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## Update “With-Site-Visit” Reserve Study



### Villages of Eastridge HOA Mesa, Arizona

**Report #:** 11441-2  
**For Period Beginning:** March 1, 2011  
**Ending:** December 31, 2011

**Date Prepared:** February 25, 2011



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## **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:

480/361-5340 or 800/393-7903



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## 3- Minute Executive Summary

**Association:** Villages of Eastridge HOA **Assoc. #: 11441-2**  
**Location:** Mesa, Arizona  
**# of Units:** 938  
**Report Period:** March 1, 2011 through December 31, 2011

### *Results*

<b>Projected Starting Reserve Balance:</b> .....	<b>\$331,500</b>
<b>Fully Funded Reserve Balance:</b> .....	<b>\$605,067</b>
<b>Average Reserve Deficit (Surplus) Per Unit:</b> .....	<b>\$292</b>
<b>Percent Funded:</b> .....	<b>54.8%</b>
<b>Recommended 2011 Monthly Reserve Contribution:</b> .....	<b>\$8,200</b>
<b>Recommended Special Assessment this Year:</b> .....	<b>\$0</b>
<b>Most Recent Reserve Contribution Rate:</b> .....	<b>\$5,300</b>

### *Economic Assumptions:*

**Net Annual “After Tax” Interest Earnings Accruing to Reserves.....**2.00%  
**Annual Inflation Rate .....**3.00%

- This is an “Update With-Site-Visit” Reserve Study, based on a prior Report prepared by Association Reserves, Inc. for your 2008 Fiscal Year. The information in this Reserve Study is based on our site inspection on February 3, 2011.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is 54.8% Funded, this represents a fair, mid-range position. In perspective, above 30% but below 70% Funded defines the fair funding range, whereas 70% and above typifies Reserve strength.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, we recommend Monthly Reserve Contributions of \$8,200, followed by nominal annual increases (see tables herein) to help offset inflation.
- Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or “Fully Funded”.

Table 1: Executive Summary

11441-2

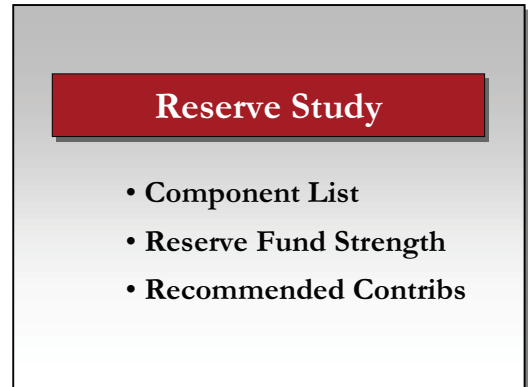
# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
103 Concrete - Repair	5	3	\$2,250	\$2,459
201 Asphalt - Replace	25	17	\$18,100	\$29,917
<b>202 Asphalt - Seal/Repair</b>	<b>5</b>	<b>0</b>	<b>\$1,810</b>	<b>\$2,098</b>
320 Pole Lights - Replace	25	17	\$36,100	\$59,668
403 Mailboxes - Replace	18	10	\$100,000	\$134,392
404 Park Furniture - Replace (A)	10	2	\$13,550	\$14,375
404 Park Furniture - Replace (B)	10	9	\$2,275	\$2,968
410 Play Equipment - Replace	20	12	\$228,700	\$326,072
411 Play Equipment - Repair	5	2	\$6,000	\$6,365
412 Tot Lot Sand - Replenish	8	3	\$5,085	\$5,557
413 Safety Turf - Replace	12	4	\$48,950	\$55,094
422 Basketball Equipment - Replace	18	10	\$1,600	\$2,150
501 Block Walls - Repair	25	17	\$34,900	\$57,684
1000 Irrigation Pumps - Replace	20	12	\$78,550	\$111,994
<b>1001 Irrigation Pumps - Refurbish</b>	<b>6</b>	<b>0</b>	<b>\$19,500</b>	<b>\$23,284</b>
1003 Irrigation Controllers - Replace	12	4	\$18,350	\$20,653
1006 Landscape Granite - Replenish (Ph1)	10	8	\$28,750	\$36,420
1006 Landscape Granite - Replenish (Ph2)	10	2	\$158,150	\$167,781
1006 Landscape Granite - Replenish (Ph3)	10	4	\$158,150	\$177,999
1105 Block Walls - Repaint	7	3	\$104,800	\$114,518
<b>1106 Culvert Rails - Repaint</b>	<b>5</b>	<b>0</b>	<b>\$2,025</b>	<b>\$2,348</b>
<b>1111 Pole Lights - Repaint</b>	<b>5</b>	<b>0</b>	<b>\$2,660</b>	<b>\$3,084</b>
1304 Ramada Roof - Refurbish	30	22	\$1,260	\$2,414
1401 Monuments - Refurbish	15	7	\$16,600	\$20,416
1704 Fountain Filter - Replace	15	7	\$1,550	\$1,906
1705 Filter Pump - Replace	10	2	\$1,000	\$1,061
1706 Fountain Pump - Replace	15	6	\$8,000	\$9,552
1707 Fountain Pump - Refurbish	5	1	\$2,750	\$2,833
<b>28 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.

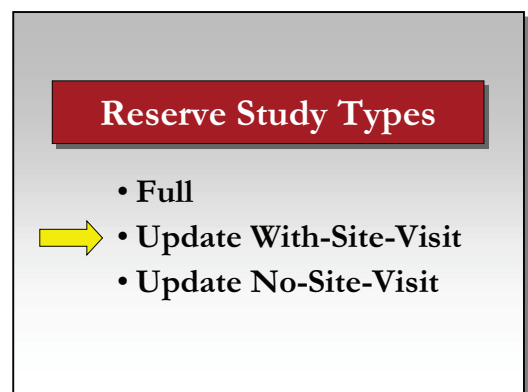
In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance 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 "Update With-Site-Visit" Reserve Study, we started with a review of your prior Reserve Study, 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 evaluate your common areas, updating and adjusting your Reserve Component List as appropriate.



### *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 since last report)
- 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...

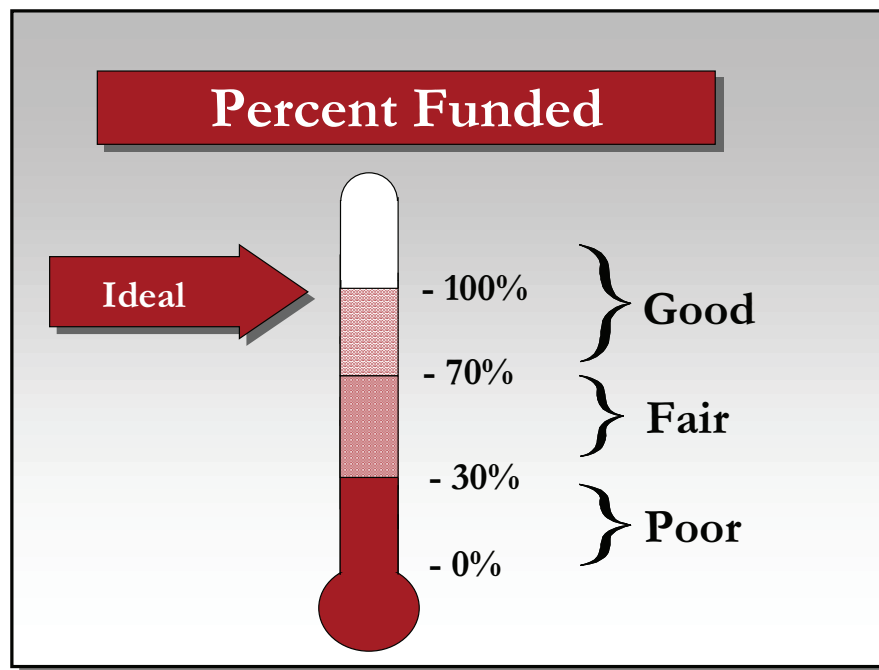
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

### *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 Board members 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 February 3, 2011, we started by meeting with Community Manager Mr. Mike Wyne with Renaissance Community Partners. We discussed the property and any issues or concerns. We also discussed what Reserve projects have been completed since the previous report. We then started the site inspection beginning with the fountain and fountain equipment. Next, we inspected the tot lots throughout the community. Finally, we inspected the remaining common areas, including the irrigation pumps, landscaping, and block walls.



### Projected Expenses

The figure below shows the array of the projected future expenses at your association. This figure clearly shows the near term and future expenses that your association will face.

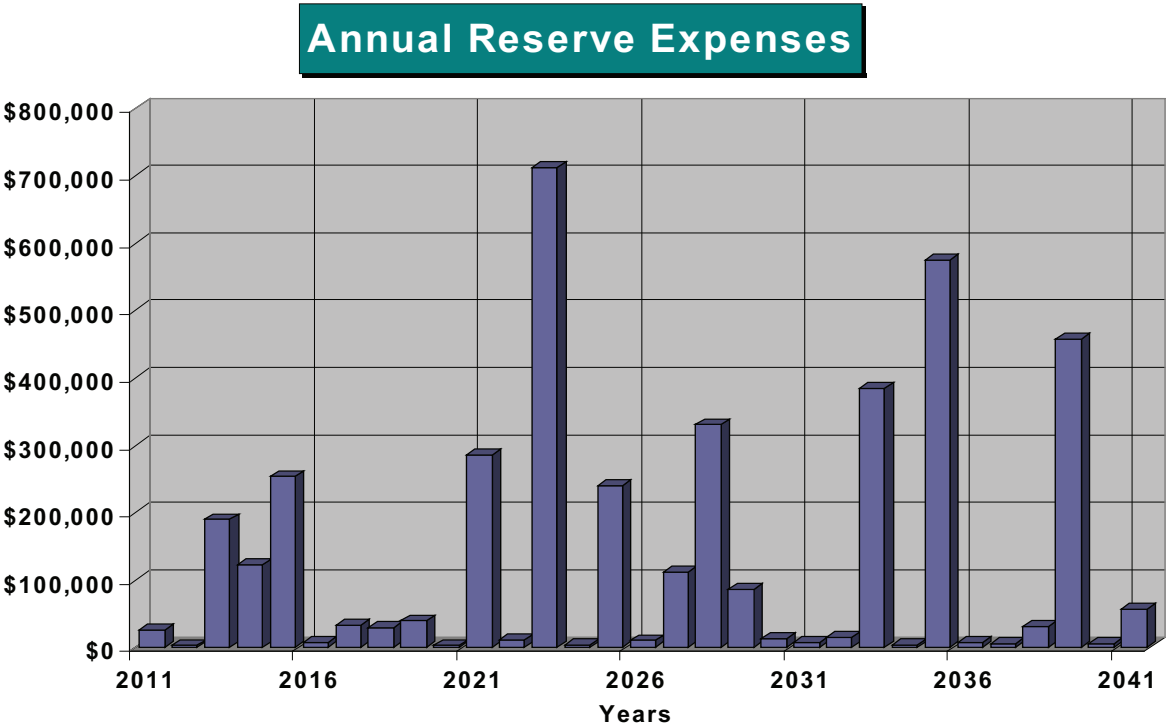


Figure 1

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 \$331,500 as-of March 1, 2011. This is based on your actual balance on November 30, 2010 of \$315,577 and anticipated Reserve contributions and expenses projected through February of 2011. As of March 1, 2011, your Fully Funded Balance is computed to be \$605,067 (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 55% Funded. As indicated earlier in the Executive Summary, this represents a fair, mid-range position.

### Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we recommend Reserve contributions of \$8,200/month this Fiscal Year, followed by nominal annual increases to help offset inflation. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Tables 4 and 5.

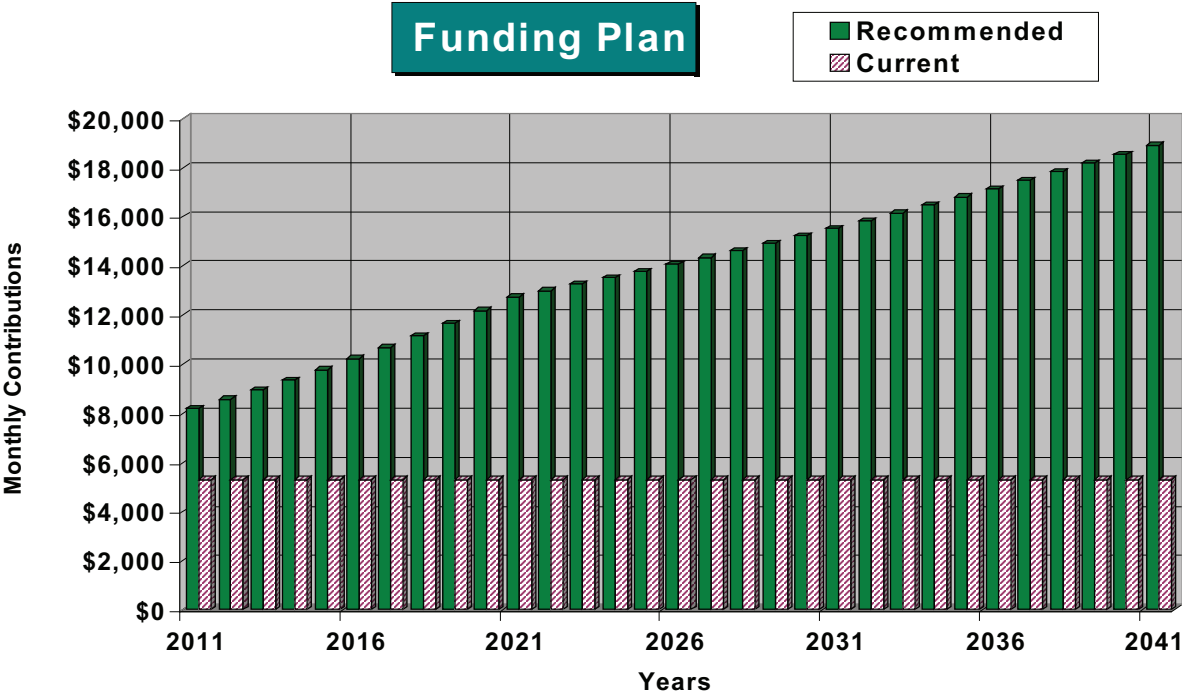


Figure 2

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.

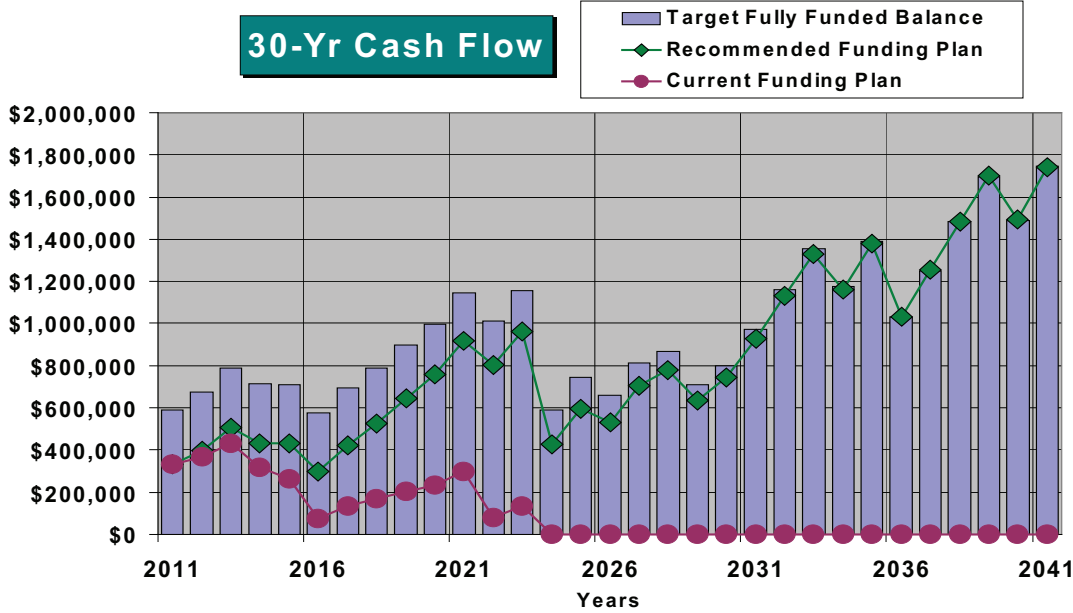


Figure 3

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

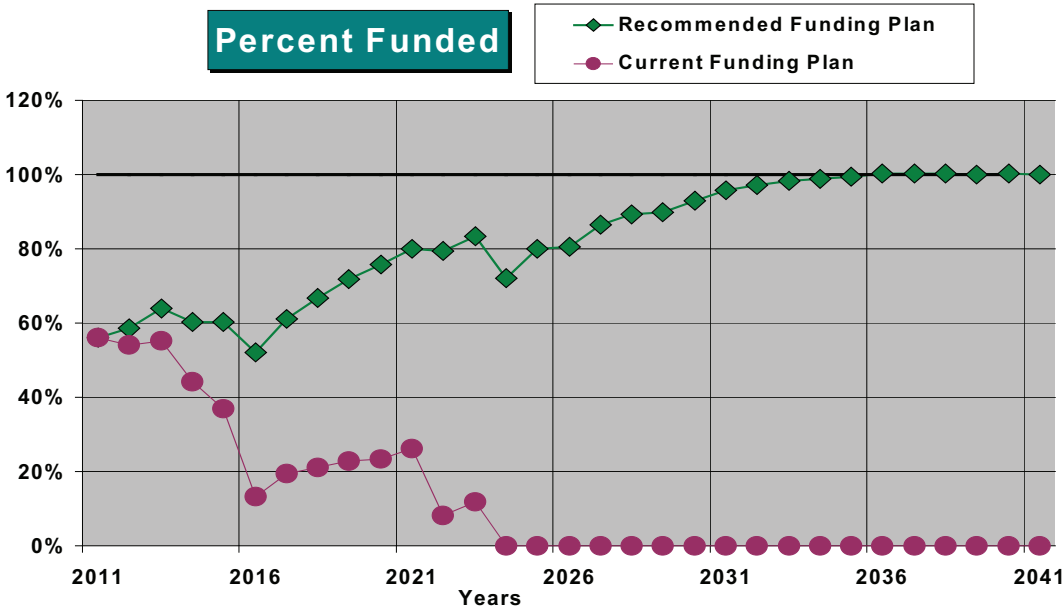


Figure 4

## 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 page. 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****11441-2**

# Component	Quantity	Useful	Rem.	Best	Current
		Life	Useful Life	Cost	Worst Cost
103 Concrete - Repair	Numerous Sq Ft	5	3	\$2,000	\$2,500
201 Asphalt - Replace	Approx 6,700 Sq Ft	25	17	\$16,100	\$20,100
202 Asphalt - Seal/Repair	Approx 6,700 Sq Ft	5	0	\$1,610	\$2,010
320 Pole Lights - Replace	(19) Lights	25	17	\$32,300	\$39,900
403 Mailboxes - Replace	(70) Clusters	18	10	\$90,000	\$110,000
404 Park Furniture - Replace (A)	(22) Assorted Pieces	10	2	\$12,200	\$14,900
404 Park Furniture - Replace (B)	(2) Benches, (2) Trash	10	9	\$2,050	\$2,500
410 Play Equipment - Replace	(23) Assorted Pieces	20	12	\$214,900	\$242,500
411 Play Equipment - Repair	(23) Assorted Pieces	5	2	\$5,300	\$6,700
412 Tot Lot Sand - Replenish	Approx 127 Tons	8	3	\$4,450	\$5,720
413 Safety Turf - Replace	Approx 3,060 Sq Ft	12	4	\$42,800	\$55,100
422 Basketball Equipment - Replace	(2) Goals	18	10	\$1,400	\$1,800
501 Block Walls - Repair	Approx 332,360 Sq Ft	25	17	\$31,600	\$38,200
1000 Irrigation Pumps - Replace	(4) Flowtronex Pumps	20	12	\$70,700	\$86,400
1001 Irrigation Pumps - Refurbish	(4) Flowtronex Pumps	6	0	\$17,500	\$21,500
1003 Irrigation Controllers - Replace	(20) Hunter ICC-800M	12	4	\$16,500	\$20,200
1006 Landscape Granite - Replenish (Ph1)	Approx 500 Tons	10	8	\$25,000	\$32,500
1006 Landscape Granite - Replenish (Ph2)	Approx 2,750 Tons	10	2	\$137,500	\$178,800
1006 Landscape Granite - Replenish (Ph3)	Approx 2,750 Tons	10	4	\$137,500	\$178,800
1105 Block Walls - Repaint	Approx 332,680 Sq Ft	7	3	\$93,200	\$116,400
1106 Culvert Rails - Repaint	Approx 450 LF	5	0	\$1,800	\$2,250
1111 Pole Lights - Repaint	(19) Lights	5	0	\$2,280	\$3,040
1304 Ramada Roof - Refurbish	Approx 280 Sq Ft	30	22	\$1,120	\$1,400
1401 Monuments - Refurbish	(4) Monuments	15	7	\$15,000	\$18,200
1704 Fountain Filter - Replace	(1) Triton II, TR-140	15	7	\$1,400	\$1,700
1705 Filter Pump - Replace	(1) Premier Pump, 2-HP	10	2	\$900	\$1,100
1706 Fountain Pump - Replace	(1) 7.5 HP Pump	15	6	\$7,000	\$9,000
1707 Fountain Pump - Refurbish	(1) 7.5 HP Pump	5	1	\$2,500	\$3,000
28 Total Funded Components					

**Table 3: Contribution and Fund Breakdown****11441-2**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
103 Concrete - Repair	5	3	\$2,250	\$982	\$981.75	\$40.77
201 Asphalt - Replace	25	17	\$18,100	\$5,945	\$0.00	\$65.59
202 Asphalt - Seal/Repair	5	0	\$1,810	\$1,570	\$1,570.48	\$32.80
320 Pole Lights - Replace	25	17	\$36,100	\$11,858	\$0.00	\$130.83
403 Mailboxes - Replace	18	10	\$100,000	\$45,620	\$0.00	\$503.33
404 Park Furniture - Replace (A)	10	2	\$13,550	\$11,127	\$11,126.81	\$122.76
404 Park Furniture - Replace (B)	10	9	\$2,275	\$268	\$0.00	\$20.61
410 Play Equipment - Replace	20	12	\$228,700	\$93,900	\$0.00	\$1,036.01
411 Play Equipment - Repair	5	2	\$6,000	\$3,824	\$3,824.00	\$108.72
412 Tot Lot Sand - Replenish	8	3	\$5,085	\$3,303	\$3,303.13	\$57.59
413 Safety Turf - Replace	12	4	\$48,950	\$33,497	\$0.00	\$369.57
422 Basketball Equipment - Replace	18	10	\$1,600	\$730	\$0.00	\$8.05
501 Block Walls - Repair	25	17	\$34,900	\$11,463	\$0.00	\$126.48
1000 Irrigation Pumps - Replace	20	12	\$78,550	\$32,251	\$0.00	\$355.83
1001 Irrigation Pumps - Refurbish	6	0	\$19,500	\$16,808	\$16,807.92	\$294.45
1003 Irrigation Controllers - Replace	12	4	\$18,350	\$12,557	\$0.00	\$138.54
1006 Landscape Granite - Replenish (Ph1)	10	8	\$28,750	\$6,272	\$0.00	\$260.47
1006 Landscape Granite - Replenish (Ph2)	10	2	\$158,150	\$129,868	\$129,867.51	\$1,432.83
1006 Landscape Granite - Replenish (Ph3)	10	4	\$158,150	\$98,079	\$94,071.57	\$1,432.83
1105 Block Walls - Repaint	7	3	\$104,800	\$62,755	\$62,755.24	\$1,356.40
1106 Culvert Rails - Repaint	5	0	\$2,025	\$1,757	\$1,757.03	\$36.69
1111 Pole Lights - Repaint	5	0	\$2,660	\$2,308	\$2,307.99	\$48.20
1304 Ramada Roof - Refurbish	30	22	\$1,260	\$345	\$0.00	\$3.81
1401 Monuments - Refurbish	15	7	\$16,600	\$9,088	\$0.00	\$100.26
1704 Fountain Filter - Replace	15	7	\$1,550	\$849	\$0.00	\$9.36
1705 Filter Pump - Replace	10	2	\$1,000	\$821	\$821.17	\$9.06
1706 Fountain Pump - Replace	15	6	\$8,000	\$4,916	\$0.00	\$48.32
1707 Fountain Pump - Refurbish	5	1	\$2,750	\$2,305	\$2,305.42	\$49.83
28 Total Funded Components				\$605,067	\$331,500	\$8,200



**Table 4: 30-Year Reserve Plan Summary****11441-2****Report Start Date: 03/01/11****Interest:****2.0%****Inflation:****3.0%**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2011	\$331,500	\$605,067	54.8%	Fair	\$82,000	\$0	\$7,256	\$25,995
2012	\$394,761	\$675,216	58.5%	Fair	\$102,828	\$0	\$8,977	\$2,833
2013	\$503,734	\$787,992	63.9%	Fair	\$107,455	\$0	\$9,339	\$189,583
2014	\$430,945	\$714,661	60.3%	Fair	\$112,291	\$0	\$8,595	\$122,533
2015	\$429,298	\$711,141	60.4%	Fair	\$117,344	\$0	\$7,289	\$253,746
2016	\$300,184	\$575,403	52.2%	Fair	\$122,624	\$0	\$7,221	\$7,529
2017	\$422,500	\$692,324	61.0%	Fair	\$128,142	\$0	\$9,490	\$32,836
2018	\$527,295	\$790,586	66.7%	Fair	\$133,909	\$0	\$11,695	\$29,701
2019	\$643,198	\$896,844	71.7%	Strong	\$139,935	\$0	\$13,998	\$39,270
2020	\$757,861	\$999,828	75.8%	Strong	\$146,232	\$0	\$16,743	\$2,968
2021	\$917,867	\$1,146,788	80.0%	Strong	\$152,812	\$0	\$17,181	\$286,113
2022	\$801,747	\$1,010,119	79.4%	Strong	\$155,868	\$0	\$17,646	\$10,845
2023	\$964,417	\$1,156,584	83.4%	Strong	\$158,986	\$0	\$13,884	\$712,096
2024	\$425,190	\$590,736	72.0%	Strong	\$162,166	\$0	\$10,185	\$3,304
2025	\$594,237	\$741,957	80.1%	Strong	\$165,409	\$0	\$11,249	\$239,216
2026	\$531,679	\$658,832	80.7%	Strong	\$168,717	\$0	\$12,332	\$10,119
2027	\$702,609	\$812,559	86.5%	Strong	\$172,091	\$0	\$14,784	\$112,410
2028	\$777,075	\$868,962	89.4%	Strong	\$175,533	\$0	\$14,122	\$330,404
2029	\$636,326	\$707,862	89.9%	Strong	\$179,044	\$0	\$13,783	\$85,973
2030	\$743,180	\$798,288	93.1%	Strong	\$182,625	\$0	\$16,713	\$12,906
2031	\$929,612	\$971,418	95.7%	Strong	\$186,277	\$0	\$20,574	\$6,926
2032	\$1,129,537	\$1,160,775	97.3%	Strong	\$190,003	\$0	\$24,566	\$14,882
2033	\$1,329,223	\$1,353,693	98.2%	Strong	\$193,803	\$0	\$24,903	\$384,696
2034	\$1,163,233	\$1,176,692	98.9%	Strong	\$197,679	\$0	\$25,429	\$4,441
2035	\$1,381,901	\$1,391,404	99.3%	Strong	\$201,632	\$0	\$24,133	\$574,163
2036	\$1,033,504	\$1,031,262	100.2%	Strong	\$205,665	\$0	\$22,855	\$8,030
2037	\$1,253,994	\$1,249,119	100.4%	Strong	\$209,778	\$0	\$27,368	\$5,931
2038	\$1,485,210	\$1,481,529	100.2%	Strong	\$213,974	\$0	\$31,829	\$30,532
2039	\$1,700,482	\$1,698,858	100.1%	Strong	\$218,253	\$0	\$31,910	\$457,357
2040	\$1,493,289	\$1,489,206	100.3%	Strong	\$222,619	\$0	\$32,334	\$5,361

**Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)****11441-2**

Fiscal Year	2011	2012	2013	2014	2015
Starting Reserve Balance	\$331,500	\$394,761	\$503,734	\$430,945	\$429,298
Annual Reserve Contribution	\$82,000	\$102,828	\$107,455	\$112,291	\$117,344
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,256	\$8,977	\$9,339	\$8,595	\$7,289
<b>Total Income</b>	<b>\$420,756</b>	<b>\$506,567</b>	<b>\$620,528</b>	<b>\$551,831</b>	<b>\$553,930</b>
<b># Component</b>					
103 Concrete - Repair	\$0	\$0	\$0	\$2,459	\$0
201 Asphalt - Replace	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$1,810	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
404 Park Furniture - Replace (A)	\$0	\$0	\$14,375	\$0	\$0
404 Park Furniture - Replace (B)	\$0	\$0	\$0	\$0	\$0
410 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
411 Play Equipment - Repair	\$0	\$0	\$6,365	\$0	\$0
412 Tot Lot Sand - Replenish	\$0	\$0	\$0	\$5,557	\$0
413 Safety Turf - Replace	\$0	\$0	\$0	\$0	\$55,094
422 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
1000 Irrigation Pumps - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation Pumps - Refurbish	\$19,500	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$20,653
1006 Landscape Granite - Replenish (Ph1)	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph2)	\$0	\$0	\$167,781	\$0	\$0
1006 Landscape Granite - Replenish (Ph3)	\$0	\$0	\$0	\$0	\$177,999
1105 Block Walls - Repaint	\$0	\$0	\$0	\$114,518	\$0
1106 Culvert Rails - Repaint	\$2,025	\$0	\$0	\$0	\$0
1111 Pole Lights - Repaint	\$2,660	\$0	\$0	\$0	\$0
1304 Ramada Roof - Refurbish	\$0	\$0	\$0	\$0	\$0
1401 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
1704 Fountain Filter - Replace	\$0	\$0	\$0	\$0	\$0
1705 Filter Pump - Replace	\$0	\$0	\$1,061	\$0	\$0
1706 Fountain Pump - Replace	\$0	\$0	\$0	\$0	\$0
1707 Fountain Pump - Refurbish	\$0	\$2,833	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$25,995</b>	<b>\$2,833</b>	<b>\$189,583</b>	<b>\$122,533</b>	<b>\$253,746</b>
Ending Reserve Balance:	\$394,761	\$503,734	\$430,945	\$429,298	\$300,184

**Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)****11441-2**

Fiscal Year	2016	2017	2018	2019	2020
Starting Reserve Balance	\$300,184	\$422,500	\$527,295	\$643,198	\$757,861
Annual Reserve Contribution	\$122,624	\$128,142	\$133,909	\$139,935	\$146,232
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,221	\$9,490	\$11,695	\$13,998	\$16,743
<b>Total Income</b>	<b>\$430,029</b>	<b>\$560,132</b>	<b>\$672,899</b>	<b>\$797,131</b>	<b>\$920,835</b>
<b># Component</b>					
103 Concrete - Repair	\$0	\$0	\$0	\$2,850	\$0
201 Asphalt - Replace	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$2,098	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
404 Park Furniture - Replace (A)	\$0	\$0	\$0	\$0	\$0
404 Park Furniture - Replace (B)	\$0	\$0	\$0	\$0	\$2,968
410 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
411 Play Equipment - Repair	\$0	\$0	\$7,379	\$0	\$0
412 Tot Lot Sand - Replenish	\$0	\$0	\$0	\$0	\$0
413 Safety Turf - Replace	\$0	\$0	\$0	\$0	\$0
422 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
1000 Irrigation Pumps - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation Pumps - Refurbish	\$0	\$23,284	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph1)	\$0	\$0	\$0	\$36,420	\$0
1006 Landscape Granite - Replenish (Ph2)	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph3)	\$0	\$0	\$0	\$0	\$0
1105 Block Walls - Repaint	\$0	\$0	\$0	\$0	\$0
1106 Culvert Rails - Repaint	\$2,348	\$0	\$0	\$0	\$0
1111 Pole Lights - Repaint	\$3,084	\$0	\$0	\$0	\$0
1304 Ramada Roof - Refurbish	\$0	\$0	\$0	\$0	\$0
1401 Monuments - Refurbish	\$0	\$0	\$20,416	\$0	\$0
1704 Fountain Filter - Replace	\$0	\$0	\$1,906	\$0	\$0
1705 Filter Pump - Replace	\$0	\$0	\$0	\$0	\$0
1706 Fountain Pump - Replace	\$0	\$9,552	\$0	\$0	\$0
1707 Fountain Pump - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$7,529</b>	<b>\$32,836</b>	<b>\$29,701</b>	<b>\$39,270</b>	<b>\$2,968</b>
Ending Reserve Balance:	\$422,500	\$527,295	\$643,198	\$757,861	\$917,867

**Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)****11441-2**

Fiscal Year	2021	2022	2023	2024	2025
Starting Reserve Balance	\$917,867	\$801,747	\$964,417	\$425,190	\$594,237
Annual Reserve Contribution	\$152,812	\$155,868	\$158,986	\$162,166	\$165,409
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$17,181	\$17,646	\$13,884	\$10,185	\$11,249
<b>Total Income</b>	<b>\$1,087,860</b>	<b>\$975,262</b>	<b>\$1,137,287</b>	<b>\$597,541</b>	<b>\$770,895</b>
<b># Component</b>					
103 Concrete - Repair	\$0	\$0	\$0	\$3,304	\$0
201 Asphalt - Replace	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$2,432	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$134,392	\$0	\$0	\$0	\$0
404 Park Furniture - Replace (A)	\$0	\$0	\$19,319	\$0	\$0
404 Park Furniture - Replace (B)	\$0	\$0	\$0	\$0	\$0
410 Play Equipment - Replace	\$0	\$0	\$326,072	\$0	\$0
411 Play Equipment - Repair	\$0	\$0	\$0	\$0	\$0
412 Tot Lot Sand - Replenish	\$0	\$7,039	\$0	\$0	\$0
413 Safety Turf - Replace	\$0	\$0	\$0	\$0	\$0
422 Basketball Equipment - Replace	\$2,150	\$0	\$0	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
1000 Irrigation Pumps - Replace	\$0	\$0	\$111,994	\$0	\$0
1001 Irrigation Pumps - Refurbish	\$0	\$0	\$27,802	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph1)	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph2)	\$0	\$0	\$225,484	\$0	\$0
1006 Landscape Granite - Replenish (Ph3)	\$0	\$0	\$0	\$0	\$239,216
1105 Block Walls - Repaint	\$140,842	\$0	\$0	\$0	\$0
1106 Culvert Rails - Repaint	\$2,721	\$0	\$0	\$0	\$0
1111 Pole Lights - Repaint	\$3,575	\$0	\$0	\$0	\$0
1304 Ramada Roof - Refurbish	\$0	\$0	\$0	\$0	\$0
1401 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
1704 Fountain Filter - Replace	\$0	\$0	\$0	\$0	\$0
1705 Filter Pump - Replace	\$0	\$0	\$1,426	\$0	\$0
1706 Fountain Pump - Replace	\$0	\$0	\$0	\$0	\$0
1707 Fountain Pump - Refurbish	\$0	\$3,807	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$286,113</b>	<b>\$10,845</b>	<b>\$712,096</b>	<b>\$3,304</b>	<b>\$239,216</b>
Ending Reserve Balance:	\$801,747	\$964,417	\$425,190	\$594,237	\$531,679

**Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)****11441-2**

Fiscal Year	2026	2027	2028	2029	2030
Starting Reserve Balance	\$531,679	\$702,609	\$777,075	\$636,326	\$743,180
Annual Reserve Contribution	\$168,717	\$172,091	\$175,533	\$179,044	\$182,625
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$12,332	\$14,784	\$14,122	\$13,783	\$16,713
<b>Total Income</b>	<b>\$712,728</b>	<b>\$889,485</b>	<b>\$966,730</b>	<b>\$829,153</b>	<b>\$942,518</b>
<b># Component</b>					
103 Concrete - Repair	\$0	\$0	\$0	\$3,830	\$0
201 Asphalt - Replace	\$0	\$0	\$29,917	\$0	\$0
202 Asphalt - Seal/Repair	\$2,820	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$59,668	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
404 Park Furniture - Replace (A)	\$0	\$0	\$0	\$0	\$0
404 Park Furniture - Replace (B)	\$0	\$0	\$0	\$0	\$3,989
410 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
411 Play Equipment - Repair	\$0	\$0	\$9,917	\$0	\$0
412 Tot Lot Sand - Replenish	\$0	\$0	\$0	\$0	\$8,917
413 Safety Turf - Replace	\$0	\$78,550	\$0	\$0	\$0
422 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$57,684	\$0	\$0
1000 Irrigation Pumps - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation Pumps - Refurbish	\$0	\$0	\$0	\$33,197	\$0
1003 Irrigation Controllers - Replace	\$0	\$29,446	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph1)	\$0	\$0	\$0	\$48,945	\$0
1006 Landscape Granite - Replenish (Ph2)	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph3)	\$0	\$0	\$0	\$0	\$0
1105 Block Walls - Repaint	\$0	\$0	\$173,218	\$0	\$0
1106 Culvert Rails - Repaint	\$3,155	\$0	\$0	\$0	\$0
1111 Pole Lights - Repaint	\$4,144	\$0	\$0	\$0	\$0
1304 Ramada Roof - Refurbish	\$0	\$0	\$0	\$0	\$0
1401 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
1704 Fountain Filter - Replace	\$0	\$0	\$0	\$0	\$0
1705 Filter Pump - Replace	\$0	\$0	\$0	\$0	\$0
1706 Fountain Pump - Replace	\$0	\$0	\$0	\$0	\$0
1707 Fountain Pump - Refurbish	\$0	\$4,413	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$10,119</b>	<b>\$112,410</b>	<b>\$330,404</b>	<b>\$85,973</b>	<b>\$12,906</b>
Ending Reserve Balance:	\$702,609	\$777,075	\$636,326	\$743,180	\$929,612

**Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)****11441-2**

Fiscal Year	2031	2032	2033	2034	2035
Starting Reserve Balance	\$929,612	\$1,129,537	\$1,329,223	\$1,163,233	\$1,381,901
Annual Reserve Contribution	\$186,277	\$190,003	\$193,803	\$197,679	\$201,632
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$20,574	\$24,566	\$24,903	\$25,429	\$24,133
<b>Total Income</b>	<b>\$1,136,463</b>	<b>\$1,344,106</b>	<b>\$1,547,929</b>	<b>\$1,386,341</b>	<b>\$1,607,666</b>
<b># Component</b>					
103 Concrete - Repair	\$0	\$0	\$0	\$4,441	\$0
201 Asphalt - Replace	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$3,269	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
404 Park Furniture - Replace (A)	\$0	\$0	\$25,963	\$0	\$0
404 Park Furniture - Replace (B)	\$0	\$0	\$0	\$0	\$0
410 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
411 Play Equipment - Repair	\$0	\$0	\$11,497	\$0	\$0
412 Tot Lot Sand - Replenish	\$0	\$0	\$0	\$0	\$0
413 Safety Turf - Replace	\$0	\$0	\$0	\$0	\$0
422 Basketball Equipment - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
1000 Irrigation Pumps - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation Pumps - Refurbish	\$0	\$0	\$0	\$0	\$39,639
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph1)	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph2)	\$0	\$0	\$303,032	\$0	\$0
1006 Landscape Granite - Replenish (Ph3)	\$0	\$0	\$0	\$0	\$321,486
1105 Block Walls - Repaint	\$0	\$0	\$0	\$0	\$213,037
1106 Culvert Rails - Repaint	\$3,657	\$0	\$0	\$0	\$0
1111 Pole Lights - Repaint	\$0	\$0	\$5,097	\$0	\$0
1304 Ramada Roof - Refurbish	\$0	\$0	\$2,414	\$0	\$0
1401 Monuments - Refurbish	\$0	\$0	\$31,807	\$0	\$0
1704 Fountain Filter - Replace	\$0	\$0	\$2,970	\$0	\$0
1705 Filter Pump - Replace	\$0	\$0	\$1,916	\$0	\$0
1706 Fountain Pump - Replace	\$0	\$14,882	\$0	\$0	\$0
1707 Fountain Pump - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$6,926</b>	<b>\$14,882</b>	<b>\$384,696</b>	<b>\$4,441</b>	<b>\$574,163</b>
<b>Ending Reserve Balance:</b>	<b>\$1,129,537</b>	<b>\$1,329,223</b>	<b>\$1,163,233</b>	<b>\$1,381,901</b>	<b>\$1,033,504</b>

**Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)****11441-2**

Fiscal Year	2036	2037	2038	2039	2040
Starting Reserve Balance	\$1,033,504	\$1,253,994	\$1,485,210	\$1,700,482	\$1,493,289
Annual Reserve Contribution	\$205,665	\$209,778	\$213,974	\$218,253	\$222,619
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$22,855	\$27,368	\$31,829	\$31,910	\$32,334
<b>Total Income</b>	<b>\$1,262,024</b>	<b>\$1,491,141</b>	<b>\$1,731,014</b>	<b>\$1,950,645</b>	<b>\$1,748,241</b>
<b># Component</b>					
103 Concrete - Repair	\$0	\$0	\$0	\$5,148	\$0
201 Asphalt - Replace	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$3,790	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$228,793	\$0
404 Park Furniture - Replace (A)	\$0	\$0	\$0	\$0	\$0
404 Park Furniture - Replace (B)	\$0	\$0	\$0	\$0	\$5,361
410 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
411 Play Equipment - Repair	\$0	\$0	\$13,328	\$0	\$0
412 Tot Lot Sand - Replenish	\$0	\$0	\$11,295	\$0	\$0
413 Safety Turf - Replace	\$0	\$0	\$0	\$111,994	\$0
422 Basketball Equipment - Replace	\$0	\$0	\$0	\$3,661	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
1000 Irrigation Pumps - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation Pumps - Refurbish	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$41,983	\$0
1006 Landscape Granite - Replenish (Ph1)	\$0	\$0	\$0	\$65,778	\$0
1006 Landscape Granite - Replenish (Ph2)	\$0	\$0	\$0	\$0	\$0
1006 Landscape Granite - Replenish (Ph3)	\$0	\$0	\$0	\$0	\$0
1105 Block Walls - Repaint	\$0	\$0	\$0	\$0	\$0
1106 Culvert Rails - Repaint	\$4,240	\$0	\$0	\$0	\$0
1111 Pole Lights - Repaint	\$0	\$0	\$5,909	\$0	\$0
1304 Ramada Roof - Refurbish	\$0	\$0	\$0	\$0	\$0
1401 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
1704 Fountain Filter - Replace	\$0	\$0	\$0	\$0	\$0
1705 Filter Pump - Replace	\$0	\$0	\$0	\$0	\$0
1706 Fountain Pump - Replace	\$0	\$0	\$0	\$0	\$0
1707 Fountain Pump - Refurbish	\$0	\$5,931	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$8,030</b>	<b>\$5,931</b>	<b>\$30,532</b>	<b>\$457,357</b>	<b>\$5,361</b>
<b>Ending Reserve Balance:</b>	<b>\$1,253,994</b>	<b>\$1,485,210</b>	<b>\$1,700,482</b>	<b>\$1,493,289</b>	<b>\$1,742,880</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 – Arizona, LLC, and its employees have no ownership, management, or other business relationships with the client beyond this Reserve Study engagement. D.J. Vlaming, R.S., company president, is a credentialed Reserve Specialist. All work done by Association Reserves – Arizona, LLC 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