

Millridge Homeowners Association
c/o Community Management, Inc.
2105 SE 9th Avenue
Portland, Oregon 97214

Schwindt & Co.
3407 SW Corbett Avenue
Portland, Oregon 97239

We are providing this letter in connection with your review of the balance sheet of Millridge Homeowners Association as of December 31, 2014 and the related statements of revenues and expenses, changes in fund balance, and cash flows for the year then ended for the purpose of obtaining limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of the financial position, results of operations, and cash flows of Millridge Homeowners Association in accordance with accounting principles generally accepted in the United States of America and the selection and application of the accounting policies.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.

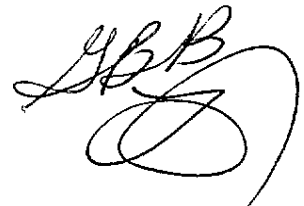
We confirm, to the best of our knowledge and belief, as of the date this letter is signed, the following representations made to you during your review.

- 1) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
- 2) We have made available to you all—
 - a) Financial records and related data.
 - b) Minutes of the meetings of board members, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) No material transactions exist that have not been properly recorded in the accounting records underlying the financial statements.
- 5) We acknowledge our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.
- 6) We acknowledge our responsibility to prevent and detect fraud.
- 7) We have no knowledge of any fraud or suspected fraud affecting the entity involving management or others where the fraud could have a material effect on the financial statements, including any communications received from employees, former employees, or others.
- 8) We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.
- 9) There are no material losses that have not been properly accrued or disclosed in the financial statements.
- 10) There are no—
 - a) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion that must be disclosed in accordance with *FASB ASC 450, Contingencies*.
 - c) Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.



- 11) There are no transfers or designations of fund balance or interfund borrowings that were not properly authorized and approved or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.
- 12) The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 13) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 14) The following have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions and related accounts receivable or payable, including member assessments, purchases, loans, transfers, leasing arrangements, and guarantees.
 - b) Guarantees, whether written or oral, under which the Association is contingently liable.
 - c) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with *FASB ASC 275, Risks and Uncertainties*.
- 15) The board of directors is collecting funds for future major repairs and replacements in conformity with the Association's policy to fund for those needs based on a study conducted in October 2014. The board of directors believes the funds will adequately provide for future major repairs and replacements.
- 16) Although we have engaged you to assist the board of directors in assembling certain information about future repairs and replacements that will accompany the financial statements mentioned above, we acknowledge that we are responsible for that information.
- 17) The Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which require that the allocation be made "on a reasonable basis." We have adequately documented such allocation.
- 18) The board of directors is responsible for determining that the Association's insurance complies with governing documents and for understanding the agent's method for determining coverage.
- 19) The board of directors has reviewed the Association's insurance coverage for the current year and believes it is adequate.
- 20) To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- 21) We understand that management is responsible for the Association's choice of filing Form 1120-H and the consequences thereof.
- 22) We have reviewed your management letter comments on pages 3 to 4 and understand the nature of your findings, and are taking appropriate action to implement your recommendations.
- 23) We are in agreement with the adjusting journal entries on page 5. We acknowledge that we have asked sufficient questions relating to the information surrounding these adjustments. We have performed sufficient due diligence to ascertain the correctness and accuracy. We assume the responsibility of deciding which adjustments to post to our books and records. We acknowledge that these adjustments are now a part of our books and records and ask that they also be incorporated in the reviewed financial statements.
- 24) We understand that the board of directors is responsible for the Association's calculation of member assessments and have done so in accordance with the Association's governing documents.
- 25) We understand that the working papers associated with our review will be destroyed after seven years.
- 26) We understand that we are responsible for safeguarding and monitoring assets (i.e. cash accounts).
- 27) All balance sheet accounts are reconciled and agree to supporting documentation.

We have responded fully and truthfully to all inquiries made to us by you during your review.

A handwritten signature in black ink, appearing to be 'JTB', with a large, sweeping flourish extending from the bottom right.

MANAGEMENT LETTER

To the Board of Directors and Members
Millridge Homeowners Association
Portland, Oregon

In planning and performing our review of the financial statements of Millridge Homeowners Association for the year ended December 31, 2014, we found the following financial matters to bring to your attention:

Not Following Reserve Study Recommendations

We found that the Association has established a formal plan for funding its major repairs and replacements of common area components. However, the Association did not follow the recommendations of the reserve study performed in November 2013 for the year 2014. In addition, according to the Association's 2015 budget, the Association is not following the recommendations of the reserve study performed by Schwindt & Co. in October 2014 for the year 2015. There is a significant difference in the amount of reserve assessments between the amount recommended by the consultant and the amount on the budget.

We recommend that the reserve assessments on the Association's budget be adjusted to the amount recommended by the formal reserve study.

Write-Off of Assessment Income Receivable

We found that the Association wrote off assessments receivable during the year 2014 even though the Association had a judgment for the balance receivable. We understand that the board feels it will be able to track the balance receivable with a paper file, however, a full accounting of balances due to the Association is recommended.

Rather than removing doubtful accounts from the Association's books, we recommend that the Association use an allowance for doubtful accounts receivable account when it has been determined that the amounts are in danger of not being collected. Write-offs should occur only when the debtor files Chapter 7 bankruptcy.

Formal Capitalization Policy

We found that the Association does not have a formal asset capitalization policy. It appears that the Association has an informal policy to expense all personal property acquisitions of \$1,000 or less. The purpose of establishing such a policy is to allow the Association to expense rather than record and depreciate property that would normally be included either in the operating budget as an expense line item or in the reserve study as a component thus providing for adequate budgeting. We would be happy to assist the Board in drafting such a policy.

A handwritten signature in black ink, appearing to be 'LBB' followed by a large, stylized flourish.

Millridge Homeowners Association
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Competitive Bidding Policy

We found that the Association does not have a formal competitive bidding policy for significant contracts. Lack of competitive bidding may result in overpayment of time and materials. We understand that the Association has an informal policy to obtain bids, but believe that the Association should formalize this policy to ensure that it is carried out by future boards.

We recommend that the Association establish a formal competitive bidding policy and consistently follow that policy.

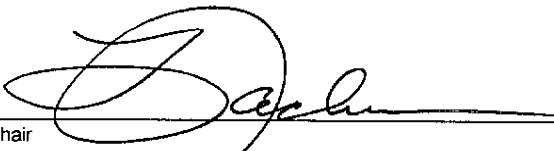
We will review the status of these comments during our next engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing our recommendations.

Portland, Oregon
[Date Client Representation Letter is signed]

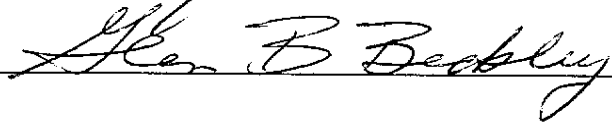
Handwritten signature "YBB" and a large decorative flourish.

**Millridge Homeowners Association
Adjusting Journal Entries
Year Ended December 31, 2014**

Reference	Status	Account Number	Description	Debit	Credit	Net Income Effect	
AJE01	Proposed	10-6150	Sewer	\$ 4,016.57			
		10-6195	Water	659.23			
		10-6585	General Maint Supplies	86.09			
		10-6690	Property Maintenance	2,587.94			
		10-7105	Office/Admin Exp. - CMI	65.74			
		10-8530	Swimming Pool Maintenance	79.90			
		10-6795	Sidewalks	3,594.00			
		00-2100	Accounts Payable		\$ 11,089.47	\$ (11,089.47)	
			To adjust accrued liabilities to actual amount paid in 2015 for 2014 expenses.				
AJE02	Proposed	10-7030	Accounting Fees	2,713.00			
		10-7465	Tax, License, Fees & Audit		2,713.00		
			To reclassify CPA services from licenses and fees for reporting purposes.				
AJE03	Proposed	00-1265	Prepaid Insurance	436.93			
		10-7225	Insurance		436.93	436.93	
			To reclassify over allocation of insurance expense to prepaid insurance.				
AJE04	Proposed	10-7480	Uncollectable Fees	246.68			
		00-1142	Doubtful Accounts Receivable		246.68	(246.68)	
			To increase allowance for doubtful accounts receivable as of December 31, 2014. 205459 \$507.45				
TOTAL				\$ 14,486.08	\$ 14,486.08	\$ (10,899.22)	

Signature: 
 President/Chair

Date: 5/5/2015

Signature: 
 Treasurer

Date: 5/5/2015



Addendum to Schwindt & Co Report – Year End 2014

Attached is a very favorable report from our accounting firm, Schwindt & Co. It states our accounting practices are sound, and the bookkeeping done for us at CMI conforms with standard accounting principles generally accepted in the United States of America.

This complete report will be available to owners at <https://www.communitymgtportal.com/> and to those without a password at <http://www.millridgehoa.com/>. Both sites have supporting meeting minutes and monthly financial reports available for download. Both also allow the Bylaws and CC&R's to be viewed and printed.


The Board of Directors acknowledges its responsibility to spend as required by our governing documents, and to balance the safety and enjoyment of the property.

There exists within this document a misstatement under item 15. The Board does *not* "believe the funds will adequately provide for the future major repairs and replacements".

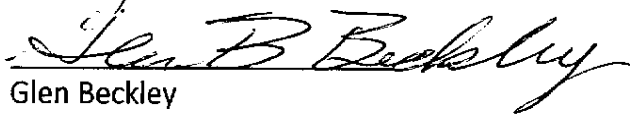
In 2012 the Board sought to increase fees to better fund the Reserve Account for future repairs. Schwindt & Co. recommended an increase in fees of \$ 148.00 per month, per homeowner. We succeeded in getting an increase that was in the \$ 50 range (adjusted for appropriate square footage, as required by Bylaws). 32 owners did not even come to the meeting, or provide a proxy to another owner. By staying home, they were voting "no".

Because our governing documents (as interpreted by our law-firm) require 50% of all owners to agree to any sort of increase, in 2012 we slid by the legal number of votes with 58 in favor. We had multiple meetings open to all owners, with PowerPoint slides, spreadsheets, and even a presentation from David Schwindt. It was a process not easily repeated.

This must be held in context with the Schwindt report.



Tim Jackson
President



Glen Beckley
Secretary