

**BARRINGTON HEIGHTS ASSOCIATION OF HOMEOWNERS**

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**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2010**

**Barrington Heights Association of Homeowners**

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*A Professional Corporation  
Members American Institute of  
Certified Public Accountants /  
Oregon Society of Certified Public  
Accountants*

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors  
Barrington Heights Association of Homeowners  
West Linn, Oregon

We have reviewed the accompanying balance sheet – modified cash basis of Barrington Heights Association of Homeowners as of December 31, 2010, and the related statements of revenues, expenses, and changes in fund balance – modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The supplementary information about future repairs and replacements of common property on pages 7 to 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management of Barrington Heights Association of Homeowners, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Portland, Oregon  
April 4, 2011

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**Barrington Heights Association of Homeowners**  
**Balance Sheet - Modified Cash Basis**  
**December 31, 2010**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, including interest bearing deposits	\$ 68,470	\$ 27,672	\$ 96,142
Investments	-	81,970	81,970
Receivable due from homeowner	306	-	306
Total assets	<u>\$ 68,776</u>	<u>\$ 109,642</u>	<u>\$ 178,418</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Collection costs payable	\$ 36	\$ -	\$ 36
Assessments received in advance	36,435	-	36,435
Total liabilities	<u>36,471</u>	<u>-</u>	<u>36,471</u>
Fund balance	<u>32,305</u>	<u>109,642</u>	<u>141,947</u>
Total liabilities and fund balance	<u>\$ 68,776</u>	<u>\$ 109,642</u>	<u>\$ 178,418</u>

See accompanying notes and independent accountants' report.

**Barrington Heights Association of Homeowners**  
**Statement of Revenues and Expenses - Modified Cash Basis**  
**For the Year Ended December 31, 2010**

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Regular assessments	\$ 110,795	\$ 16,460	\$ 127,255
Interest	647	1,382	2,029
Late fees	201	-	201
Other income	2,779	-	2,779
Total revenues	114,422	17,842	132,264
<b>EXPENSES</b>			
Property maintenance	31,373	-	31,373
Major repairs and replacements	-	3,643	3,643
Utilities	6,858	-	6,858
Landscaping	35,441	-	35,441
Insurance	3,193	-	3,193
Management fees	14,994	-	14,994
Professional fees	9,306	-	9,306
Office expense	11,279	-	11,279
Licenses and permits	1,286	-	1,286
Income taxes	150	-	150
Collection cost	2,900	-	2,900
Other	828	-	828
Total expenses	117,608	3,643	121,251
Excess of revenues over (under) expenses	\$ (3,186)	\$ 14,199	\$ 11,013

See accompanying notes and independent accountants' report.

**Barrington Heights Association of Homeowners**  
**Statement of Changes in Fund Balance - Modified Cash Basis**  
**For the Year Ended December 31, 2010**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balance, as of December 31, 2009	\$ 35,491	\$ 95,443	\$ 130,934
Excess of revenues over (under) expenses	<u>(3,186)</u>	<u>14,199</u>	<u>11,013</u>
Fund balance, as of December 31, 2010	<u>\$ 32,305</u>	<u>\$ 109,642</u>	<u>\$ 141,947</u>

See accompanying notes and independent accountants' report.

**Barrington Heights Association of Homeowners**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 1 - Nature of Organization**

The Barrington Heights Association of Homeowners was organized on October 19, 1989 under the provisions of the Oregon Planned Community Act and Oregon Non-Profit Corporation Law. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 249 single family homes and 10 lots located in West Linn, Oregon.

**Note 2 - Summary of Significant Accounting Policies**

*Accounting Method*

The Association prepares its year-end financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis method of accounting, revenue is recognized when received rather than when earned and expenses are recognized when cash is disbursed rather than when the obligation is incurred. This basic approach is modified to report assessments received in advance, collection costs payable, and reimbursements due from homeowners on the balance sheet.

*Fund Accounting*

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitation 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 the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

*Member Assessments*

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

**Note 3 - Income Taxes**

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended December 31, 2010, the Association elected to be taxed as a homeowner association. Under that election, the Association generally is taxed only on non-exempt income, such as interest earnings, at applicable Federal and State corporate tax rates.

**Note 4 - Common Property**

Real property and common areas acquired by the original homeowners from the developer are not capitalized on the Association's financial statements. Although these properties are owned by the Association, the assets are not recognized under generally accepted accounting principles, due to the fact that the Association will not, in the ordinary course of business, dispose of the property. Common areas are restricted to use by Association members, their tenants, and guests.

**Barrington Heights Association of Homeowners**  
**Notes to Financial Statements (Continued)**  
**December 31, 2010**

**Note 5 - Future Major Repairs and Replacements**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$109,642 at December 31, 2010, are held in separate accounts and are generally not available for operating purposes.

The Association engaged its community management company who conducted a study in June 2010 to estimate the remaining useful lives and the replacement costs of the common property components. The excerpt included in the compiled supplementary information on Future Major Repairs and Replacements is based on the study.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures, investment income and provision for income taxes, however, 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 future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**Note 6 - Investment**

As of December 31, 2010 the investment consists of one Certificate of Deposit. The Certificate of Deposit is carried on the Association's books at cost plus interest earned. The Association has the positive intent and ability to hold this investment to maturity.

<u>Term</u>	<u>Cost</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
12-Month CD	\$81,970	April 11, 2011	0.90%

**Note 7 - Community Management**

The Association employs a community manager to perform accounting and community management functions.

**Note 8 - Date of Board of Directors' Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 4, 2011, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**Barrington Heights Association of Homeowners  
Supplementary Information on Future Major Repairs  
And Replacements (Compiled)  
December 31, 2010**

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The Association engaged its community management company who conducted a reserve study update, with an on-site review, in June 2010, to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components on the date of the study assuming an annual inflation rate of 2.51% and a rate of return on investments of 1.00% without a provision for income taxes. The study used the threshold-funding method with a threshold of \$20,000 for the general common elements and a threshold of \$3,000 for the common elements limited to 12 Radcliffe Court properties.

The attached excerpts on pages 8 and 9 include significant information about the components of common property. The reserve study should be read in its entirety.

**Replacement Funding Summary for the Year Ended December 31, 2010:**

Current year's assessments	
Reserve assessments	\$ 16,460
Amount recommended by reserve study	<u>16,460</u>
Difference	\$ <u><u>-</u></u>
Replacement fund balance at end of year	\$ <u><u>109,642</u></u>

See Independent Accountants' Review Report

# #335 - Barrington Heights - Common Elements Reserve Summary - 2011



Community Manager: Wes Finchum

Number of Units: 252

Fiscal Year: 12/31

Inflation rate: 2.51%

## 1. Changes to Common Property Reserve Items

Assessments were adjusted per the fluctuation in investment and inflation rates.

## 2. Work Done in the Previous Year

Gate repairs, electrical work, irrigation repairs, field mowing, and other landscaping work occurred in the community. Irrigation valves were installed in the common areas. Water pump was removed at the imperial entrance.

## 3. Anticipated Replacement, Repair and Maintenance in 2011

<u>Description</u>	<u>Cost</u>	<u>Location</u>
Backflow Device Testing	\$ 464	Various
Bulb & Globe Replacement	See Budget	Various
Electrical Inspection	See Budget	Various
Field Mowing	See Budget	Various
Fountain Maintenance	\$ 500	Entrance at Imperial Drive
Holiday Lights	\$ 10,000	Various
Irrigation System Startup & Testing	See Budget	Various
Landscape Light Inspection	See Budget	Various
Moss & Mildew Removal	See Budget	Various
Tree Work	See Budget	Various
Winterize Irrigation System	See Budget	Various

## 4. Summary Description of Reserve Items

DESCRIPTION	Life Expectancy	Adjustments to *RL	*Remaining Life	Anticipated Replenishment Year	**Future Cost
Backflow Device	27		1	2012	\$ 3,588
Bark Dust	2		1	2012	\$ 2,050
Bench Maintenance	30		4	2015	\$ 500
Brick Mailbox Enclosures Maintenance	30		4	2015	\$ 4,200
Brick Walls, Pilasters, Planters Maintenance	30		4	2015	\$ 3,000
Bridge Maintenance	25		20	2031	\$ 5,000
Fence - Wrought Iron	30		11	2022	\$ 6,108
Fence & Gates - Wrought Iron - Painting	5		1	2012	\$ 7,881
Gates - Wrought Iron - Pedestrian	30		11	2022	\$ 236
Irrigation Controllers - Battery	3		1	2012	\$ 1,865
Irrigation Controllers - Electric	10		7	2018	\$ 4,673
Letters - Brass	15	3	3	2014	\$ 1,831
Lighting - Brass Fixtures	30		25	2036	\$ 11,151
Lighting - High Voltage	15		10	2021	\$ 9,610
Lighting - Low Voltage	10		5	2016	\$ 3,396
Mailbox - Maintenance	5		4	2015	\$ 5,000
Marble Backing - Monument	30		4	2015	\$ 750
Monument - Cast Aluminum Sign Maint.	8		3	2014	\$ 800
Path & Sidewalk Maintenance	30		4	2015	\$ 2,500
Roof Maint. - Covered Arch	3		1	2012	\$ 1,000
Street Lights	30		25	2036	\$ 13,939
Underground Utilities	5		4	2015	\$ 25,000
Valves - Irrigation	15		14	2025	\$ 6,455

\* If a negative number then the Remaining Life (RL) is reduced. If a positive then the Remaining Life (RL) is extended.

\*\* As calculated at first interval

Reserve items that have adjustments have exceeded their expected useful life and are in need of some form of maintenance, repair or replacement or still have some expected useful life. Life expectancies are determined by licensed professionals, vendors who work and install the components and by our experience as a management company.

# #335 - Barrington Heights - Radcliffe Court Reserve Summary - 2011



Community Manager: Wes Finchum  
 Number of Units: 12  
 Fiscal Year: 12/31  
 Inflation rate: 2.51%

## 1. Changes to Common Property Reserve Items

Assessments were adjusted per the fluctuation in investment and inflation rates.

## 2. Work Done in the Previous Year

Two of the four gate motors were replaced in the community.

Gate repairs, electrical work, irrigation repairs, field mowing, and other landscaping work occurred in the community.

## 3. Anticipated Replacement, Repair and Maintenance in 2011

<u>Description</u>	<u>Cost</u>	<u>Location</u>
Backflow Device Testing	\$ 464	Various
Bulb & Globe Replacement	See Budget	Various
Field Mowing	See Budget	Various
Fountain Maintenance	\$ 500	Various
Holiday Lights	\$ 10,000	Various
Tree Work	See Budget	Various

## 4. Summary Description of Reserve Items

DESCRIPTION	Life Expectancy	Adjustments to *RL	*Remaining Life	Anticipated Replenishment Year	**Future Cost
Access System	10	6	6	2023	\$ 2,032
Asphalt Seal Coat and Repairs	7	3	3	2014	\$ 5,788
Gate - Wrought Iron - 15 ft. Vehicle	25		11	2022	\$ 9,720
Gate - Wrought Iron - Vehicle - Painting	5	2	2	2013	\$ 971
Sensor - Infrared	10	1	1	2012	\$ 1,107
Swing Gate Operator Motor	25	(10)	1	2012	\$ 5,283
Swing Gate Operator Motor	25		23	2034	\$ 9,115

\* If a negative number then the Remaining Life (RL) is reduced. If a positive then the Remaining Life (RL) is extended.

\*\* As calculated at first interval

Reserve items that have adjustments have exceeded their expected useful life and are in need of some form of maintenance, repair or replacement or still have some expected useful life. Life expectancies are determined by licensed professionals, vendors who work and install the components and by our experience as a management company.