

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

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YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

290 King Street, Suite 12  
San Francisco, CA 94107

**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, 2010 and 2009 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, 2010 and 2009, 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.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Lee, Eberly & Company*

February 14, 2011

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**BALANCE SHEETS  
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>			<u>2009</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 3)	\$ 31,456	\$ 500,944	\$ 532,400	\$ 201,047
Investment in certificates of deposit (Note 3)		401,302	401,302	585,000
Assessments receivable (Note 3)	2,830		2,830	3,166
Interest receivable		1,951	1,951	4,069
Other receivable		4,479	4,479	
Prepaid insurance	32,327		32,327	32,525
Prepaid income taxes		1,463	1,463	2,046
Other prepaid expenses	2,205		2,205	
	<u>68,818</u>	<u>910,139</u>	<u>978,957</u>	<u>827,853</u>
Total assets	<u>\$ 68,818</u>	<u>\$ 910,139</u>	<u>\$ 978,957</u>	<u>\$ 827,853</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,292	\$ -	\$ 6,292	\$ 6,728
Insurance payable				131
Assessments paid in advance	1,178		1,178	1,817
Due to (due from) other fund	48,479	(48,479)		
Future major repairs and replacements (Note 4)	-	-	-	-
	<u>55,949</u>	<u>(48,479)</u>	<u>7,470</u>	<u>8,676</u>
Total liabilities	<u>55,949</u>	<u>(48,479)</u>	<u>7,470</u>	<u>8,676</u>
<b>COMMITMENTS (NOTE 5)</b>				
	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>				
	<u>12,869</u>	<u>958,618</u>	<u>971,487</u>	<u>819,177</u>
Total liabilities and fund balance	<u>\$ 68,818</u>	<u>\$ 910,139</u>	<u>\$ 978,957</u>	<u>\$ 827,853</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, 2010 AND 2009**

	2010			2009
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES</b>				
Assessments	\$ 235,959	\$ 232,293	\$ 468,252	\$ 446,556
Interest income (Note 3)	69	20,948	21,017	27,356
Roofing class action settlement income				48,266
Late charges and other income	1,518		1,518	608
Total revenues	237,546	253,241	490,787	522,786
<b>EXPENSES</b>				
<u>Administration</u>				
Income tax provision (Note 3)	-	4,363	4,363	5,794
Insurance	63,571		63,571	62,617
Legal and accounting	18,091		18,091	8,185
Management	25,695		25,695	25,440
Office, printing and postage	8,174		8,174	4,187
	115,531	4,363	119,894	106,223
<u>Maintenance and operations</u>				
Gutters and downspouts	5,000	-	5,000	5,275
Janitorial services	2,113		2,113	2,097
Landscape maintenance	60,806		60,806	67,670
Lighting	3,808		3,808	3,248
Pest control	1,910		1,910	4,910
Pool and spa maintenance	4,767		4,767	6,178
Other maintenance and operations	11,752		11,752	11,388
	90,156	-	90,156	100,766
<u>Utilities</u>				
Cable television	-	-	-	300
Gas and electricity	7,703		7,703	8,247
Water and sewer	23,060		23,060	28,662
	30,763	-	30,763	37,209

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, 2010 AND 2009**

	2010			2009
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>EXPENSES (CONTINUED)</b>				
<u>Major repairs and replacements</u>				
Balconies, decks and patios	\$ -	\$ -	\$ -	\$ 43,677
Clubhouse		483	483	10,415
Fences, walls, gates and railings				1,536
Garbage enclosures		1,513	1,513	13,162
Landscaping, trees and irrigation		11,537	11,537	15,851
Painting and waterproofing				85,325
Paving and concrete		27,350	27,350	4,481
Pool repairs		3,849	3,849	3,325
Residential building exterior		13,071	13,071	212,512
Roofs		17,399	17,399	1,669
Other major repairs and replacements		22,462	22,462	68,198
	<u>-</u>	<u>97,664</u>	<u>97,664</u>	<u>460,151</u>
Total expenses	<u>236,450</u>	<u>102,027</u>	<u>338,477</u>	<u>704,349</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	1,096	151,214	152,310	(181,563)
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(4,208)	4,208	-	-
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	<u>15,981</u>	<u>803,196</u>	<u>819,177</u>	<u>1,000,740</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ 12,869</u>	<u>\$ 958,618</u>	<u>\$ 971,487</u>	<u>\$ 819,177</u>

See independent auditors' report and accompanying notes.

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over expenses	\$ 1,096	\$ 151,214	\$ 152,310	\$ (181,563)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Decrease (increase) in assets:				
Assessments receivable	336	-	336	(3,069)
Interest receivable		2,118	2,118	2,565
Other receivable		(4,479)	(4,479)	
Prepaid insurance	198		198	2,978
Prepaid income taxes		583	583	(2,046)
Other prepaid expenses	(2,205)		(2,205)	2,120
Increase (decrease) in liabilities:				
Accounts payable	(436)		(436)	1,683
Insurance payable	(131)		(131)	131
Assessments paid in advance	(639)		(639)	(2,706)
Income taxes payable				(353)
Due to (due from) other fund	18,305	(18,305)		
Total adjustments	15,428	(20,083)	(4,655)	1,303
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>16,524</b>	<b>131,131</b>	<b>147,655</b>	<b>(180,260)</b>
<b>INVESTING ACTIVITIES</b>				
Net (purchase) sale of certificates of deposit	-	183,698	183,698	80,000
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>-</b>	<b>183,698</b>	<b>183,698</b>	<b>80,000</b>

See independent auditors' report and accompanying notes.



**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>			<u>2009</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>	\$ 16,524	\$ 314,829	\$ 331,353	\$ (100,260)
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(4,208)	4,208	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>19,140</u>	<u>181,907</u>	<u>201,047</u>	<u>301,307</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 31,456</u>	<u>\$ 500,944</u>	<u>\$ 532,400</u>	<u>\$ 201,047</u>
 <u>Supplemental Disclosures</u>				
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ 3,780</u>	<u>\$ 3,780</u>	<u>\$ 8,193</u>

See independent auditors' report and accompanying notes.

# THE BARRON SQUARE HOMEOWNERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2010 AND 2009

### 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. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 14, 2011, the date that the financial statements were available to be issued.

### 3. 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, 2010 AND 2009**

**3. 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, 2010 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, 2010 AND 2009**

**3. 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 market value which approximates cost.

**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.

**4. 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, 2010 AND 2009**

**4. 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).

**5. 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, 2010  
(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:

Component	Pres. Est. Cost	Est. Use. Life	Est. Rem. Life	Req'd Bal at 12/31/10	0 2011 Additions	2011 Expenses	Req'd Br at 12/31/11
<b>BUILDING EXTERIOR - ROOFS</b>							
Flat Roofs - Residences	156,720	20	6	109,704	7,836	0	117,540
Flat Roofs - Clubhouse & Garages	50,940	20	8	30,564	2,547	0	33,111
Shake Roofs - Residence	348,620	25	11	195,227	13,945	0	209,172
Shake Roofs - Clubhouse & Garages	142,510	25	13	68,405	5,700	0	74,105
Gutters & Downspouts - Replace	89,430	25	19	23,863	3,977	0	27,840
Chimney Caps & Spark Arrestors	8,870	30	22	2,365	296	0	2,661
Skylights - Assoc. Responsible @ Peaks	25,340	30	16	11,825	845	0	12,670
Inspection & Repair Allowance - Flat Roofs	8,200	2	2	0	4,100	0	4,100
Inspection & Repair Allowance - Shake Roofs	10,250	2	2	0	5,125	0	5,125
<b>PAINT</b>							
Paint - All Wood/Metal Components	137,250	5	2	82,350	27,450	0	109,800
Paint - Wood Shingle	52,790	5	2	31,674	10,558	0	42,232
<b>PAVING &amp; CONCRETE</b>							
Asphalt Paving - Seal Coat	9,080	5	5	0	1,816	0	1,816
Asphalt Paving - Parking Striping	610	5	5	0	122	0	122
Asphalt Paving - Curb Painting	1,140	5	5	0	228	0	228
Asphalt Paving - Minor Repair - 5%	11,350	5	5	0	2,270	0	2,270
Asphalt Paving - Major Repair - 25%	56,720	10	8	11,344	5,672	0	17,016
Concrete Repairs - Repair/Replace - Minor	1,060	1	0	1,060	1,060	1,060	4,100
Concrete Repairs - Repair/Replace - Major	9,500	10	6	3,800	950	0	4,750
Concrete - Pool Deck Repair/Replace	56,000	35	3	51,200	1,600	0	52,800
<b>RESIDENTIAL BUILDING EXTERIORS - REPAIR/REPLACE ALLOWANCES</b>							
Doors - Entry Door & Hardware Allowance	5,280	1	0	5,280	5,280	5,280	5,280
Doors - Sliding Glass Door & Hardware Allowance	5,280	1	0	5,280	5,280	5,280	5,280
Windows - Inspect/Repair/Replace Allowance	5,280	1	0	5,280	5,280	5,280	5,280
Wood Siding/Shingle/Trim Ongoing Repairs	5,280	1	0	5,280	5,280	5,280	5,280
Shingles, Residential & Clubhouse - Major Repair/Replace	73,900	10	7	22,170	7,390	0	29,560
T-111 Siding - Major Repair	68,620	10	7	20,586	6,862	0	27,448
Termite Warranty Allocation	10,560	1	0	10,560	10,560	10,560	10,560
Termite Fumigation & Repairs (2006)	68,620	10	5	34,310	6,862	0	41,172
<b>RESIDENTIAL BUILDING EXTERIORS - STAIRS</b>							
Straight Stair & Landing - Replace (6) Saarman	53,840	30	21	16,152	1,795	0	17,947
Straight Stair & Landing - Replace (3)	26,920	30	8	19,741	897	0	20,639
U-Shaped Stair & Landing - Replace (7) Saarman	110,850	30	21	33,255	3,695	0	36,950
U-Shaped Stair & Landing - Replace (2)	31,670	30	11	20,058	1,056	0	21,113
L-Shaped Stairs & Landing - Replace (8) Saarman	101,350	30	21	30,405	3,378	0	33,783
L-Shaped Stairs & Landing - Replace (1)	12,670	30	29	422	422	0	845
L-Shaped Stairs & Landing - Replace (3)	38,010	30	9	26,607	1,267	0	27,874
Stairs & Landing - Repair Allowance	2,640	1	0	2,640	2,640	2,640	2,640
<b>RESIDENTIAL BUILDING EXTERIORS - BALCONIES</b>							
Small Balconies - Replace (4) Saarman	33,780	30	21	10,134	1,126	0	11,260
Small Balconies - Replace (2)	16,890	30	8	12,386	563	0	12,949
Small Balconies - Replace (4)	33,780	30	2	31,528	1,126	0	32,654
Large Balconies - Replace (23) Saarman	444,810	30	21	133,443	14,827	0	148,270
Large Balconies - Replace (5)	96,700	30	20	32,233	3,223	0	35,457
Large Balconies - Replace (10)	193,400	30	16	90,253	6,447	0	96,700
Large Balconies - Replace (10)	193,400	30	12	116,040	6,447	0	122,487
Large Balconies - Replace (10)	193,400	30	8	141,827	6,447	0	148,273
Large Balconies - Replace (8)	154,720	30	4	134,091	5,157	0	139,248
Townhouse Balconies - Replace (2)	26,360	30	4	22,871	880	0	23,751
Townhouse Balconies - Replace (3)	39,590	30	29	1,320	1,320	0	2,639
Repair Small, Large & Townhouse Balconies Allowance	2,640	1	0	2,640	2,640	2,640	2,640
<b>GARAGE &amp; TRASH ENCLOSURE</b>							
Doors - Single Car Garage Doors	73,900	30	0	73,900	2,463	73,900	2,463
Doors - Wood/Glass Pedestrian Door	7,920	30	0	7,920	264	7,920	264
Doors - Solid Wood Doors @ Walk in Garages	6,330	30	23	1,477	211	0	1,688
Trash Enclosure Rebuild Allowance	10,560	10	6	4,224	1,056	0	5,280
<b>FENCES, 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, 2010  
(UNAUDITED)**

Fence - Wood @ Patio - Repair/Replace Allowance	10,560	5	1	8,448	2,112	0	10,560
Fence - Wood - G.N. @ Clubhouse Driveway	2,280	25	17	730	91	0	821
Fence - Wood - G.N. @ Clubhouse to Building 10 Driveway	5,190	25	17	1,661	208	0	1,868
Fence - Wood - @ Building 9 Drive and Open Space	8,060	25	14	3,546	322	0	3,869
Fence - Wood - @ Building 10 Drive and Open Space	5,540	25	22	665	222	0	886
Fence - Wood - G.N. behind Buildings 4, 5, 6, 7, 8, 9	15,270	25	14	6,719	631	0	7,330
Fence - Wood - G.N. behind Buildings 1, 2, 3, 4	11,760	25	14	5,174	470	0	5,645
Fence - Wood - Pool Area Fences	990	25	19	238	40	0	277
Fence - Cyclone @ Tennis Court - Replace	11,400	40	8	9,120	285	0	9,405
Retaining - Wood @ Units 4122 and 4124	1,950	30	14	1,045	65	0	1,111
Retaining - Masonry Retaining Wall @ Tennis	28,510	55	23	18,588	518	0	17,106
Retaining - Wood @ Pool Area	6,860	25	17	2,195	274	0	2,470
Gates - El Camino Car Gates - Replace	1,580	25	9	1,011	63	0	1,074
Gate - El Camino Pedestrian Gate - Replace	1,580	25	21	253	69	0	316
Gates - Pool Gates - Replace	3,170	25	19	761	127	0	888
Gates - Cyclone @ Tennis Court - Replace	530	25	9	339	21	0	360
Gates - Wood @ Maintenance Area	1,060	15	4	777	71	0	848
<b>LIGHTING</b>							
Lighting Wiring and Controllers Repair Allowance	1,060	1	0	1,060	1,060	1,060	1,060
Light Fixtures - @ Landscaping & Wiring	20,900	35	0	20,900	597	20,900	597
Light Poles @ Site - Pole, Light Fixture & Wiring	4,220	35	0	4,220	121	4,220	121
Light Poles @ Pool Area - Poles, Fixtures & Wiring	3,370	35	0	3,370	91	3,370	91
Lights - Clubhouse Building Exterior	480	35	0	480	14	480	14
Lights - Wall Mount @ Garages	7,130	30	0	7,130	238	7,130	238
Lights - Residential Building Exterior - Unit # Lighted Signs	10,290	30	0	10,290	343	10,290	343
Lights - Residential Building Exterior - Entry/Balc./Stairs	30,880	30	0	30,880	1,029	30,880	1,029
<b>SWIMMING POOL</b>							
Plaster - Resurface	8,160	15	7	4,352	544	0	4,896
Coping - Replace	2,530	30	22	675	84	0	759
Tile - Replace	2,530	30	22	675	84	0	759
Seal Coping/Deck Joint - Replace Mastic	760	15	7	405	51	0	456
Grout - Replace	2,110	30	22	563	70	0	633
Heater - Replace	320	15	7	171	21	0	192
Heater - Replace	3,500	15	3	2,800	233	0	3,033
Filter - Replace	1,200	10	9	120	120	0	240
Filter - Pump Replace	900	10	1	810	90	0	900
Solar Controller - Replace	790	15	4	579	53	0	632
Solar Pump - Replace	900	10	1	810	90	0	900
Solar Panels - Replace	9,500	15	4	6,957	633	0	7,600
Solar Panels - Structure Replace	5,760	15	4	4,180	380	0	4,560
Pool Signs - Replace	260	5	1	208	52	0	260
Pool Furniture - Replace	2,640	10	3	1,848	264	0	2,112
<b>SPA</b>							
Pre-Fab Tub Replace	10,560	20	11	4,752	528	0	5,280
Heater - Replace	1,060	30	21	318	35	0	353
Filter - Replace	2,800	15	10	933	187	0	1,120
Filter Pump - Replace	1,200	15	1	1,120	80	0	1,200
Filter Pump - Replace	900	10	1	810	90	0	900
<b>CLUBHOUSE INTERIOR</b>							
Paint - Interior (Clubhouse)	3,690	15	8	1,722	246	0	1,968
Carpet Floor - Replace	4,670	15	9	1,868	311	0	2,179
Tile Floor - Replace	11,610	40	8	9,288	290	0	9,578
Refrigerator - Replace	530	15	8	247	35	0	283
Disposal - Replace	320	15	1	299	21	0	320
HVAC Unit - Replace	3,170	25	1	3,043	127	0	3,170
Clubhouse & Sauna Fans - Replace	740	15	1	691	49	0	740
Sauna Room Rehabilitation & Door	5,280	35	3	4,827	151	0	4,978
Sauna Mechanical - Replace	2,110	35	3	1,829	60	0	1,989
Water Heater - tankless	1,060	12	1	972	88	0	1,060
Doors - Wood w/Glass	1,270	45	13	903	28	0	931
Doors - Solid Wood	2,530	45	13	1,799	56	0	1,855
Restroom Upgrade	3,010	35	28	602	86	0	688
Kitchen Area Upgrade	10,560	15	8	4,928	704	0	5,632
Furniture Replace	5,280	15	8	2,164	352	0	2,816
Furniture Replace	7,390	10	4	4,434	739	0	5,173

See independent auditors' report and accompanying notes.

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2010  
(UNAUDITED)**

<i>CLUBHOUSE BUILDING EXTERIOR</i>	0			
Gutter & Downspout - Replace	2,300	25	19	552
Clubhouse Deck & Stairs - Replace - Redwood	15,840	20	17	2,376
Clubhouse Deck & Stairs - Sealing/Leak Maintenance	1,530	5	2	918
Doors - Wood/Glass Entry Doors	3,590	45	13	2,553
Doors - Solid Wood Entry Door - Pool Equipment Room	630	45	13	448
Doors - Metal/Glass Sliding Doors	3,010	35	9	2,752
Windows	5,280	35	8	4,827
<i>TENNIS COURT AREA</i>				
Tennis Court - Resurface/Lines	7,600	5	5	0
Tennis Court - Replace	38,010	45	13	27,029
Tennis Court Net - Replace	370	5	5	0
<i>LANDSCAPE IRRIGATION</i>				
Irrigation Controllers (3 ET controllers)	3,640	15	15	0
Irrigation Controllers (2 each, 1 ET and 1 regular)	1,640	15	4	1,203
Backflow Preventors	10,560	25	9	6,758
Irrigation Replace Allowance (Valves, Pipes, Heads etc.)	1,580	1	0	1,580
<i>LANDSCAPE - REPLACE AND RENOVATION</i>				
Large Tree Care	5,280	2	2	0
Large Landscape Enhancements	5,280	3	0	5,280
<i>MISCELLANEOUS &amp; CONTINGENCIES</i>				
Storage Shed (Modular) - Replace	1,270	20	16	254
Iron Stair Railing @ site Concrete Stairs	5,600	30	4	4,853
Arborist Tree Report	5,280	5	5	0
Reserve Study - Annual update	840	1	0	840
Reserve Study - Third Year Full Site Inspection	1,690	3	0	1,690
Underground Utility Inspections & Repairs	5,280	1	0	5,280
CC&R Revisions	5,280	5	3	2,112
<i>SIGNAGE</i>				
Entry Sign (Monument) Replace	2,640	21	7	1,760
Mapboard - Replace	2,640	12	6	1,320
Building/Unit Number Signs Replace	3,430	12	6	1,715
<i>MALBOX KIOSKS</i>				
Kiosks Rebuild (Structure, Siding, Roof)	9,500	25	9	6,080
Mailboxes	12,350	25	9	7,904
Unallocated Items (5%)	8,600	1	0	8,600
<b>Component</b>	<b>3,821,870</b>			<b>2,006,892</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 **1-1/2%** on replacement fund cash balances and an annual **inflation rate** of **2-1/2%** on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2010 totaled **\$902,246**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$2,007,000**. The portion of **2011** regular **assessments** budgeted to be allocated to the replacement fund totals **\$236,677**.

See independent auditors' report and accompanying notes.