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Update “No-Site-Visit” Reserve Study



The Gardens at Ventana Lakes **Peoria, Arizona**

Report #: 7312M-2
For Period Beginning: January 1, 2008
Ending: December 31, 2008

Date Prepared: October 22, 2007

Hello, and welcome to your Reserve Study!

It's all very simple, really. A Reserve Study is the *art and science* of anticipating and preparing for major common area repair and replacement costs. With our experience in this industry, we have gathered the information necessary to make an evaluation of the current status of your Reserve Components, an evaluation of the current status of your Reserve Fund, and a recommended Reserve Funding Plan.

This 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.

While this Report has been prepared to answer all of your questions, please don't hesitate to call us if unanswered questions remain. Our toll-free number is (800) 393-7903, and answers to most frequently asked questions are on our web site (www.ReserveStudy.com). A *Quick Reference Guide* is provided on the following page, to map out your Reserve Study and provide directions to the most valuable areas. From the entire staff of Association Reserves, thank you for selecting us as your Reserve-planning partner!



Quick Reference Guide



What do I distribute to the homeowners?

A good choice is to distribute copies of the “Executive Summary” immediately following the Table of Contents (a summary page and the Reserve Component Listing).

Where do I find...

...a listing of our Reserve Components?

Table 2 shows the name, Useful Life, Remaining Useful Life, and current Replacement Cost.

...our Percent Funded rating and recommended Reserve Contribution Rate?

With our major financial summary information, in the Executive Summary (Page i)

...a description of our objectives and methodology?

Beginning on Page 1 we introduce the Reserve Study, our objectives, and methodology.

More questions?

Visit our web site at www.ReserveStudy.com



or call us at (800) 393-7903.

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Executive Summary

Association: The Gardens at Ventana Lakes **Assoc. #:** 7312M-2
Location: Peoria, Arizona
of Units: 108
Report Period: January 1, 2008 through December 31, 2008

Results

Projected Starting Reserve Balance:	\$88,731
Fully Funded Reserve Balance:	\$280,463
Percent Funded:	31.6%
Recommended 2008 Monthly Reserve Contribution:	\$3,000
Recommended Special Assessment:	\$0

Most Recent Reserve Contribution Rate:.....**\$1,414**

Economic Assumptions:

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

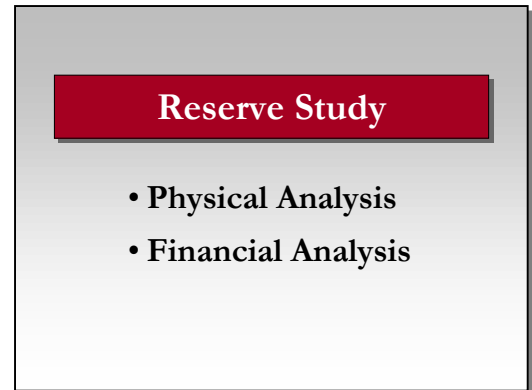
- The information in this Reserve Study is based on the prior study prepared by Association Reserves – AZ, LLC for the association's 2004 Fiscal Year. No on site inspection was performed as part of this Reserve Study Update.
- Because your Reserve Fund is 31.6% Funded, this represents a borderline mid-range financial position. In perspective, above 30% but below 70% Funded represents the fair funding range while 70% and above typifies strong Reserves.
- Based on this starting point and your anticipated future expenses, our recommendation is to increase Reserve contributions to \$3,000/month for the 2008 Fiscal Year.
- Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- There are no Reserve projects scheduled during 2007.

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
1115 Stucco - Repaint	8	3	\$95,400	\$104,246
1116 Wood Surfaces - Repaint	4	3	\$22,600	\$24,696
1304 Tile Roof - Refurbish (A)	30	15	\$117,375	\$182,866
1304 Tile Roof - Refurbish (B)	30	17	\$117,375	\$194,003
1304 Tile Roof - Refurbish (C)	30	19	\$117,375	\$205,818
1304 Tile Roof - Refurbish (D)	30	21	\$117,375	\$218,352
1304 Tile Roof - Refurbish (E)	30	23	\$117,375	\$231,650
7 Total Funded Components				

Introduction

It is all very simple, really. A Reserve Study is the art and science of anticipating and preparing for 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.

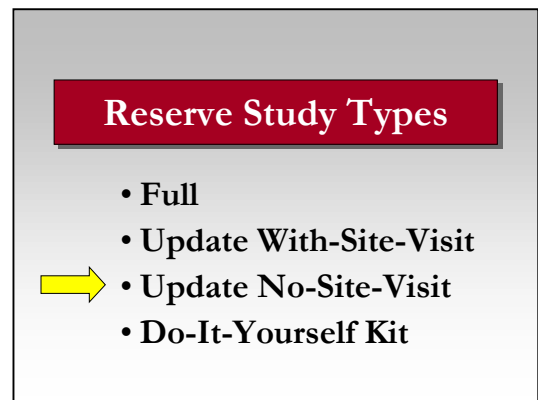
A Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. The Physical Analysis contains the information about the current condition and repair or replacement cost of the major common area components the association is obligated to maintain. The Financial Analysis contains an evaluation of the association's Reserve balance (measured by Percent Funded) and a recommended Funding Plan to offset the anticipated Reserve expenses.



The primary responsibility of the Board of Directors is to maintain, protect, and enhance the assets of the association. As the physical assets age and deteriorate, it is important to accumulate financial assets, keeping the two “in balance”. The Reserve Study is the document that helps keep the physical and financial assets of the association in balance. This Reserve Study is a budget-planning document. The primary information you will get from this document is a list of your major Reserve components, a finding of the current status (strength) of your Reserve Fund, and a recommended Funding Plan. The basic objective of the Reserve Study is to provide a plan to collect funds at a stable rate to offset the predicted irregular Reserve expenses. Setting a stable Reserve contribution rate will ensure that each owner pays their own “fair share” of the ongoing, gradual deterioration of the common areas.

Methodology

By necessity, the Physical Analysis occurs before the Financial Analysis (first we establish what the projected expenses are, then we determine the association’s financial status and create a Funding Plan). For this Update “No-Site-Visit” Reserve Study, the Physical Analysis included a review of your prior Reserve Study and recent Reserve expenditures, and phone or written inquiries into the status of your Reserve components. No on-site inspection was performed as part of this Reserve Study Update, nor were Governing Documents reviewed. Your Reserve Component List. (Table 1 or Table 2) contains a description and quantification of individual line items, and estimates



for the Useful Life, Remaining Useful Life, and current Replacement Cost of each component. The average of the Best and Worst Case cost estimates are used for all calculations throughout the Financial Analysis. With this information and an assumed inflation rate (as shown on the Executive Summary), we are able to project the array of future major expenses facing the association.

Which Physical Assets are Covered by Reserves?

Reserve expenses are the larger, infrequent expenses that require significant advance planning. Operating expenses, on the other hand, are those ongoing daily, weekly, or monthly expenses that occur and recur throughout the year. Small surprises are typically handled as maintenance contingencies, while the larger ones may be covered by insurance or require special assessments.

There is a national-standard four-part test to determine which expense items 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 Components to major, predictable expenses. We do not typically Reserve for building foundations and major infrastructure elements since they do not have limited life expectancies. Light bulbs or other small items are not listed as Reserve Components since their individual costs are insignificant. Finally, it is usually inappropriate to include unpredictable expenses such as damage due to fire, flood, or earthquake since these typically cannot be considered “reasonably predictable”.

Reserve Components

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

How are Useful Life and Remaining Useful Life established?

Useful Life is typically established by our experience with the component, adjusted by assumptions for quality, rate of wear and tear, expected normal maintenance, and weather exposure. Remaining Useful Life is established primarily by the component's current observed condition. The observed age of the component may or may not equal the “Chronological Age” of the component due to accelerated wear or low usage. For components requiring a particular expertise or components where age characteristics are not visible (elevators, chillers, security electronics, etc.), it is typical that we interview the association's service vendor to obtain a recommendation for Useful Life and Remaining Useful Life.

How are Cost Estimates Established?

The best way to obtain an accurate cost for a component is for it to be repaired or replaced, providing us with a valuable benchmark from which to make current cost estimates. In absence of “actual” costs, we regularly make comparisons to projects that were done recently at similar associations. In addition, we often contact local vendors who provide us with insights into current pricing trends. For components that require a particular expertise (major roof or roadway systems, elevators, etc.), it is our normal practice to interview your vendor who maintains that asset. In the absence of these estimating tools, we look to reliable industry cost guidebooks. A “Best Case” and “Worst Case” cost estimate is made for each component in an attempt to bracket the actual cost.

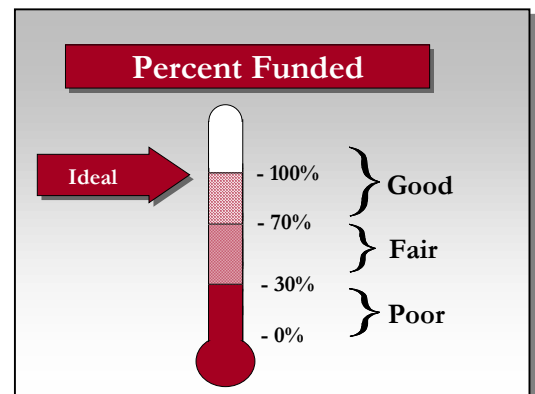
Cost Estimating Tools

- Association History
- Similar Properties
- Vendor Interviews
- Printed cost guides

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate for the needs of the association. Reserve Fund size is therefore measured by Percent Funded, which is the actual (or projected) Reserve Balance divided by the association’s calculated Fully Funded Balance (FFB), expressed as a percentage. Table 3 shows that the Fully Funded Balance is the current “value” of the deteriorated portion (not the total replacement value) of all the Reserve Components. To show how this works with one component, in the case of a \$10,000 component with a 10 year Useful Life, in the third year the Fully Funded Balance is three tenths of \$10,000, or \$3,000. The FFB grows as assets age, but shrinks as components are replaced. Deteriorated associations have a higher FFB than association with assets in good condition. The Fully Funded Balance changes each year, and is a predictable, but moving target.

Special assessments and deferred maintenance are common when the Percent Funded is weak (below 30%). While the 100% point is Ideal, a Reserve Fund above the 70% level should be considered “strong” because cash flow problems are rare. Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. An association with a strong Reserve Fund should experience smooth sailing financially, while an association with a weak Reserve Fund should expect cash flow problems. 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. First and foremost, our 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 indicates the association is being run on a stable financial platform, not being driven by the winds of change from year to year. For fairness, it is important to evenly distribute the contributions over the years so each owner pays their fair share of the deterioration in direct proportion to the amount of time they are owners. And finally, any Funding Plan must be based on fiscally responsible principles. Your Funding Plan was created by a process where different solutions were tested until one was found that most successfully met all four of these principles and achieved your Funding Goal.

Funding Principles


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

What is our Funding Goal?

There are different Funding Goals to strive for, ranging from conservative to risky. Establishing a goal of simply having sufficient cash for all future years is called “Baseline Funding”. The drawback is that there is little or no “margin for error”, and expenses that are higher than budgeted or projects that occur earlier than planned will often cause special assessments.

“Full Funding” is when the association has the goal of becoming Fully Funded (Reserve Cash equals the FFB). Such an objective means the association is following the simple and responsible principle that you “replace what you use up”. Believing this to be the responsible choice, our Funding Plan will direct you to Full Funding. Members of Fully Funded associations enjoy low exposure to the risk of special assessments or deferred maintenance. Strong interest earnings will minimize their Reserve contributions. Board members enjoy peace of mind that the association’s physical and financial assets are in balance, and therefore a degree of insulation from claims of fiscal irresponsibility.

Funding Goals



- Full Funding
- Threshold Funding
- Baseline Funding

“Threshold Funding” is different in that the association selects a target other than 0% or 100%. This objective may be between 0% and 100% Funded, higher than 100% Funded, or a particular Reserve cash balance. Associations choosing Threshold Funding select this option to customize their risk exposure.

Projected Expenses

The figure below shows the array of the projected future expenses at your association. As with all computations in this Report, the estimates in this figure are based on the average of Best and Worst Case expense projections. As you can see, expenses are projected 30 years into the future, using the Inflation rate shown in the Executive Summary. This figure clearly shows the near term and future expenses your association will face.

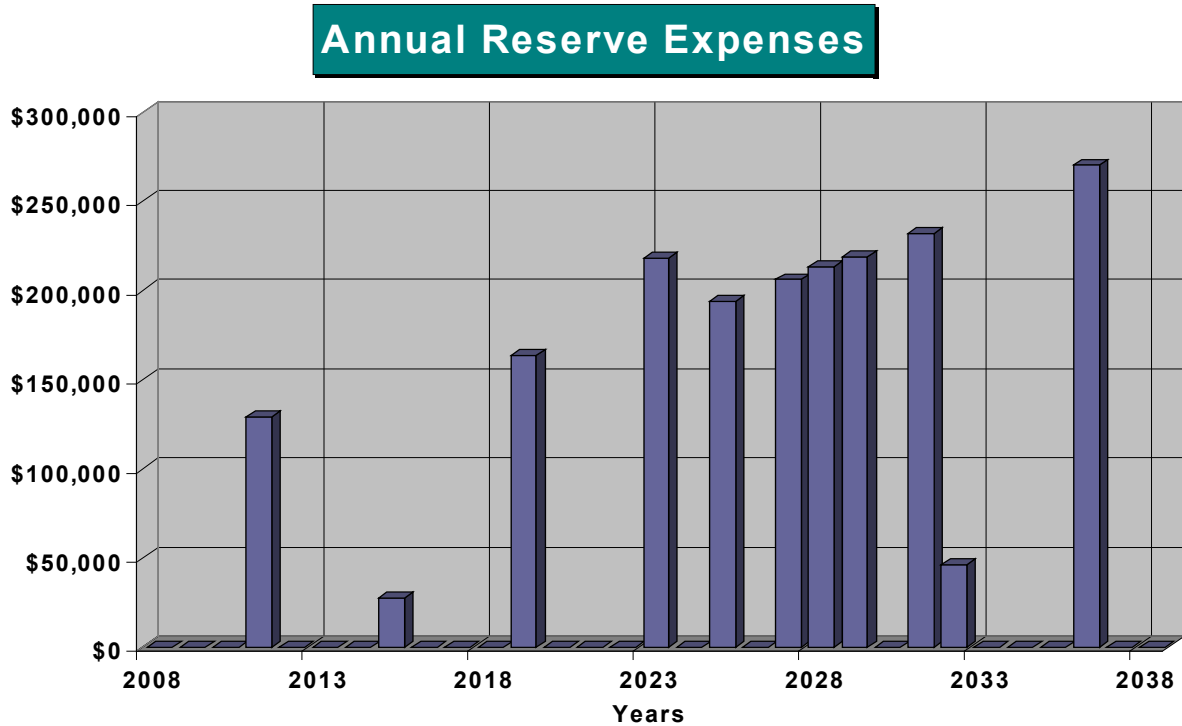


Figure 1

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 \$88,731 as-of the start of your Fiscal Year on January 1, 2008. This is based on your actual balance on September 30, 2007 of \$84,489 plus budgeted Reserve contributions of \$1,414/month and estimated interest earnings through the end of your Fiscal Year. As of January 1, 2008, your Fully Funded Balance is computed to be \$280,463 (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 32% Funded. As indicated earlier in the Executive Summary, this represents a borderline fair status.

Recommended Funding Plan

Based on your current Percent Funded and projected cash flow requirements, we recommend increasing Reserve contributions to \$3,000/month for the 2008 Fiscal Year. This represents the first year of a 30-year Funding Plan. To most fairly spread out the contribution burden over current and future owners in our inflationary economic environment, nominal annual increases of 5% should be expected in future years. This Reserve contribution rate was established by testing different funding options while balancing the four Funding Principles in an attempt to eventually achieve Full Funding. Generally, the tools we utilize are regular ongoing contributions (for stability and fairness), and special assessments (used only as a last resort). Our recommended multi-year Funding Plan is shown below. This same information is shown numerically in both Table 4 and Table 5.

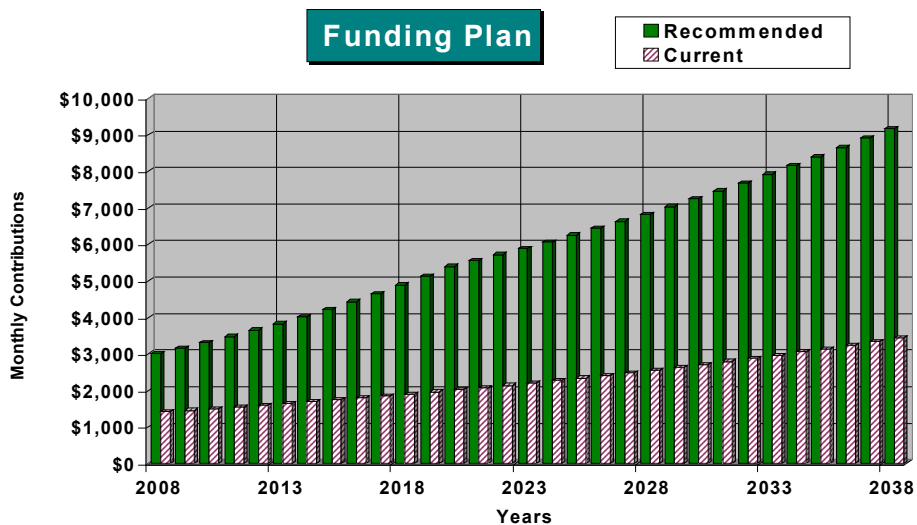


Figure 2

Your projected Reserve Balance as a result of following this Recommended multi-year Funding Plan and your Current Funding Plan is shown below, compared to your Fully

Funded Balance target. This assumes the future expenses we have projected in this Reserve Study. While your Reserve Balance might seem high in future years, remember that these figures are “inflated” future dollars. In addition, this Reserve Balance is necessary to prepare for expenses in following years and provide necessary “margin” for projects that will probably not occur exactly as planned.

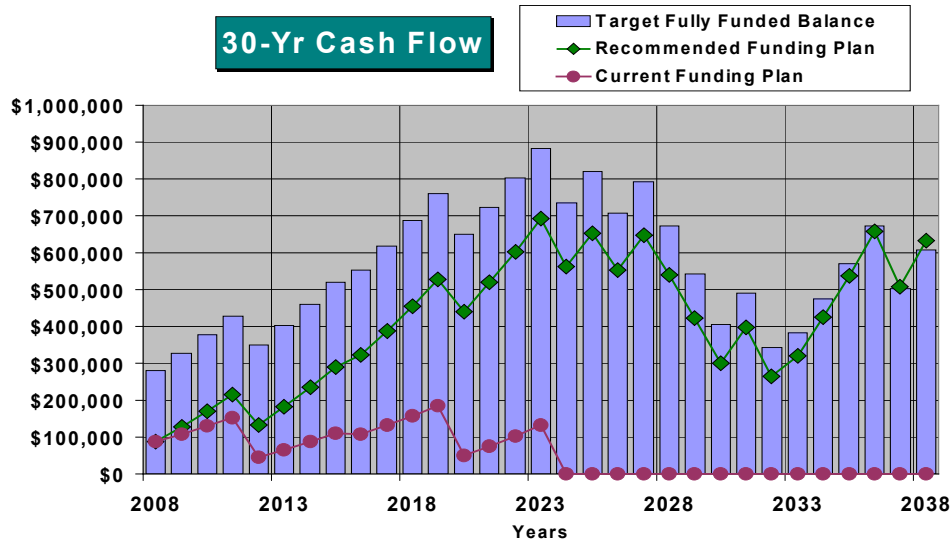


Figure 3

A simple comparison (a percentage comparison) of your Actual Reserve Balance to the moving Fully Funded Balance target is shown below. In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

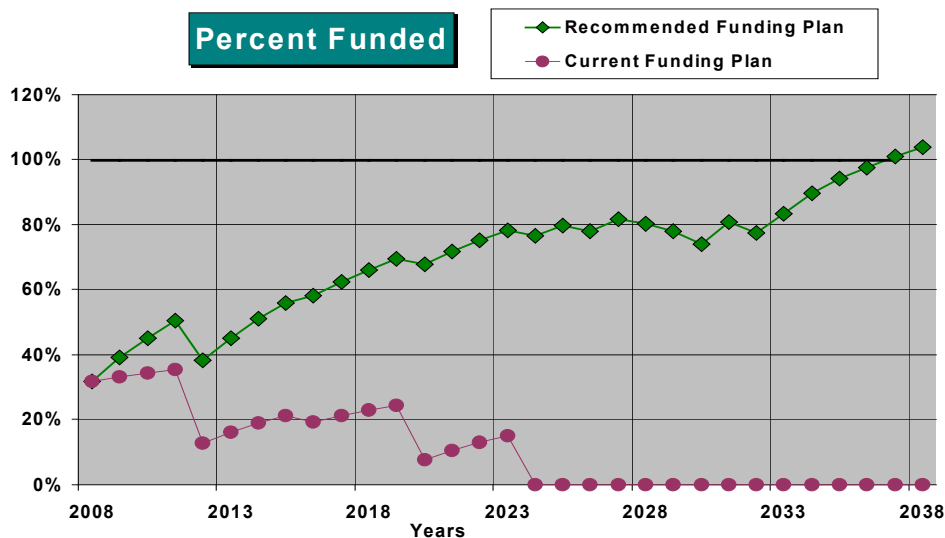


Figure 4

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 under funded, 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**7312M-2**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
1115 Stucco - Repaint	Approx 123,100 Sq Ft	8	3	\$80,000	\$110,800
1116 Wood Surfaces - Repaint	Approx 20,580 Sq Ft	4	3	\$18,900	\$26,300
1304 Tile Roof - Refurbish (A)	Approx 35,570 Sq Ft	30	15	\$103,150	\$131,600
1304 Tile Roof - Refurbish (B)	Approx 35,570 Sq Ft	30	17	\$103,150	\$131,600
1304 Tile Roof - Refurbish (C)	Approx 35,570 Sq Ft	30	19	\$103,150	\$131,600
1304 Tile Roof - Refurbish (D)	Approx 35,570 Sq Ft	30	21	\$103,150	\$131,600
1304 Tile Roof - Refurbish (E)	Approx 35,570 Sq Ft	30	23	\$103,150	\$131,600
7 Total Funded Components					

Table 3: Contribution and Fund Breakdown**7312M-2**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
1115 Stucco - Repaint	8	3	\$95,400	\$59,625	\$59,625.00	\$963.31
1116 Wood Surfaces - Repaint	4	3	\$22,600	\$5,650	\$5,650.00	\$456.41
1304 Tile Roof - Refurbish (A)	30	15	\$117,375	\$58,688	\$23,456.00	\$316.06
1304 Tile Roof - Refurbish (B)	30	17	\$117,375	\$50,863	\$0.00	\$316.06
1304 Tile Roof - Refurbish (C)	30	19	\$117,375	\$43,038	\$0.00	\$316.06
1304 Tile Roof - Refurbish (D)	30	21	\$117,375	\$35,213	\$0.00	\$316.06
1304 Tile Roof - Refurbish (E)	30	23	\$117,375	\$27,388	\$0.00	\$316.06
7 Total Funded Components				\$280,463	\$88,731	\$3,000

Table 4: 30-Year Reserve Plan Summary**7312M-2**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Annual Reserve Contribs.	Special Assessments	Interest Income	Reserve Expenses
2008	\$88,731	\$280,463	31.6%	\$36,000	\$0	\$3,246	\$0
2009	\$127,977	\$327,128	39.1%	\$37,800	\$0	\$4,467	\$0
2010	\$170,245	\$376,341	45.2%	\$39,690	\$0	\$5,782	\$0
2011	\$215,717	\$428,212	50.4%	\$41,675	\$0	\$5,234	\$128,942
2012	\$133,683	\$350,047	38.2%	\$43,758	\$0	\$4,732	\$0
2013	\$182,173	\$403,601	45.1%	\$45,946	\$0	\$6,240	\$0
2014	\$234,359	\$460,053	50.9%	\$48,243	\$0	\$7,862	\$0
2015	\$290,464	\$519,529	55.9%	\$50,656	\$0	\$9,182	\$27,795
2016	\$322,507	\$553,531	58.3%	\$53,188	\$0	\$10,618	\$0
2017	\$386,314	\$618,593	62.5%	\$55,848	\$0	\$12,599	\$0
2018	\$454,761	\$687,060	66.2%	\$58,640	\$0	\$14,724	\$0
2019	\$528,125	\$759,079	69.6%	\$61,572	\$0	\$14,516	\$163,340
2020	\$440,873	\$649,559	67.9%	\$64,651	\$0	\$14,393	\$0
2021	\$519,917	\$723,583	71.9%	\$66,590	\$0	\$16,826	\$0
2022	\$603,334	\$801,465	75.3%	\$68,588	\$0	\$19,394	\$0
2023	\$691,316	\$883,368	78.3%	\$70,646	\$0	\$18,785	\$218,076
2024	\$562,670	\$735,778	76.5%	\$72,765	\$0	\$18,221	\$0
2025	\$653,656	\$819,234	79.8%	\$74,948	\$0	\$18,071	\$194,003
2026	\$552,672	\$707,212	78.1%	\$77,196	\$0	\$17,984	\$0
2027	\$647,853	\$793,549	81.6%	\$79,512	\$0	\$17,784	\$205,818
2028	\$539,331	\$672,438	80.2%	\$81,898	\$0	\$14,409	\$213,121
2029	\$422,517	\$542,183	77.9%	\$84,355	\$0	\$10,813	\$218,352
2030	\$299,333	\$404,705	74.0%	\$86,885	\$0	\$10,426	\$0
2031	\$396,644	\$490,140	80.9%	\$89,492	\$0	\$9,902	\$231,650
2032	\$264,388	\$341,738	77.4%	\$92,177	\$0	\$8,745	\$45,941
2033	\$319,369	\$382,429	83.5%	\$94,942	\$0	\$11,158	\$0
2034	\$425,468	\$473,992	89.8%	\$97,790	\$0	\$14,428	\$0
2035	\$537,687	\$570,705	94.2%	\$100,724	\$0	\$17,886	\$0
2036	\$656,297	\$672,794	97.5%	\$103,746	\$0	\$17,434	\$269,975
2037	\$507,501	\$502,420	101.0%	\$106,858	\$0	\$17,061	\$0

Table 5: 30-Year Reserve Plan Detail (yrs 0 through 4)**7312M-2**

Fiscal Year	2008	2009	2010	2011	2012
Starting Reserve Balance	\$88,731	\$127,977	\$170,245	\$215,717	\$133,683
Annual Reserve Contribution	\$36,000	\$37,800	\$39,690	\$41,675	\$43,758
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,246	\$4,467	\$5,782	\$5,234	\$4,732
Subtotal	\$127,977	\$170,245	\$215,717	\$262,625	\$182,173
# Component					
1115 Stucco - Repaint	\$0	\$0	\$0	\$104,246	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$0	\$24,696	\$0
1304 Tile Roof - Refurbish (A)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (B)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (C)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (D)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (E)	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$128,942	\$0
Ending Reserve Balance:	\$127,977	\$170,245	\$215,717	\$133,683	\$182,173

Table 5: 30-Year Reserve Plan Detail (yrs 5 through 9) 7312M-2

Fiscal Year	2013	2014	2015	2016	2017
Starting Reserve Balance	\$182,173	\$234,359	\$290,464	\$322,507	\$386,314
Annual Reserve Contribution	\$45,946	\$48,243	\$50,656	\$53,188	\$55,848
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$6,240	\$7,862	\$9,182	\$10,618	\$12,599
Subtotal	\$234,359	\$290,464	\$350,302	\$386,314	\$454,761
# Component					
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$27,795	\$0	\$0
1304 Tile Roof - Refurbish (A)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (B)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (C)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (D)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (E)	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$27,795	\$0	\$0
Ending Reserve Balance:	\$234,359	\$290,464	\$322,507	\$386,314	\$454,761

Table 5: 30-Year Reserve Plan Detail (yrs 10 through 14)**7312M-2**

Fiscal Year	2018	2019	2020	2021	2022
Starting Reserve Balance	\$454,761	\$528,125	\$440,873	\$519,917	\$603,334
Annual Reserve Contribution	\$58,640	\$61,572	\$64,651	\$66,590	\$68,588
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$14,724	\$14,516	\$14,393	\$16,826	\$19,394
Subtotal	\$528,125	\$604,213	\$519,917	\$603,334	\$691,316
# Component					
1115 Stucco - Repaint	\$0	\$132,056	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$31,284	\$0	\$0	\$0
1304 Tile Roof - Refurbish (A)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (B)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (C)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (D)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (E)	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$163,340	\$0	\$0	\$0
Ending Reserve Balance:	\$528,125	\$440,873	\$519,917	\$603,334	\$691,316

Table 5: 30-Year Reserve Plan Detail (yrs 15 through 19)**7312M-2**

Fiscal Year	2023	2024	2025	2026	2027
Starting Reserve Balance	\$691,316	\$562,670	\$653,656	\$552,672	\$647,853
Annual Reserve Contribution	\$70,646	\$72,765	\$74,948	\$77,196	\$79,512
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$18,785	\$18,221	\$18,071	\$17,984	\$17,784
Subtotal	\$780,747	\$653,656	\$746,675	\$647,853	\$745,149
# Component					
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$35,210	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (A)	\$182,866	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (B)	\$0	\$0	\$194,003	\$0	\$0
1304 Tile Roof - Refurbish (C)	\$0	\$0	\$0	\$0	\$205,818
1304 Tile Roof - Refurbish (D)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (E)	\$0	\$0	\$0	\$0	\$0
Subtotal	\$218,076	\$0	\$194,003	\$0	\$205,818
Ending Reserve Balance:	\$562,670	\$653,656	\$552,672	\$647,853	\$539,331

Table 5: 30-Year Reserve Plan Detail (yrs 20 through 24)**7312M-2**

Fiscal Year	2028	2029	2030	2031	2032
Starting Reserve Balance	\$539,331	\$422,517	\$299,333	\$396,644	\$264,388
Annual Reserve Contribution	\$81,898	\$84,355	\$86,885	\$89,492	\$92,177
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$14,409	\$10,813	\$10,426	\$9,902	\$8,745
Subtotal	\$635,638	\$517,685	\$396,644	\$496,038	\$365,310
# Component					
1115 Stucco - Repaint	\$172,303	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$40,818	\$0	\$0	\$0	\$45,941
1304 Tile Roof - Refurbish (A)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (B)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (C)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (D)	\$0	\$218,352	\$0	\$0	\$0
1304 Tile Roof - Refurbish (E)	\$0	\$0	\$0	\$231,650	\$0
Subtotal	\$213,121	\$218,352	\$0	\$231,650	\$45,941
Ending Reserve Balance:	\$422,517	\$299,333	\$396,644	\$264,388	\$319,369

Table 5: 30-Year Reserve Plan Detail (yrs 25 through 29)**7312M-2**

Fiscal Year	2033	2034	2035	2036	2037
Starting Reserve Balance	\$319,369	\$425,468	\$537,687	\$656,297	\$507,501
Annual Reserve Contribution	\$94,942	\$97,790	\$100,724	\$103,746	\$106,858
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$11,158	\$14,428	\$17,886	\$17,434	\$17,061
Subtotal	\$425,468	\$537,687	\$656,297	\$777,476	\$631,420
# Component					
1115 Stucco - Repaint	\$0	\$0	\$0	\$218,268	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$0	\$51,707	\$0
1304 Tile Roof - Refurbish (A)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (B)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (C)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (D)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (E)	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$269,975	\$0
Ending Reserve Balance:	\$425,468	\$537,687	\$656,297	\$507,501	\$631,420

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 derived from the prior Reserve Study, 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

BTU	British Thermal Unit (a standard unit of
DIA	Diameter
GSF/Sq Ft	Gross Square Feet (area)
GSY/Sq Yds	Gross Square Yards (area)
HP	Horsepower
LF	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.