

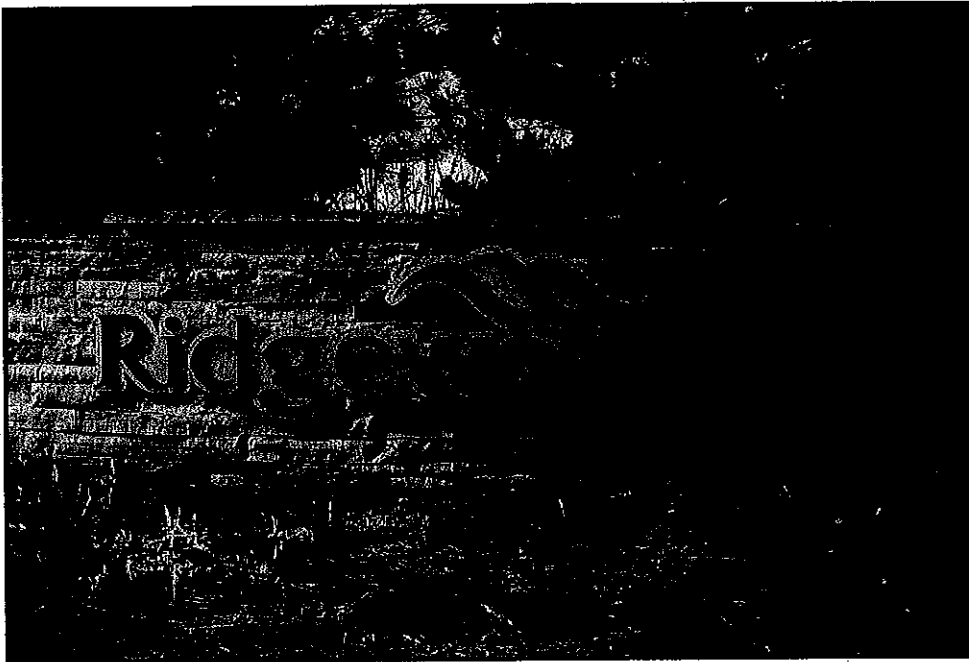
**Colorado Office**  
3578 Hartsel Drive #E338  
Colorado Springs, CO 80920

TEL 877/344-8868  
303/394-9181  
FAX 303/394-9014  
www.reservestudy.com



**Corporate Office**  
Calabasas, CA  
**Regional Offices**  
Phoenix, AZ  
Orange County, CA  
San Diego, CA  
San Francisco, CA  
Kailua-Kona, HI  
Las Vegas, NV  
Seattle, WA

## **“Full” Reserve Study**



### **— Ridgewood Hills Master Assoc. —** **Fort Collins, CO**

**Report #: 18707-0**  
**For Period Beginning: January 1, 2009**  
**Ending: December 31, 2009**

**Date Prepared: May 23, 2009**

---

## **Hello, and welcome to your Reserve Study!**

**T**his Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

**W**ith respect to Reserves, this Report will tell you "where you are", and "where to go from here".

**In this Report, you will find...**

- 1) A List of What you're Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

**More Questions?**

Visit our website at [www.ReserveStudy.com](http://www.ReserveStudy.com) or call us at:

800/733-1365

**A**SSOCIATION  
**R**ESERVES, INC.  
Est:1986

*Reserve Studies for Community Associations*

# Table of Contents

<b>Executive Summary</b> .....	<b>i</b>
Reserve Study Summary .....	i
Reserve Component List – Table 1 .....	ii
<b>Introduction, Objectives, and Methodology</b> .....	<b>1</b>
Which Physical Assets are Covered by Reserves? .....	2
How are Useful Life and Remaining Useful Life established? .....	2
How are Cost Estimates Established? .....	2
How much Reserves are enough? .....	3
How much should we contribute? .....	3
What is our Funding Goal? .....	4
<b>Site Inspection</b> .....	<b>5</b>
<b>Projected Expenses</b> .....	<b>6</b>
Expense Graph – Figure 1 .....	6
<b>Reserve Fund Status &amp; Recommended Funding Plan</b> .....	<b>7</b>
Funding Plan Graph – Figure 2 .....	7
Cash Flow Graph – Figure 3 .....	8
% Funded Graph – Figure 4 .....	8
<b>Table Descriptions</b> .....	<b>9</b>
Reserve Component List Detail – Table 2 .....	10
Contribution & Fund Breakdown – Table 3 .....	11
30 Year Reserve Plan Summary – Table 4 .....	12
30 Year Reserve Plan Year by Year Detail – Table 5 .....	13
<b>Accuracy, Limitations, and Disclosures</b> .....	<b>19</b>
<b>Terms and Definitions</b> .....	<b>20</b>
<b>Photographic Inventory</b> .....	<b>Appendix</b>

## 3- Minute Executive Summary

**Association:** Ridgewood Hills Master Assoc.      **Assoc. #:** 18707-0  
**Location:** Fort Collins, CO  
**# of Units:** 837  
**Report Period:** January 1, 2009 through December 31, 2009

### *Results*

<b>Projected Starting Reserve Balance:</b> .....	<b>\$473,438</b>
<b>Fully Funded Reserve Balance:</b> .....	<b>\$535,269</b>
<b>Average Reserve Deficit (Surplus) Per Unit:</b> .....	<b>\$74</b>
<b>Percent Funded:</b> .....	<b>88.4%</b>
<b>Recommended 2009 monthly Reserve Contribution:</b> .....	<b>\$4,825</b>
<b>Recommended Special Assessment this year:</b> .....	<b>\$0</b>
<b>Most Recent Reserve Contribution Rate:</b> .....	<b>\$0</b>

### *Economic Assumptions:*

**Net Annual "After Tax" Interest Earnings Accruing to Reserves** .....3.00%  
**Annual Inflation Rate** .....3.00%

- This is a "Full" Reserve Study (original, created "from scratch").
- The information in this Reserve Study is based on our site inspection on April 16, 2009.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is (above, 30%) at 88.4% Funded, this represents a strong position. In perspective, associations in the 30% funded and below are more likely to experience large increases to dues, special assessments and deferred maintenance issues. While associations in the 70% and above are less likely to experience such cash flow and maintenance issues. Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- Based on this starting point, your anticipated future expenses, and no historical Reserve contribution rate, our recommendation is to start your Reserve contributions at \$4,825/month (\$5.76/unit) with nominal annual increases to counteract inflation.

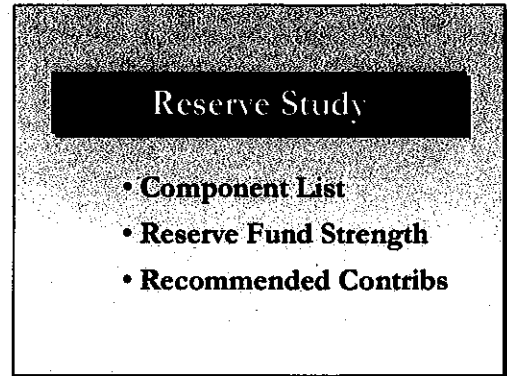
#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
103	Concrete Walkway - Repair/Replace	3	0	\$4,000	\$4,371
201	Asphalt - Resurface	20	15	\$35,650	\$55,542
202	Asphalt - Seal/Repair	5	0	\$4,800	\$5,565
204	Concrete Swales/Curb 1 - Replace	N/A	0	\$8,500	\$0
204	Concrete Swales/Curb 2 - Replace	5	4	\$1,750	\$1,970
205	Concrete Drive - Repair	2	0	\$25,000	\$26,523
505	Cedar Privacy Fence - Replace	30	10	\$60,000	\$80,635
505	Decorative Fence 1 - Replace (part)	30	0	\$26,050 ✗	\$63,230
505	Decorative Fence 2 - Replace (part)	30	1	\$26,050 ✗	\$26,832
505	Decorative Fence 3 - Replace (part)	30	2	\$26,050 ✗	\$27,636
505	Decorative Fence 4 - Replace (part)	30	3	\$26,050 ✗	\$28,466
505	Decorative Fence 5 - Replace (part)	30	4	\$26,050 ✗	\$29,320
506	Rail Fence 1 - Replace (part)	30	15	\$130,500 ✗	\$203,315
506	Rail Fence 2 - Replace (part)	30	16	\$130,500 ✗	\$209,414
506	Rail Fence 3 - Replace (part)	30	17	\$130,500 ✗	\$215,697
506	Rail Fence 4 - Replace (part)	30	18	\$130,500 ✗	\$222,168
506	Rail Fence 5 - Replace (part)	30	19	\$130,500 ✗	\$228,833
506	Vinyl Fence - Replace (part)	30	20	\$51,350 ✗	\$92,744
510	MSE Wall - Repair	N/A	1	\$13,500 ✗	\$13,905
815	Bus Stop Structure - Refurbish	20	12	\$4,500 ✗	\$6,416
830	Rock Veneer - Repair	5	3	\$2,000 ✗	\$2,185
1002	Irrigation Motors/Pumps - Replace	5	3	\$8,500 ✗	\$9,288
1003	Irrigation Controllers - Replace	10	3	\$3,500 ✗	\$3,825
1003	Irrigation Timers - Replace	5	3	\$4,000 ✗	\$4,371
1025	Drainage - Clean and Maintain	1	0	\$3,500 ✗	\$3,605
1402	Monument Sign - Refurbish/Replace	15	14	\$23,000 ✗	\$34,790
1403	Signs - Replace	5	3	\$1,100	\$1,202
27	<b>Total Funded Components</b>				

Note: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

## Introduction

A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

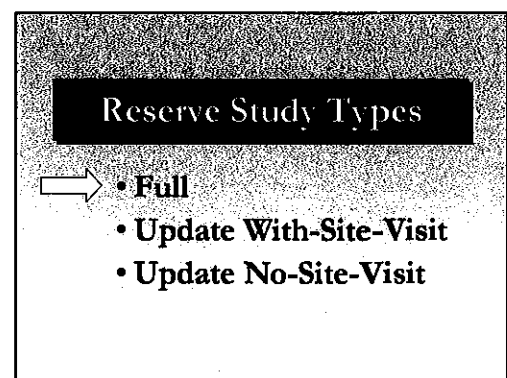
In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association's Reserve Fund Strength (measured as "Percent Funded"), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.



As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own "fair share" of ongoing common area deterioration.

## Methodology

First we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan. For this "Full" Reserve Study, we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List "from scratch".



### *Which Physical Assets are Covered by Reserves?*

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a "surprise" which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost. This limits Reserve

#### **Reserve Components**

- **Common Area**
- **Limited Useful Life**
- **Predictable Life Limit**
- **Cost must be Significant**

Components to major, predictable expenses. Within this framework, it is inappropriate to include "lifetime" components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

### *How are Useful Life and Remaining Useful Life established?*

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

### *How are Cost Estimates Established?*

Financial projections are based on the average of our Best Case and Worst Case estimates, which are established in this order...

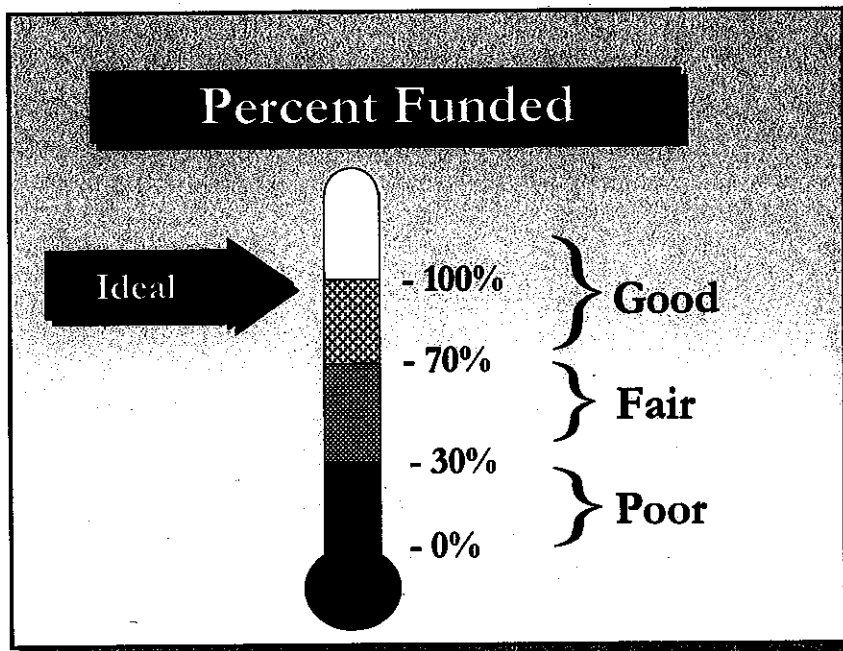
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

*How much Reserves are enough?*

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

- 1) Calculate the association's Fully Funded Balance (FFB).
- 2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% -130% range is considered "strong" because in this range cash flow problems are rare.

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

*How much should we contribute?*

There are four Funding Principles that we balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their "fair share" of the association's Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and "safe" for Boardmembers to recommend to their association.

**Funding Principles**

- Sufficient Cash
- Stable Contribution Rate
- Evenly Distributed
- Fiscally Responsible


*What is our Recommended Funding Goal?*

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called "Full Funding" the Reserves (100% Funded). As each asset ages and becomes "used up", the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

**Funding Goals**



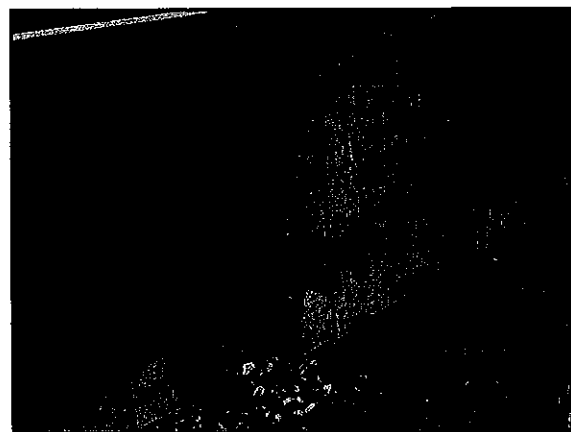
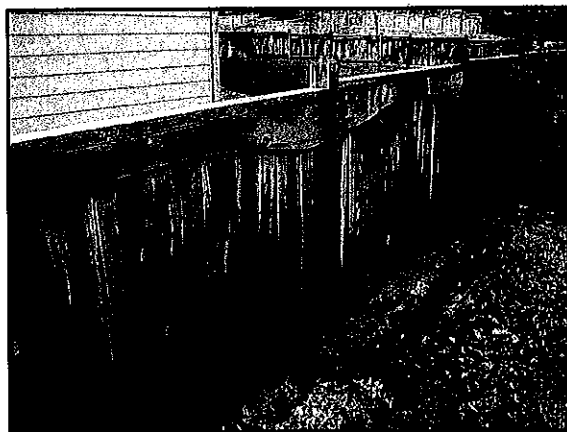
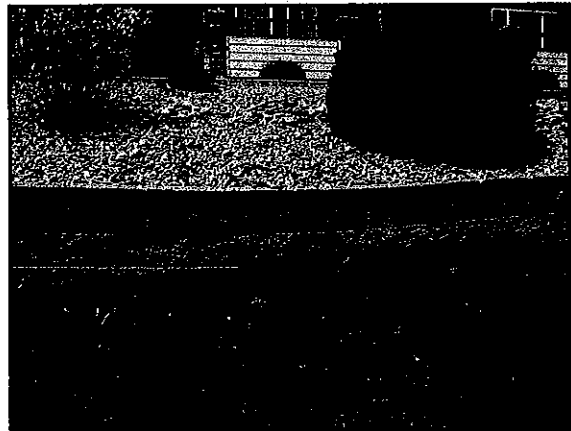
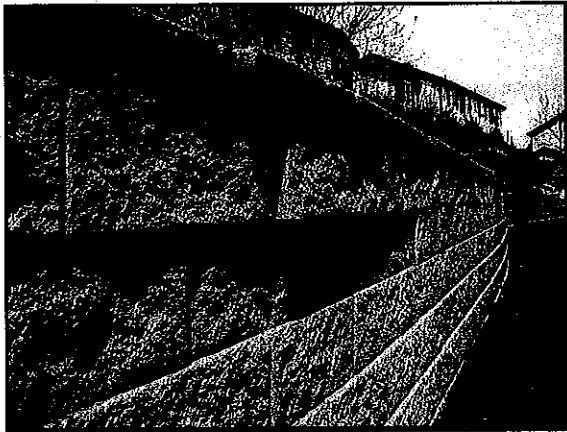
- Full Funding
- Threshold Funding
- Baseline Funding

### Site Inspection Notes

During our site visit on April 16, 2009, we started with a brief meeting with Russell Bartz – Community Manager with MSI, and then started the site inspection beginning with the fencing. We visually inspected all the exterior components, and were able to access all areas.

Based on our inspection of the MSE walls, we recommend engaging a soils engineer. Our concern is based on the amount of wall that is leaning and bulging at the top course. Based on the engineer's report and any recommendations for repairs, the Reserve Study may need to be updated.

We contracted the following vendors to verify pricing. Mick with Mill Brothers Landscaping (970-566-0925), and Cliff with Fence Consulting Services (303-427-7400)



## Projected Expenses

The figure below shows the array of the projected future expenses at your association. As expenses are based on the average of our Best Case and Worst Case projections, inflated appropriately for future years. Note the group of expenses between approximately 2024 through 2028, made up primarily of fencing expenses.

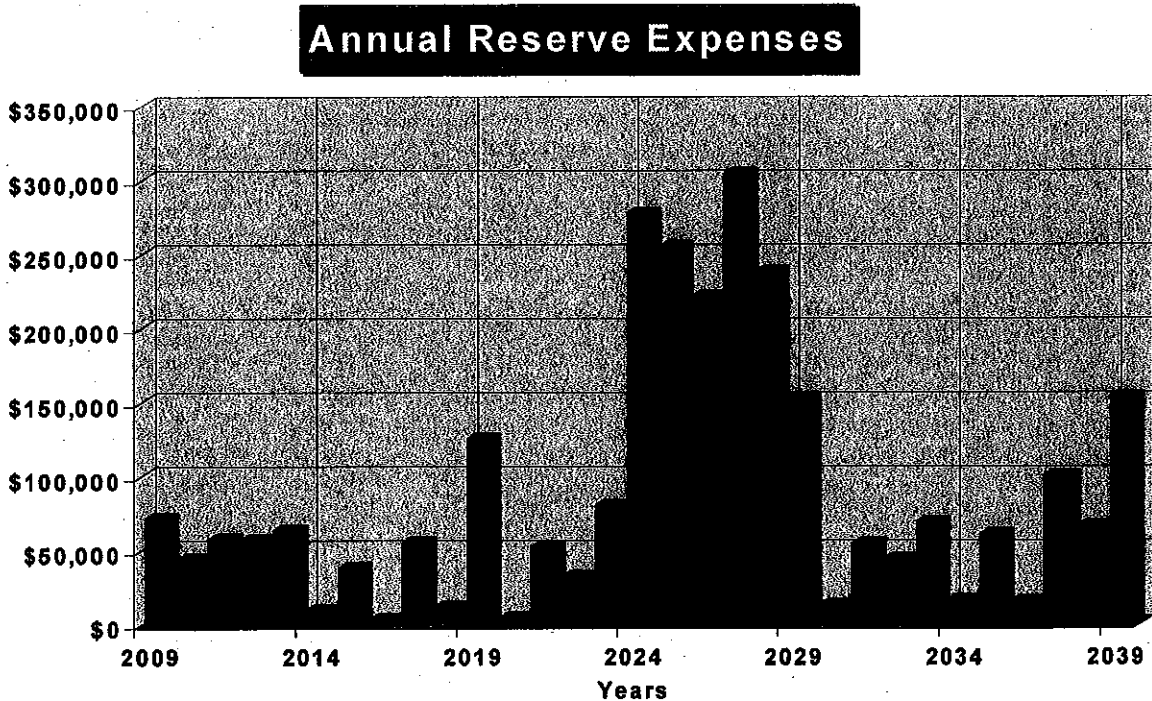


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about "near-term" projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

### Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$473,438 as-of the start of your Fiscal Year on January 1, 2009. This is based on your actual balance on 2/28/09 of \$473,438.23. As of January 1, 2009, your Fully Funded Balance is computed to be \$535,269 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 88% Funded. As indicated earlier in the Executive Summary, this represents a strong status.

### Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$4,825/month this Fiscal Year. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

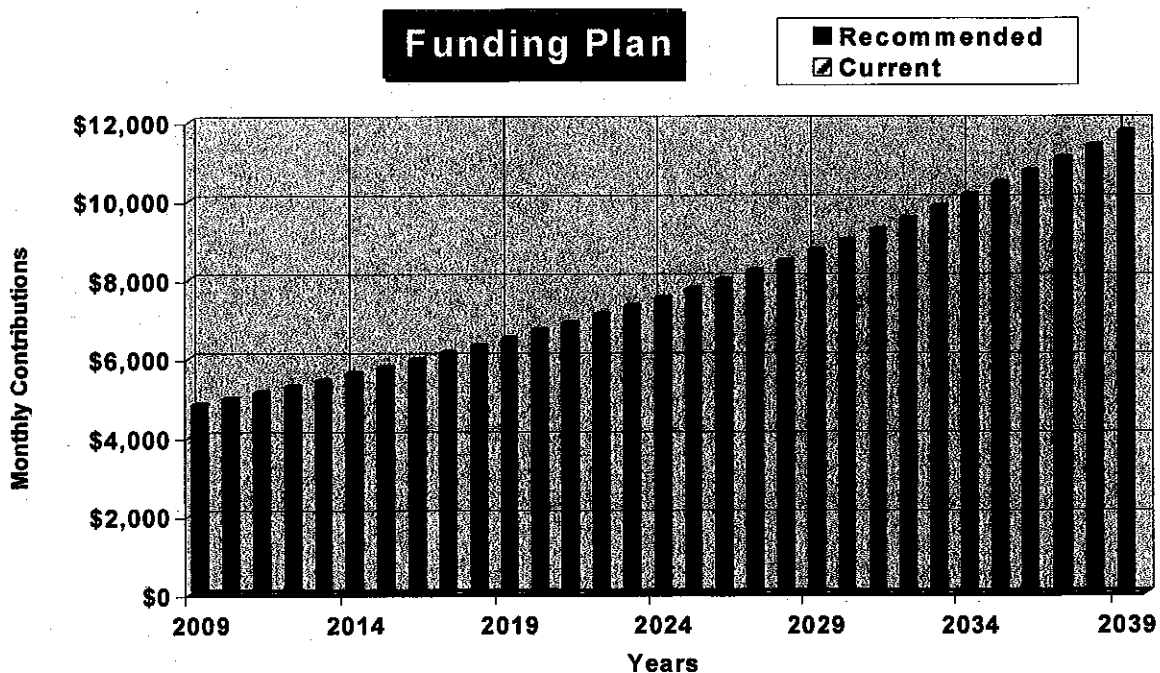


Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

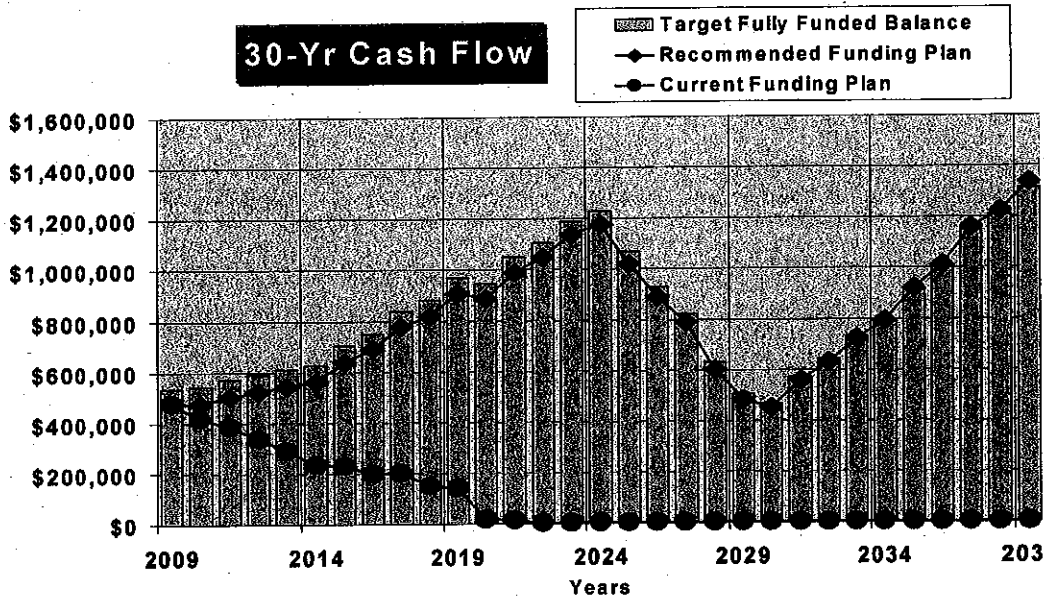


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

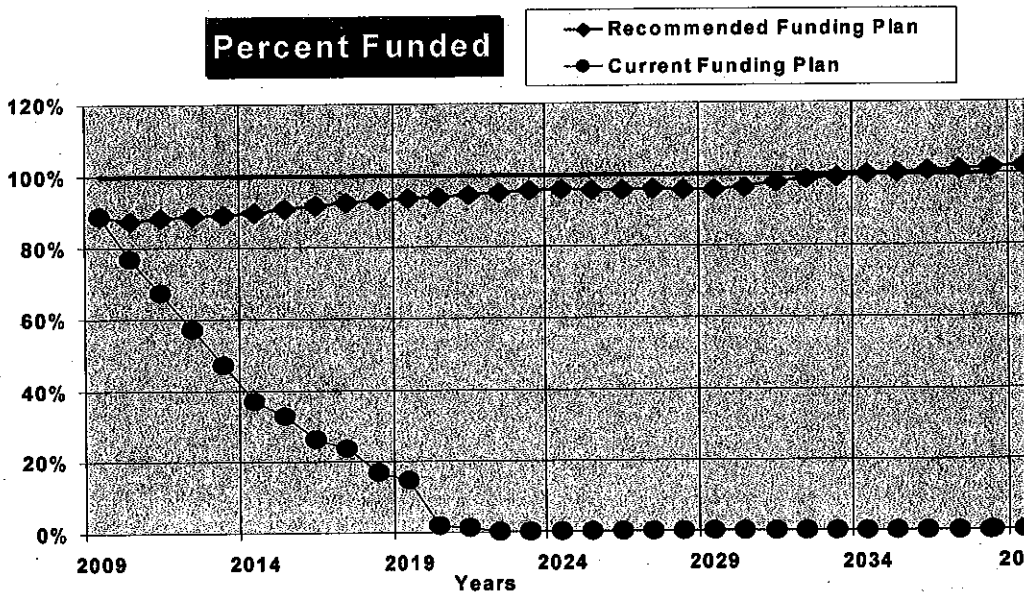


Figure 4

## Table Descriptions

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is underfunded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

**Table 2: Reserve Component List Detail**

**18707-0**

#	Component	Quantity	Rem.		Best Cost	Current Worst Cost
			Use ful Life	Useful Life		
103	Concrete Walkway - Repair/Replace	Numerous GSF	3	0	\$3,500	\$4,500
201	Asphalt - Resurface	Approx 20,225 GSF	20	15	\$31,400	\$39,900
202	Asphalt - Seal/Repair	Approx 20,225 GSF	5	0	\$4,000	\$5,600
204	Concrete Swales/Curb 1 - Replace	Numerous LF	N/A	0	\$7,500	\$9,500
204	Concrete Swales/Curb 2 - Replace	Numerous LF	5	4	\$1,500	\$2,000
205	Concrete Drive - Repair	11 Driveways	2	0	\$24,000	\$26,000
505	Cedar Privacy Fence - Replace	Approx 2,400 LF	30	10	\$57,600	\$62,400 ✓
505	Decorative Fence 1 - Replace (part)	Apprx 4,650 LF	30	0	\$25,100	\$27,000 ✓
505	Decorative Fence 2 - Replace (part)	Apprx 4,650 LF	30	1	\$25,100	\$27,000 ✓
505	Decorative Fence 3 - Replace (part)	Apprx 4,650 LF	30	2	\$25,100	\$27,000 ✓
505	Decorative Fence 4 - Replace (part)	Apprx 4,650 LF	30	3	\$25,100	\$27,000 ✓
505	Decorative Fence 5 - Replace (part)	Apprx 4,650 LF	30	4	\$25,100	\$27,000 ✓
506	Rail Fence 1 - Replace (part)	Approx. 26,100 LF	30	15	\$125,300	\$135,700 ✓
506	Rail Fence 2 - Replace (part)	Approx. 26,100 LF	30	16	\$125,300	\$135,700 ✓
506	Rail Fence 3 - Replace (part)	Approx. 26,100 LF	30	17	\$125,300	\$135,700 ✓
506	Rail Fence 4 - Replace (part)	Approx. 26,100 LF	30	18	\$125,300	\$135,700 ✓
506	Rail Fence 5 - Replace (part)	Approx. 26,100 LF	30	19	\$125,300	\$135,700 ✓
506	Vinyl Fence - Replace (part)	Apprx. 2,850 LF	30	20	\$48,500	\$54,200
510	MSE Wall - Repair	Numerous GSF	N/A	1	\$12,000	\$15,000
815	Bus Stop Structure - Refurbish	(1) 12' x 8' Gazebo	20	12	\$4,000	\$5,000
830	Rock Veneer - Repair	Numerous GSF	5	3	\$1,500	\$2,500
1002	Irrigation Motors/Pumps - Replace	(8) Motors/Pumps	5	3	\$7,000	\$10,000
1003	Irrigation Controllers - Replace	(8) Controllers	10	3	\$3,000	\$4,000
1003	Irrigation Timers - Replace	Approx (7) Timers	5	3	\$3,000	\$5,000
1025	Drainage - Clean and Maintain	Several Detention Ponds	1	0	\$3,000	\$4,000
1402	Monument Sign - Refurbish/Replace	(2) Signs	15	14	\$22,000	\$24,000
1403	Signs - Replace	Numerous signs	5	3	\$1,000	\$1,200
27	Total Funded Components					

**Table 3: Contribution and Fund Breakdown**

**18707-0**

#	Component	Useful Life	Rem.	Current (Avg) Cost	Fully	Current	Reserve Contributions
			Useful Life		Funded Balance	Fund Balance	
103	Concrete Walkway - Repair/Replace	3	0	\$4,000	\$4,000	\$4,000.00	\$116.00
201	Asphalt - Resurface	20	15	\$35,650	\$8,913	\$8,912.50	\$155.08
202	Asphalt - Seal/Repair	5	0	\$4,800	\$4,800	\$4,800.00	\$83.52
204	Concrete Swales/Curb 1 - Replace	N/A	0	\$8,500	\$8,500	\$8,500.00	\$0.00
204	Concrete Swales/Curb 2 - Replace	5	4	\$1,750	\$350	\$350.00	\$30.45
205	Concrete Drive - Repair	2	0	\$25,000	\$25,000	\$25,000.00	\$1,087.54
505	Cedar Privacy Fence - Replace	30	10	\$60,000	\$40,000	\$40,000.00	\$174.01
505	Decorative Fence 1 - Replace (part)	30	0	\$26,050	\$26,050	\$26,050.00	\$75.55
505	Decorative Fence 2 - Replace (part)	30	1	\$26,050	\$25,182	\$25,181.67	\$75.55
505	Decorative Fence 3 - Replace (part)	30	2	\$26,050	\$24,313	\$24,313.33	\$75.55
505	Decorative Fence 4 - Replace (part)	30	3	\$26,050	\$23,445	\$23,445.00	\$75.55
505	Decorative Fence 5 - Replace (part)	30	4	\$26,050	\$22,577	\$22,576.67	\$75.55
506	Rail Fence 1 - Replace (part)	30	15	\$130,500	\$65,250	\$65,250.00	\$378.47
506	Rail Fence 2 - Replace (part)	30	16	\$130,500	\$60,900	\$60,900.00	\$378.47
506	Rail Fence 3 - Replace (part)	30	17	\$130,500	\$56,550	\$56,550.00	\$378.47
506	Rail Fence 4 - Replace (part)	30	18	\$130,500	\$52,200	\$52,200.00	\$378.47
506	Rail Fence 5 - Replace (part)	30	19	\$130,500	\$47,850	\$3,135.73	\$378.47
506	Vinyl Fence - Replace (part)	30	20	\$51,350	\$17,117	\$0.00	\$148.92
510	MSE Wall - Repair	N/A	1	\$13,500	\$6,750	\$6,750.00	\$0.00
815	Bus Stop Structure - Refurbish	20	12	\$4,500	\$1,800	\$1,800.00	\$19.58
830	Rock Veneer - Repair	5	3	\$2,000	\$800	\$800.00	\$34.80
1002	Irrigation Motors/Pumps - Replace	5	3	\$8,500	\$3,400	\$3,400.00	\$147.91
1003	Irrigation Controllers - Replace	10	3	\$3,500	\$2,450	\$2,450.00	\$30.45
1003	Irrigation Timers - Replace	5	3	\$4,000	\$1,600	\$1,600.00	\$69.60
1025	Drainage - Clean and Maintain	1	0	\$3,500	\$3,500	\$3,500.00	\$304.51
1402	Monument Sign - Refurbish/Replace	15	14	\$23,000	\$1,533	\$1,533.33	\$133.41
1403	Signs - Replace	5	3	\$1,100	\$440	\$440.00	\$19.14
27	<b>Total Funded Components</b>				<b>\$535,269</b>	<b>\$473,438</b>	<b>\$4,825</b>

**Table 4: 30-Year Reserve  
Plan Summary**

18707-0

**Fiscal Year  
Beginning:**

**01/01/09**

**Interest:**

**3.0%**

**Inflation:**

**3.0%**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Contribs, Loans, and Spec. Assmts	Interest Income	Projected Reserve Expenses	Ending Reserve Balance
2009	\$473,438	\$535,269	88.4%	Strong	\$57,900	\$14,188	\$71,850	\$473,676
2010	\$473,676	\$541,395	87.5%	Strong	\$59,637	\$14,640	\$44,342	\$503,612
2011	\$503,612	\$570,800	88.2%	Strong	\$61,426	\$15,372	\$57,872	\$522,537
2012	\$522,537	\$588,916	88.7%	Strong	\$63,269	\$15,981	\$57,532	\$544,255
2013	\$544,255	\$609,743	89.3%	Strong	\$65,167	\$16,581	\$63,366	\$562,637
2014	\$562,637	\$627,059	89.7%	Strong	\$67,122	\$17,988	\$9,622	\$638,125
2015	\$638,125	\$702,179	90.9%	Strong	\$69,136	\$19,870	\$38,807	\$688,324
2016	\$688,324	\$751,480	91.6%	Strong	\$71,210	\$21,954	\$4,305	\$777,183
2017	\$777,183	\$839,842	92.5%	Strong	\$73,346	\$23,905	\$55,865	\$818,569
2018	\$818,569	\$879,856	93.0%	Strong	\$75,546	\$25,863	\$12,069	\$907,909
2019	\$907,909	\$968,351	93.8%	Strong	\$77,813	\$26,891	\$125,387	\$887,226
2020	\$887,226	\$945,019	93.9%	Strong	\$80,147	\$28,131	\$4,845	\$990,659
2021	\$990,659	\$1,047,448	94.6%	Strong	\$82,552	\$30,585	\$52,753	\$1,051,043
2022	\$1,051,043	\$1,105,977	95.0%	Strong	\$85,028	\$32,757	\$33,189	\$1,135,639
2023	\$1,135,639	\$1,188,856	95.5%	Strong	\$87,579	\$34,649	\$80,545	\$1,177,321
2024	\$1,177,321	\$1,227,961	95.9%	Strong	\$90,206	\$32,953	\$278,019	\$1,022,461
2025	\$1,022,461	\$1,067,433	95.8%	Strong	\$92,913	\$28,632	\$255,148	\$888,857
2026	\$888,857	\$928,316	95.7%	Strong	\$95,700	\$25,123	\$221,482	\$788,198
2027	\$788,198	\$822,453	95.8%	Strong	\$98,571	\$20,849	\$304,055	\$603,563
2028	\$603,563	\$631,195	95.6%	Strong	\$101,528	\$16,282	\$238,038	\$483,334
2029	\$483,334	\$505,114	95.7%	Strong	\$104,574	\$13,966	\$152,887	\$448,987
2030	\$448,987	\$465,960	96.4%	Strong	\$107,711	\$15,082	\$13,952	\$557,828
2031	\$557,828	\$571,831	97.6%	Strong	\$110,942	\$17,824	\$54,609	\$631,985
2032	\$631,985	\$642,189	98.4%	Strong	\$114,271	\$20,282	\$44,603	\$721,935
2033	\$721,935	\$728,247	99.1%	Strong	\$117,699	\$22,689	\$69,623	\$792,700
2034	\$792,700	\$794,498	99.8%	Strong	\$121,230	\$25,690	\$17,378	\$922,241
2035	\$922,241	\$920,032	100.2%	Strong	\$124,867	\$29,015	\$61,463	\$1,014,660
2036	\$1,014,660	\$1,007,514	100.7%	Strong	\$128,613	\$32,564	\$16,660	\$1,159,178
2037	\$1,159,178	\$1,147,462	101.0%	Strong	\$132,471	\$35,738	\$100,898	\$1,226,489
2038	\$1,226,489	\$1,208,651	101.5%	Strong	\$136,445	\$38,367	\$66,573	\$1,334,728

**Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)**

**18707-0**

Fiscal Year	2009	2010	2011	2012	2013
Starting Reserve Balance	\$473,438	\$473,676	\$503,612	\$522,537	\$544,255
Annual Reserve Contribution	\$57,900	\$59,637	\$61,426	\$63,269	\$65,167
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$14,188	\$14,640	\$15,372	\$15,981	\$16,691
<b>Subtotal</b>	<b>\$545,626</b>	<b>\$547,953</b>	<b>\$580,410</b>	<b>\$601,787</b>	<b>\$626,113</b>
<b># Component</b>					
103 Concrete Walkway - Repair/Replace	\$4,000	\$0	\$0	\$4,371	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$4,800	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 1 - Replace	\$8,600	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 2 - Replace	\$0	\$0	\$0	\$0	\$1,979
205 Concrete Drive - Repair	\$25,000	\$0	\$26,523	\$0	\$26,188
505 Cedar Privacy Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 1 - Replace (part)	\$28,050	\$0	\$0	\$0	\$0
505 Decorative Fence 2 - Replace (part)	\$0	\$26,832	\$0	\$0	\$0
505 Decorative Fence 3 - Replace (part)	\$0	\$0	\$27,636	\$0	\$0
505 Decorative Fence 4 - Replace (part)	\$0	\$0	\$0	\$28,466	\$0
505 Decorative Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$29,320
506 Rail Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Vinyl Fence - Replace (part)	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$13,905	\$0	\$0	\$0
815 Bus Stop Structure - Refurbish	\$0	\$0	\$0	\$0	\$0
830 Rock Veneer - Repair	\$0	\$0	\$0	\$2,185	\$0
1002 Irrigation Motors/Pumps - Replace	\$0	\$0	\$0	\$9,288	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$3,825	\$0
1003 Irrigation Timers - Replace	\$0	\$0	\$0	\$4,371	\$0
1025 Drainage - Clean and Maintain	\$3,500	\$3,605	\$3,713	\$3,825	\$3,939
1402 Monument Sign - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
1403 Signs - Replace	\$0	\$0	\$0	\$1,202	\$0
<b>Subtotal</b>	<b>\$71,850</b>	<b>\$44,342</b>	<b>\$57,872</b>	<b>\$57,532</b>	<b>\$63,266</b>
<b>Ending Reserve Balance:</b>	<b>\$473,676</b>	<b>\$503,612</b>	<b>\$522,537</b>	<b>\$544,255</b>	<b>\$562,637</b>

**Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)**

**18707-0**

Fiscal Year	2014	2015	2016	2017	2018
Starting Reserve Balance	\$562,637	\$638,125	\$688,324	\$777,183	\$818,569
Annual Reserve Contribution	\$67,122	\$69,136	\$71,210	\$73,346	\$75,546
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$17,988	\$19,870	\$21,954	\$23,985	\$25,863
<b>Subtotal</b>	<b>\$647,747</b>	<b>\$727,131</b>	<b>\$781,487</b>	<b>\$874,433</b>	<b>\$919,978</b>
<b># Component</b>					
103 Concrete Walkway - Repair/Replace	\$0	\$4,776	\$0	\$0	\$5,219
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$5,565	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 1 - Replace	\$0	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 2 - Replace	\$0	\$0	\$0	\$0	\$2,283
205 Concrete Drive - Repair	\$0	\$29,651	\$0	\$31,689	\$0
505 Cedar Privacy Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Vinyl Fence - Replace (part)	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$0	\$0	\$0	\$0
815 Bus Stop Structure - Refurbish	\$0	\$0	\$0	\$0	\$0
830 Rock Veneer - Repair	\$0	\$0	\$0	\$2,534	\$0
1002 Irrigation Motors/Pumps - Replace	\$0	\$0	\$0	\$10,768	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Timers - Replace	\$0	\$0	\$0	\$5,067	\$0
1025 Drainage - Clean and Maintain	\$4,057	\$4,179	\$4,305	\$4,424	\$4,567
1402 Monument Sign - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
1403 Signs - Replace	\$0	\$0	\$0	\$1,393	\$0
<b>Subtotal</b>	<b>\$9,622</b>	<b>\$38,807</b>	<b>\$4,305</b>	<b>\$55,895</b>	<b>\$12,069</b>
<b>Ending Reserve Balance:</b>	<b>\$638,125</b>	<b>\$688,324</b>	<b>\$777,183</b>	<b>\$818,569</b>	<b>\$907,909</b>

**Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)**

**18707-0**

Fiscal Year	2019	2020	2021	2022	2023
Starting Reserve Balance	\$907,909	\$887,226	\$990,659	\$1,051,043	\$1,135,639
Annual Reserve Contribution	\$77,613	\$80,147	\$82,652	\$85,028	\$87,578
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$26,891	\$28,131	\$30,585	\$32,757	\$34,649
<b>Subtotal</b>	<b>\$1,012,613</b>	<b>\$995,504</b>	<b>\$1,103,796</b>	<b>\$1,168,828</b>	<b>\$1,251,866</b>
<b># Component</b>					
103 Concrete Walkway - Repair/Replace	\$0	\$0	\$5,763	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$6,451	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 1 - Replace	\$0	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 2 - Replace	\$0	\$0	\$0	\$0	\$2,947
205 Concrete Drive - Repair	\$33,598	\$0	\$35,844	\$0	\$37,815
505 Cedar Privacy Fence - Replace	\$80,635	\$0	\$0	\$0	\$0
505 Decorative Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Vinyl Fence - Replace (part)	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$0	\$0	\$0	\$0
815 Bus Stop Structure - Refurbish	\$0	\$0	\$6,416	\$0	\$0
830 Rock Veneer - Repair	\$0	\$0	\$0	\$2,937	\$0
1002 Irrigation Motors/Pumps - Replace	\$0	\$0	\$0	\$12,483	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$5,140	\$0
1003 Irrigation Timers - Replace	\$0	\$0	\$0	\$5,874	\$0
1025 Drainage - Clean and Maintain	\$4,704	\$4,845	\$4,990	\$5,140	\$5,284
1402 Monument Sign - Refurbish/Replace	\$0	\$0	\$0	\$0	\$94,750
1403 Signs - Replace	\$0	\$0	\$0	\$1,615	\$0
<b>Subtotal</b>	<b>\$125,387</b>	<b>\$4,845</b>	<b>\$52,753</b>	<b>\$33,189</b>	<b>\$90,545</b>
<b>Ending Reserve Balance:</b>	<b>\$887,226</b>	<b>\$990,659</b>	<b>\$1,051,043</b>	<b>\$1,135,639</b>	<b>\$1,177,321</b>

**Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)**

**18707-0**

Fiscal Year	2024	2025	2026	2027	2028
Starting Reserve Balance	\$1,177,321	\$1,022,461	\$888,857	\$788,198	\$603,563
Annual Reserve Contribution	\$90,206	\$92,913	\$95,700	\$98,671	\$101,528
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$32,953	\$28,632	\$25,123	\$20,649	\$16,282
<b>Subtotal</b>	<b>\$1,300,480</b>	<b>\$1,144,005</b>	<b>\$1,009,679</b>	<b>\$907,517</b>	<b>\$721,373</b>
<b># Component</b>					
103 Concrete Walkway - Repair/Replace	\$6,232	\$0	\$0	\$6,910	\$0
201 Asphalt - Resurface	\$55,542	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$7,478	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 1 - Replace	\$0	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 2 - Replace	\$0	\$0	\$0	\$0	\$3,069
205 Concrete Drive - Repair	\$0	\$40,118	\$0	\$42,581	\$0
505 Cedar Privacy Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 1 - Replace (part)	\$203,315	\$0	\$0	\$0	\$0
506 Rail Fence 2 - Replace (part)	\$0	\$209,414	\$0	\$0	\$0
506 Rail Fence 3 - Replace (part)	\$0	\$0	\$215,697	\$0	\$0
506 Rail Fence 4 - Replace (part)	\$0	\$0	\$0	\$222,168	\$0
506 Rail Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$228,833
506 Vinyl Fence - Replace (part)	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$0	\$0	\$0	\$0
815 Bus Stop Structure - Refurbish	\$0	\$0	\$0	\$0	\$0
830 Rock Veneer - Repair	\$0	\$0	\$0	\$3,495	\$0
1002 Irrigation Motors/Pumps - Replace	\$0	\$0	\$0	\$14,471	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Timers - Replace	\$0	\$0	\$0	\$6,910	\$0
1025 Drainage - Clean and Maintain	\$5,453	\$5,016	\$5,785	\$5,959	\$6,137
1402 Monument Sign - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
1403 Signs - Replace	\$0	\$0	\$0	\$1,973	\$0
<b>Subtotal</b>	<b>\$278,019</b>	<b>\$263,148</b>	<b>\$221,482</b>	<b>\$304,655</b>	<b>\$238,038</b>
<b>Ending Reserve Balance:</b>	<b>\$1,022,461</b>	<b>\$888,857</b>	<b>\$788,198</b>	<b>\$603,563</b>	<b>\$483,334</b>

**Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)**

**18707-0**

Fiscal Year	2029	2030	2031	2032	2033
Starting Reserve Balance	\$483,334	\$448,987	\$557,828	\$631,985	\$721,935
Annual Reserve Contribution	\$104,574	\$107,711	\$110,942	\$114,271	\$117,699
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$13,966	\$15,082	\$17,824	\$20,282	\$22,699
<b>Subtotal</b>	<b>\$601,874</b>	<b>\$571,780</b>	<b>\$686,594</b>	<b>\$766,538</b>	<b>\$862,333</b>
<b># Component</b>					
103 Concrete Walkway - Repair/Replace	\$0	\$7,441	\$0	\$0	\$8,131
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$8,669	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 1 - Replace	\$0	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 2 - Replace	\$0	\$0	\$0	\$0	\$3,657
205 Concrete Drive - Repair	\$45,153	\$0	\$47,803	\$0	\$50,820
505 Cedar Privacy Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Vinyl Fence - Replace (part)	\$92,744	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$0	\$0	\$0	\$0
815 Bus Stop Structure - Refurbish	\$0	\$0	\$0	\$0	\$0
830 Rock Veneer - Repair	\$0	\$0	\$0	\$3,947	\$0
1002 Irrigation Motors/Pumps - Replace	\$0	\$0	\$0	\$16,775	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$6,908	\$0
1003 Irrigation Timers - Replace	\$0	\$0	\$0	\$7,894	\$0
1025 Drainage - Clean and Maintain	\$6,321	\$6,511	\$6,706	\$6,908	\$7,115
1402 Monument Sign - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
1403 Signs - Replace	\$0	\$0	\$0	\$2,171	\$0
<b>Subtotal</b>	<b>\$152,887</b>	<b>\$13,952</b>	<b>\$54,809</b>	<b>\$44,603</b>	<b>\$69,623</b>
<b>Ending Reserve Balance:</b>	<b>\$448,987</b>	<b>\$557,828</b>	<b>\$631,985</b>	<b>\$721,935</b>	<b>\$792,700</b>

**Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)**

**18707-0**

Fiscal Year	2034	2035	2036	2037	2038
Starting Reserve Balance	\$792,700	\$922,241	\$1,014,680	\$1,159,178	\$1,226,489
Annual Reserve Contribution	\$121,230	\$124,867	\$128,613	\$132,471	\$136,445
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$25,690	\$29,015	\$32,564	\$36,738	\$38,367
<b>Subtotal</b>	<b>\$939,620</b>	<b>\$1,076,123</b>	<b>\$1,175,837</b>	<b>\$1,327,386</b>	<b>\$1,401,301</b>
<b># Component</b>					
103 Concrete Walkway - Repair/Replace	\$0	\$0	\$8,885	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$10,050	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 1 - Replace	\$0	\$0	\$0	\$0	\$0
204 Concrete Swales/Curb 2 - Replace	\$0	\$0	\$0	\$0	\$4,124
205 Concrete Drive - Repair	\$0	\$53,815	\$0	\$57,198	\$0
505 Cedar Privacy Fence - Replace	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
505 Decorative Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 1 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 2 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 3 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 4 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Rail Fence 5 - Replace (part)	\$0	\$0	\$0	\$0	\$0
506 Vinyl Fence - Replace (part)	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$0	\$0	\$0	\$0
815 Bus Stop Structure - Refurbish	\$0	\$0	\$0	\$0	\$0
830 Rock Veneer - Repair	\$0	\$0	\$0	\$4,376	\$0
1002 Irrigation Motors/Pumps - Replace	\$0	\$0	\$0	\$19,447	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Timers - Replace	\$0	\$0	\$0	\$9,162	\$0
1025 Drainage - Clean and Maintain	\$7,328	\$7,546	\$7,775	\$8,008	\$8,248
1402 Monument Sign - Refurbish/Replace	\$0	\$0	\$0	\$0	\$54,201
1403 Signs - Replace	\$0	\$0	\$0	\$2,517	\$0
<b>Subtotal</b>	<b>\$17,378</b>	<b>\$61,463</b>	<b>\$16,660</b>	<b>\$100,898</b>	<b>\$66,573</b>
<b>Ending Reserve Balance:</b>	<b>\$922,241</b>	<b>\$1,014,680</b>	<b>\$1,159,178</b>	<b>\$1,226,489</b>	<b>\$1,334,728</b>

## Accuracy, Limitations, and Disclosures

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a "one-year" document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves, Inc., and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Robert M. Nordlund, P.E., R.S., company president, is a California licensed Professional Engineer (Mechanical, #22322), and credentialed Reserve Specialist (#5). All work done by Association Reserves is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association's situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association's representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our "Site Inspection Notes" comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.

## Terms and Definitions

<b>BTU</b>	British Thermal Unit (a standard unit of energy)
<b>DIA</b>	Diameter
<b>GSF</b>	Gross Square Feet (area)
<b>GSY</b>	Gross Square Yards (area)
<b>HP</b>	Horsepower
<b>LF</b>	Linear Feet (length)

**Effective Age:** The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

**Fully Funded Balance (FFB):** The Reserve Balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age}) / \text{Useful Life}$$

**Inflation:** Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

**Interest:** Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary, page ii.

**Percent Funded:** The ratio, at a particular point in time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

**Remaining Useful Life:** The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

**Useful Life:** The estimated time, in years, that a common area component can be expected to serve its intended function.

# Photographic Inventory Appendix

