the *Financial Statements and Independent Auditors Report for the Years Ended December 31, 2009 and 2008*, more commonly referred to as the **2009 AUDIT**, for Barron Square Homeowners Association as prepared by Levy, Erlanger & Company, Certified Public Accountants, 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 **2009 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 **2009 AUDIT**, please submit them, *in writing*, to the Board of Governors, in care of PML Management at the address below.

Encl.

audit cover letter 2010.bs



**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**LEVY, ERLANGER & COMPANY  
Certified Public Accountants  
San Francisco, California**

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

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**LEVY, ERLANGER & COMPANY**  
Certified Public Accountants

290 King Street, Suite 12  
San Francisco, CA 94109

**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, 2009 and 2008 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, 2009 and 2008, 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 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.

Board Of Directors  
**The Barron Square Homeowners Association**  
Independent Auditors' Report (Continued)

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 of common area major components 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.

*Terry Erlanger's Company*

February 19, 2010

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**BALANCE SHEETS  
DECEMBER 31, 2009 AND 2008**

	<u>2009</u>		<u>2008</u>	
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 19,140	\$ 181,907	\$ 201,047	\$ 301,307
Investment in certificates of deposit (Note 2)		585,000	585,000	665,000
Assessments receivable (Note 2)	3,166		3,166	97
Interest receivable		4,069	4,069	6,634
Prepaid insurance	32,525		32,525	35,503
Prepaid income taxes		2,046	2,046	
Other prepaid expenses				2,120
Total assets	<u>\$ 54,831</u>	<u>\$ 773,022</u>	<u>\$ 827,853</u>	<u>\$ 1,010,661</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,728	\$ -	\$ 6,728	\$ 5,045
Insurance payable	131		131	
Assessments paid in advance	1,817		1,817	4,523
Income taxes payable				353
Due to (due from) other fund	30,174	(30,174)		
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	38,850	(30,174)	8,676	9,921
<b>COMMITMENTS (NOTE 4)</b>				
	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>				
	15,981	803,196	819,177	1,000,740
Total liabilities and fund balance	<u>\$ 54,831</u>	<u>\$ 773,022</u>	<u>\$ 827,853</u>	<u>\$ 1,010,661</u>

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, 2009 AND 2008**

	2009			2008
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES</b>				
Assessments	\$ 232,637	\$ 213,919	\$ 446,556	\$ 407,688
Interest income (Note 2)	63	27,293	27,356	36,180
Roofing class action settlement income		48,266	48,266	
Late charges and other income	608		608	440
Total revenues	233,308	289,478	522,786	444,308
<b>EXPENSES</b>				
<u>Administration</u>				
Income tax provision (Note 2)	-	5,794	5,794	7,793
Insurance	62,617		62,617	61,994
Legal and accounting	8,185		8,185	10,897
Management	25,440		25,440	24,340
Office, printing and postage	4,187		4,187	8,248
Reserve study				3,288
	100,429	5,794	106,223	116,560
<u>Maintenance and operations</u>				
Gutters and downspouts	5,275	-	5,275	3,425
Janitorial services	2,097		2,097	2,284
Landscape maintenance	67,670		67,670	60,749
Lighting	3,248		3,248	2,323
Pest control	4,910		4,910	14,077
Pool and spa maintenance	6,178		6,178	5,159
Other maintenance and operations	11,388		11,388	16,001
	100,766	-	100,766	104,018

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, 2009 AND 2008**

	2009			2008
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>EXPENSES (CONTINUED)</b>				
<u>Utilities</u>				
Cable television	\$ 300	\$ -	\$ 300	\$ 1,595
Gas and electricity	8,247		8,247	6,550
Water and sewer	28,662		28,662	21,489
	<u>37,209</u>	<u>-</u>	<u>37,209</u>	<u>29,634</u>
<u>Major repairs and replacements</u>				
Balconies, decks and patios	-	43,677	43,677	28,209
Clubhouse		10,415	10,415	
Fences, walls, gates and railings		1,536	1,536	
Garbage enclosures		13,162	13,162	
Landscaping, trees and irrigation		15,851	15,851	
Other building exterior		212,512	212,512	
Painting and waterproofing		85,325	85,325	
Paving and concrete		4,481	4,481	
Roofs		1,669	1,669	12,645
Other major repairs and replacements		71,523	71,523	32,361
	<u>-</u>	<u>460,151</u>	<u>460,151</u>	<u>73,215</u>
Total expenses	<u>238,404</u>	<u>465,945</u>	<u>704,349</u>	<u>323,427</u>

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, 2009 AND 2008**

	2009			2008
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (5,096)	\$ (176,467)	\$ (181,563)	\$ 120,881
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	(6,691)	6,691	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>27,768</u>	<u>972,972</u>	<u>1,000,740</u>	<u>879,859</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 15,981</u>	<u>\$ 803,196</u>	<u>\$ 819,177</u>	<u>\$ 1,000,740</u>

See independent auditors' report and accompanying notes.

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			2008
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over expenses	\$ (5,096)	\$ (176,467)	\$ (181,563)	\$ 120,881
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Decrease (increase) in assets:				
Assessments receivable	(3,069)	-	(3,069)	2,820
Interest receivable		2,565	2,565	433
Prepaid insurance	2,978		2,978	(35,503)
Prepaid income taxes		(2,046)	(2,046)	
Other prepaid expenses	2,120		2,120	(1,593)
Increase (decrease) in liabilities:				
Accounts payable	1,683		1,683	(21,398)
Insurance payable	131		131	
Assessments paid in advance	(2,706)		(2,706)	222
Income taxes payable	(4)	(349)	(353)	(1,450)
Due to (due from) other fund	(50,858)	50,858		
Total adjustments	(49,725)	51,028	1,303	(56,469)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(54,821)</b>	<b>(125,439)</b>	<b>(180,260)</b>	<b>64,412</b>
<b>INVESTING ACTIVITIES</b>				
Net (purchase) sale of certificates of deposit	-	80,000	80,000	(125,000)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>-</b>	<b>80,000</b>	<b>80,000</b>	<b>(125,000)</b>

See independent auditors' report and accompanying notes.

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>		<u>2008</u>	
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (54,821)	\$ (45,439)	\$ (100,260)	\$ (60,588)
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(6,691)	6,691	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>80,652</u>	<u>220,655</u>	<u>301,307</u>	<u>361,895</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 19,140</u>	<u>\$ 181,907</u>	<u>\$ 201,047</u>	<u>\$ 301,307</u>
 <u>Supplemental Disclosures</u>				
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 4</u>	<u>\$ 8,189</u>	<u>\$ 8,193</u>	<u>\$ 9,243</u>

See independent auditors' report and accompanying notes.



## THE BARRON SQUARE HOMEOWNERS ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008

#### 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 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.

See independent auditors' report.

## THE BARRON SQUARE HOMEOWNERS ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008

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

**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, 2009 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. 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.

See independent auditors' report.



**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

**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 operations 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.

**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.

See independent auditors' report.

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**3. FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)**

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.

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, 2009  
(UNAUDITED)**

The following information on common area major components was compiled by Reserve Analysis Consulting, LLC of Sausalito, California as of November 2008 and has served as the basis for the current estimates of replacement reserve funding:

	Pres. Est. Cost	Est. Use. Life	Est. Rem. Life	Req'd Bal at 12/31/09
<i>MENT</i>				
<b>ING EXTERIOR - ROOFS</b>				
Roofs - Residences	152,893	20	7	99,381
Roofs - Clubhouse & Garages	49,693	20	9	27,331
Shake Roofs - Residence	340,119	25	12	176,862
Shake Roofs - Clubhouse & Garages	139,029	25	14	61,173
Gutters & Downspouts - Replace	97,000	25	20	19,400
Roofing Caps & Spark Arrestors	8,652	30	23	2,019
Lighting - Assoc. Responsible @ Peaks	24,720	30	17	10,712
Replacement & Repair Allowance - Flat Roofs	8,000	2	0	8,000
Replacement & Repair Allowance - Shake Roofs	10,000	2	-1	15,000
Roofing - All Wood/Metal Components	133,900	5	3	53,560
Roofing - Wood Shingle	51,500	5	3	20,600
<b>PAVING &amp; CONCRETE</b>				
Asphalt Paving - Seal Coat	8,854	5	-1	10,625
Asphalt Paving - Parking Striping	598	5	-1	718
Asphalt Paving - Curb Painting	1,114	5	-1	1,337
Asphalt Paving - Minor Repair - 5%	11,068	5	-1	13,282
Asphalt Paving - Major Repair - 25%	55,340	10	9	5,534
Concrete Repairs - Repair/Replace - Minor	1,030	1	0	1,030
Concrete Repairs - Repair/Replace - Major	9,270	10	7	2,781
Concrete - Pool Deck Repair/Replace	54,631	35	4	48,388
<b>RESIDENTIAL BUILDING EXTERIORS - REPAIR/REPLACE ALLOWANCES</b>				
Doors - Entry Door & Hardware Allowance	5,150	1	0	5,150
Doors - Sliding Glass Door & Hardware Allowance	5,150	1	0	5,150
Windows - Inspect/Repair/Replace Allowance	5,150	1	0	5,150
Windows - Siding/Shingle/Trim Ongoing Repairs	5,150	1	0	5,150
Windows, Residential & Clubhouse - Major Repair/Replace	72,100	10	8	14,420
Windows - Siding - Major Repair	66,950	10	8	13,390
Roofing - Warrantly Allocation	10,300	1	0	10,300
Roofing - Fumigation & Repairs (2006)	66,950	10	6	26,780
<b>RESIDENTIAL BUILDING EXTERIORS - STAIRS</b>				
Stair & Landing - Replace (6) Saarman	52,530	30	22	14,008
Stair & Landing - Replace (3)	26,265	30	9	18,386
Stair & Landing - Replace (7) Saarman	108,150	30	22	28,840
Stair & Landing - Replace (2)	30,900	30	12	18,540
Stair & Landing - Replace (8) Saarman	98,880	30	22	26,368
Stair & Landing - Replace (1)	12,360	30	30	0
Stair & Landing - Replace (3)	37,080	30	10	24,720
Stair & Landing - Repair Allowance	2,575	1	0	2,575
<b>RESIDENTIAL BUILDING EXTERIORS - BALCONIES</b>				
II Balconies - Replace (4) Saarman	32,960	30	22	8,789
II Balconies - Replace (2)	16,480	30	9	11,536
II Balconies - Replace (4)	32,960	30	3	29,664
III Balconies - Replace (25) Saarman	433,957	30	22	115,722
III Balconies - Replace (5)	94,346	30	21	28,304
III Balconies - Replace (10)	188,681	30	17	81,762
III Balconies - Replace (10)	188,681	30	13	106,919
III Balconies - Replace (10)	188,681	30	9	132,076
III Balconies - Replace (8)	150,942	30	5	125,785
Townhouse Balconies - Replace (2)	25,750	30	5	21,458
Townhouse Balconies - Replace (3)	38,625	30	30	0
Air Small, Large & Townhouse Balconies Allowance	2,575	1	0	2,575
<b>TRASH ENCLOSURE</b>				
Garage - Single Car Garage Doors	72,100	30	1	69,697
Garage - Wood/Glass Pedestrian Door	7,725	30	1	7,468
Garage - Solid Wood Doors @ Walk in Garbage	6,180	30	24	1,236
Trash Enclosure Rebuild Allowance	10,300	10	7	3,090
<b>RETAINING WALLS &amp; GATES</b>				

See independent auditors' report and accompanying notes.



## THE BARRON SQUARE HOMEOWNERS ASSOCIATION

### SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2009 (UNAUDITED)

ence - Wood @ Patio - Repair/Replace Allowance	10,300	5	2	6,180
ence - Wood - G.N. @ Clubhouse Driveway	2,225	25	18	623
ence - Wood - G.N. @ Clubhouse to Building 10 Driveway	5,068	25	18	1,419
ence - Wood - @ Building 9 Drive and Open Space	7,859	25	15	3,144
ence - Wood - @ Building 10 Drive and Open Space	5,408	25	23	433
ence - Wood - G.N. behind Buildings 4, 5, 6, 7, 8, 9	14,894	25	15	5,958
ence - Wood - G.N. behind Buildings 1, 2, 3, 4	11,474	25	15	4,590
ence - Wood - Pool Area Fences	968	25	20	184
ence - Cyclone @ Tennis Court - Replace	11,124	40	9	8,621
etaining - Wood @ Units 4122 and 4124	1,911	30	15	955
etaining - Masonry Retaining Wall @ Tennis	27,810	55	24	15,675
etaining - Wood @ Pool Area	6,895	25	18	1,875
ates - El Camino Car Gates - Replace	1,545	25	10	927
ate - El Camino Pedestrian Gate - Replace	1,545	25	22	185
ates - Pool Gates - Replace	3,090	25	20	618
ates - Cyclone @ Tennis Court - Replace	515	25	10	309
ates - Wood @ Maintenance Area	1,030	15	5	687
<b>WIRING</b>				
ighting Wiring and Controllers Repair Allowance	1,030	1	0	1,030
ight Fixtures - @ Landscaping & Wiring	20,394	35	2	19,229
ight Poles @ Site - Pole, Light Fixture & Wiring	4,120	35	2	3,885
ight Poles @ Pool Area - Poles, Fixtures & Wiring	3,090	35	2	2,913
ights - Clubhouse Building Exterior	464	35	2	437
ights - Wall Mount @ Garages	6,853	30	2	6,489
ights - Residential Building Exterior - Unit # Lighted Signs	10,043	30	2	9,373
ights - Residential Building Exterior - Entry/Balc./Stairs	30,128	30	2	28,119
<b>SWIMMING POOL</b>				
lester - Resurface	7,965	15	8	3,717
oping - Replace	2,472	30	23	577
ile - Replace	2,472	30	23	577
seal Coping/Deck Joint - Replace Mastic	742	15	8	346
rails - Replace	2,060	30	23	481
ic - Replace	309	15	8	144
el. . - Replace	2,936	10	0	2,936
ilter - Replace	2,318	10	10	0
ilter - Pump Replace	876	10	0	876
olar Controller - Replace	773	15	5	515
olar Pump - Replace	876	10	0	876
olar Panels - Replace	9,270	15	5	6,180
olar Panels - Structure Replace	5,562	15	5	3,708
ool Signs - Replace	258	5	-1	309
ool Furniture - Replace	2,575	10	4	1,545
re-Fab Tub Replace	10,300	20	12	4,120
rails - Replace	1,030	30	22	275
heater - Replace	2,730	15	11	728
ilter - Replace	2,318	15	2	2,009
ilter Pump - Replace	876	10	-1	983
<b>CLUBHOUSE INTERIOR</b>				
aint - Interior (Clubhouse)	3,598	15	9	1,439
arpet Floor - Replace	4,553	15	10	1,518
ile Floor - Replace	11,330	40	9	8,781
refrigerator - Replace	515	15	9	206
isposal - Replace	309	15	1	288
IVAC Unit - Replace	3,090	25	1	2,966
lubhouse & Sauna Fans - Replace	721	15	1	673
sauna Room Rehabilitation & Door	5,150	35	4	4,561
sauna Mechanical - Replace	2,060	35	4	1,825
ater Heater - tankless	1,030	12	1	944
oors - Wood w/Glass	1,236	45	14	851
oors - Solid Wood	2,472	45	14	1,703
ight	2,936	35	29	503
Room Upgrade	10,300	15	9	4,120
itchen Area Upgrade	5,150	15	9	2,060
urniture Replace	7,210	10	5	3,605

See independent auditors' report and accompanying notes.

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2009  
(UNAUDITED)**

<b>HOUSE BUILDING EXTERIOR</b>				
ter & Downspout - Replace	2,241	25	20	448
bhouse Deck & Stairs - Replace - Redwood	15,450	20	18	1,545
bhouse Deck & Stairs - Sealing/Leak Maintenance	1,489	5	3	598
rs - Wood/Glass Entry Doors	3,502	45	14	2,412
rs - Solid Wood Entry Door - Pool Equipment Room	618	45	14	426
rs - Metal/Glass Sliding Doors	2,936	35	4	2,600
idows	5,150	35	4	4,581
<b>S COURT AREA</b>				
inis Court - Resurface/Lines	7,416	5	-1	8,899
inis Court - Replace	37,080	45	14	25,544
inis Court Net - Replace	381	5	0	381
<b>SCAPE IRRIGATION</b>				
iation Controllers (3 ET controllers)	3,555	15	0	3,555
iation Controllers (2 each, 1 ET and 1 regular)	1,600	15	5	1,067
iflow Preventors	10,300	25	10	6,180
iation Replace Allowance (Valves, Pipes, Heads etc.)	1,545	1	0	1,545
<b>SCAPE - REPLACE AND RENOVATION</b>				
ge Tree Care	5,150	3	3	0
ge Landscape Enhancements	5,150	3	1	3,433
<b>LLANEOUS &amp; CONTINGENCIES</b>				
rage Shed (Modular) - Replace	1,236	20	17	185
Stair Railing @ site Concrete Stairs	5,459	30	5	4,549
orist Tree Report	5,150	5	-1	6,180
erve Study - Annual	824	3	2	275
erve Study - Annual	824	3	3	0
erve Study - Third Year Site Inspection	1,648	3	1	1,099
erground Utility Inspections & Repairs	5,150	1	0	5,150
&R Revisions	5,150	5	4	1,030
<b>GE</b>				
ry Sign (Monument) Replace	2,575	21	8	1,594
board - Replace	2,575	12	7	1,073
ding/Unit Number Signs Replace	3,348	12	7	1,395
<b>OX KIOSKS</b>				
ks Rebuild (Structure, Siding, Roof)	9,270	25	10	5,562
bboxes	12,051	25	10	7,231
illocated Items (5%)	8,400	1	0	8,400
<b>ment</b>	<b>3,731,249</b>			<b>1,640,423</b>

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **before-tax interest rate** of **3%** on replacement fund cash balances and an annual **inflation rate** of **3%** on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2009 totaled **\$766,907**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$1,840,000**. The portion of **2010** regular **assessments** budgeted to be allocated to the replacement fund totals **\$232,293**.

See independent auditors' report and accompanying notes.

