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



### The Gardens at Ventana Lakes Peoria, Arizona

**Revision**

**Report #: 7312M-3**  
**For Period Beginning: June 1, 2010**  
**Ending: December 31, 2010**

**Date Prepared: August 17, 2010**



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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:**           The Gardens at Ventana Lakes           **Assoc. #: 7312M-3**  
**Location:**            Peoria, Arizona  
**# of Units:**           108  
**Report Period:**       June 1, 2010 through December 31, 2010

***Results***

<b>Projected Starting Reserve Balance:</b> .....	<b>\$274,170</b>
<b>Fully Funded Reserve Balance:</b> .....	<b>\$357,842</b>
<b>Average Reserve Deficit (Surplus) Per Unit:</b> .....	<b>\$775</b>
<b>Percent Funded:</b> .....	<b>76.6%</b>
<b>Recommended 2010 Monthly Reserve Contribution:</b> .....	<b>\$2,816</b>
<b>Recommended Special Assessment this Year:</b> .....	<b>\$0</b>
<b>Most Recent Reserve Contribution Rate:</b> .....	<b>\$2,816</b>

***Economic Assumptions:***

**Net Annual “After Tax” Interest Earnings Accruing to Reserves.....1.50%**  
**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 March 17, 2010.
- Because your Reserve Fund is 76.6% Funded, this represents a strong position. In perspective, association’s with a Reserve Fund over 70% Funded typically enjoy fiscal stability with low risk of special assessments and deferred maintenance.
- The association has the Reserve contributions set in place for the remainder of 2010 at \$2,816/Month. We recommend increasing Reserve contributions to \$3,100/Month for 2011, 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”.

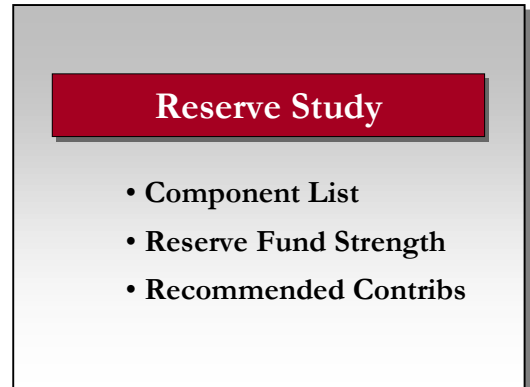
# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
1115 Stucco - Repaint	8	2	\$76,950	\$81,636
1116 Wood Surfaces - Repaint	4	2	\$21,600	\$22,915
1304 Tile Roof - Refurbish (A)	30	13	\$124,500	\$182,832
1304 Tile Roof - Refurbish (B)	30	15	\$124,500	\$193,967
1304 Tile Roof - Refurbish (C)	30	17	\$124,500	\$205,780
1304 Tile Roof - Refurbish (D)	30	19	\$124,500	\$218,312
1304 Tile Roof - Refurbish (E)	30	21	\$124,500	\$231,607
<b>7 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.

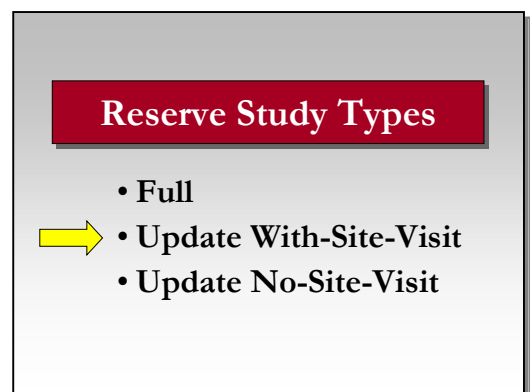
In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance 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...

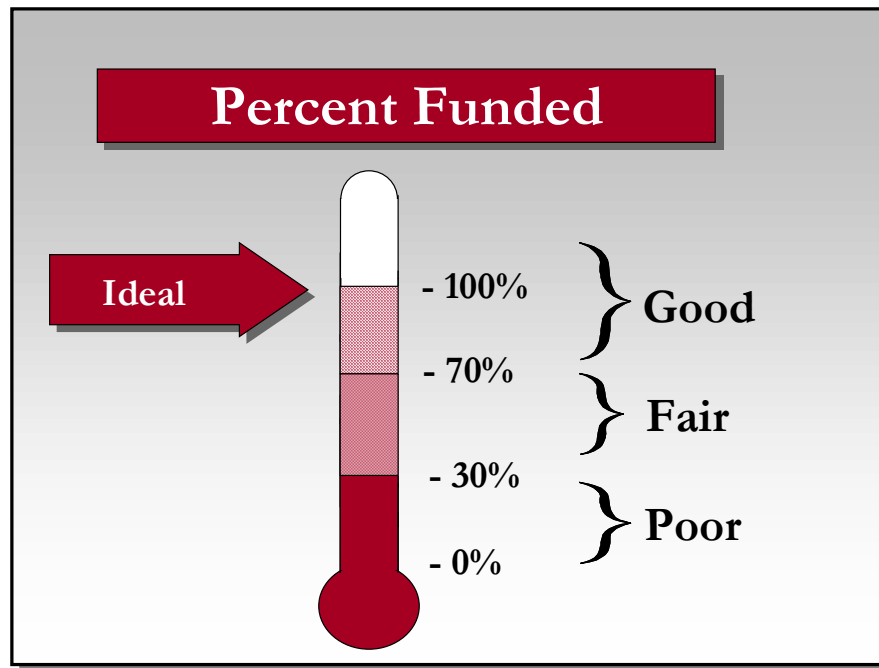
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

### *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 March 17, 2010, we started by meeting with Community Manager Mr. Jack Donovan. We discussed The Gardens and what Reserve projects have been completed since the previous study. We also discussed any issues or concerns. We then completed the site inspection including inspecting the units and common grounds.



## 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. Note the large expense slated for 2012 primarily reflects repainting the building exteriors (stucco and wood).

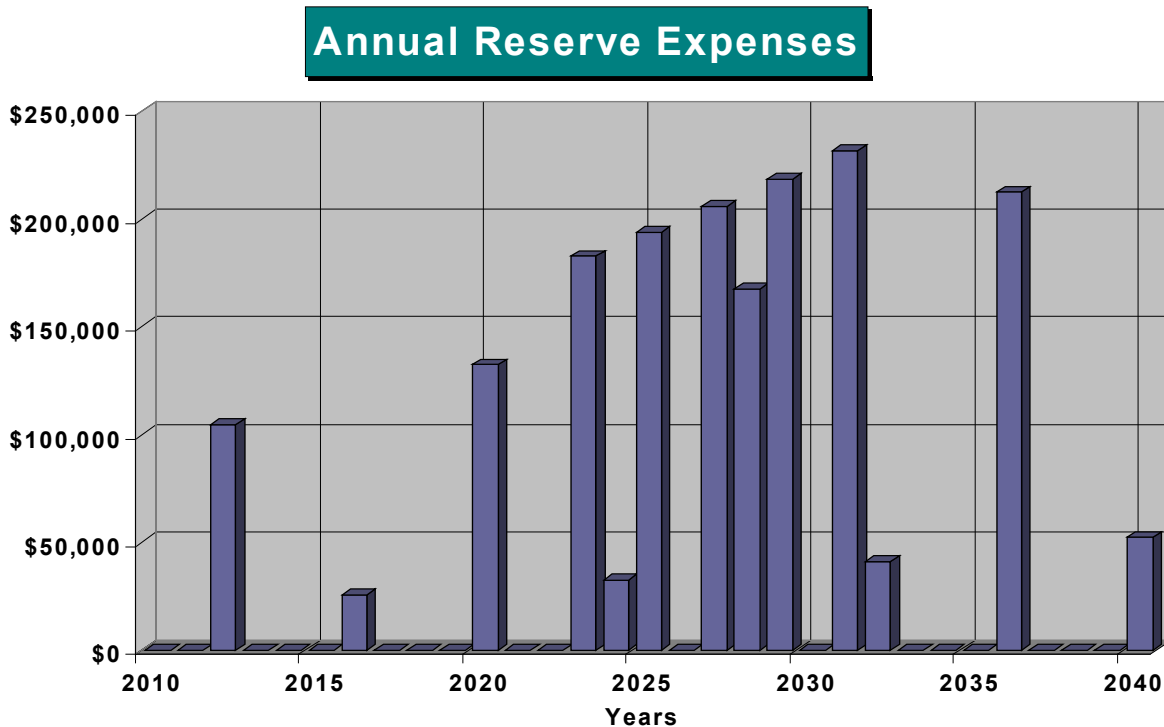


Figure 1

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 \$274,170 as-of June 1, 2010. This is based on your actual balance on March 31, 2010 of \$268,538 and the anticipated Reserve contributions for April and May. As of June 1, 2010, your Fully Funded Balance is computed to be \$357,842 (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 77% Funded. As indicated earlier in the Executive Summary, this represents a strong position

## Recommended Funding Plan

The association has the Reserve contribution set in place at \$2,816/month for the remainder of 2010. We recommend increasing Reserve contributions to \$3,100/month for 2011, 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.

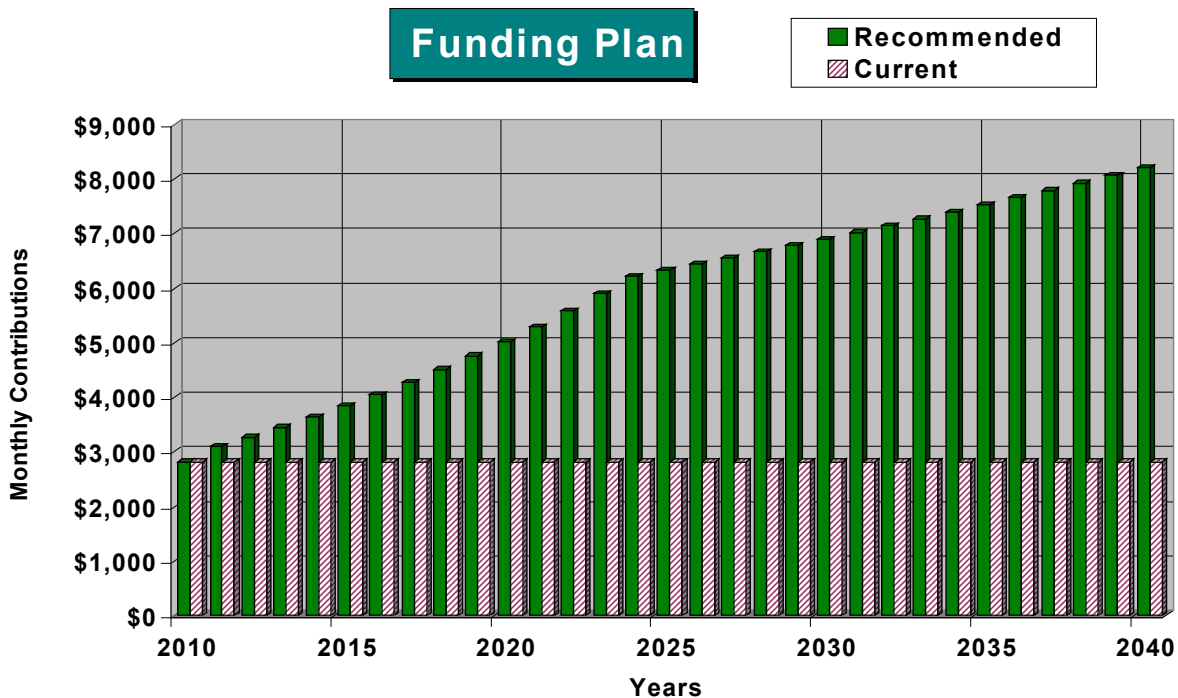


Figure 2

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.

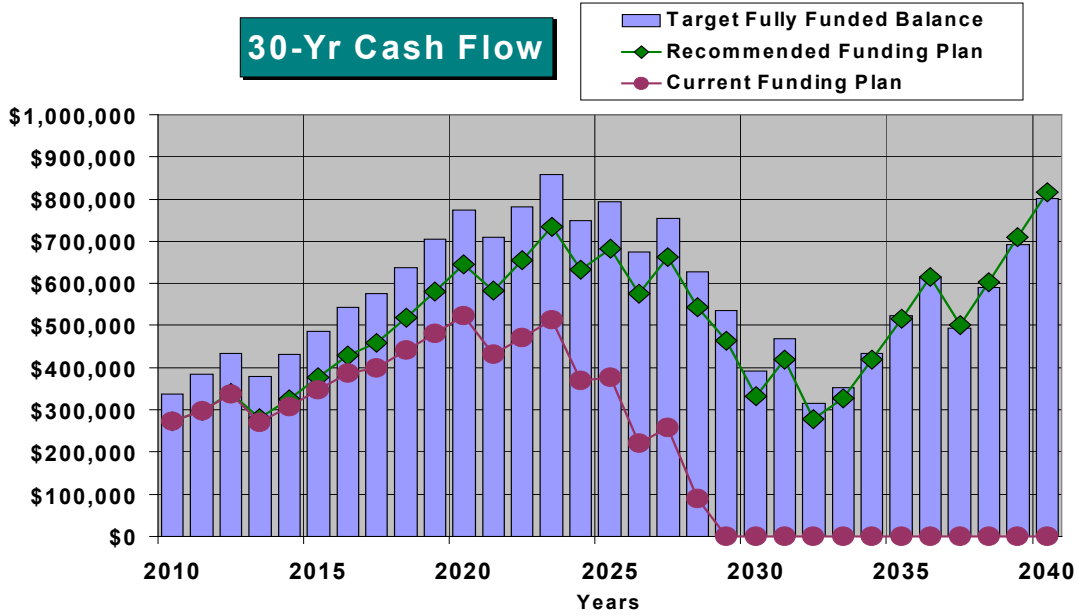


Figure 3

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

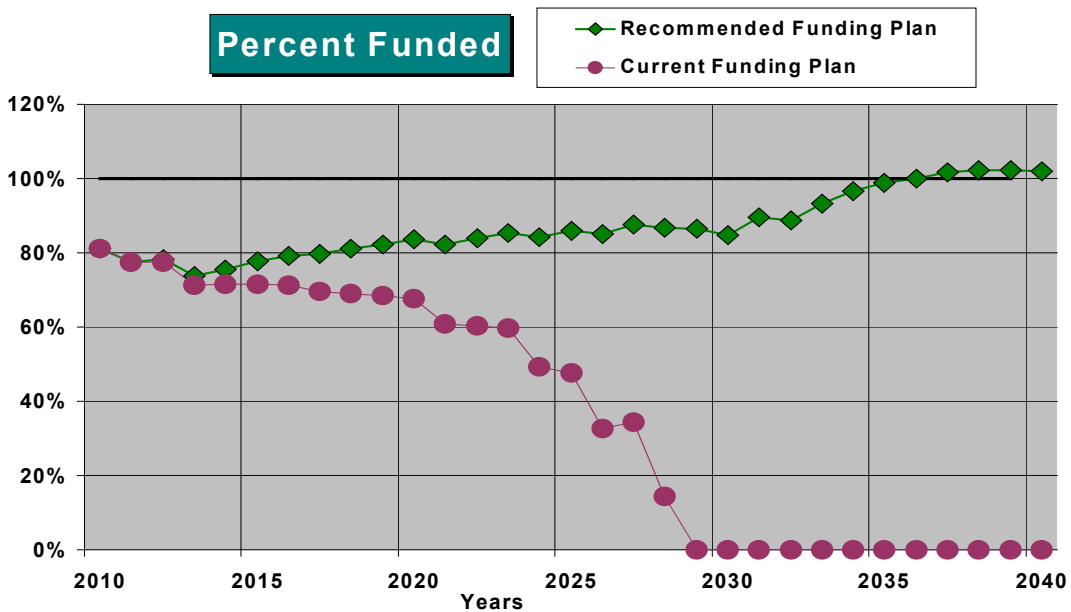


Figure 4

## 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****7312M-3**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
1115 Stucco - Repaint	Approx 123,100 Sq Ft	8	2	\$67,700	\$86,200
1116 Wood Surfaces - Repaint	Approx 20,580 Sq Ft	4	2	\$18,500	\$24,700
1304 Tile Roof - Refurbish (A)	Approx 35,570 Sq Ft	30	13	\$106,700	\$142,300
1304 Tile Roof - Refurbish (B)	Approx 35,570 Sq Ft	30	15	\$106,700	\$142,300
1304 Tile Roof - Refurbish (C)	Approx 35,570 Sq Ft	30	17	\$106,700	\$142,300
1304 Tile Roof - Refurbish (D)	Approx 35,570 Sq Ft	30	19	\$106,700	\$142,300
1304 Tile Roof - Refurbish (E)	Approx 35,570 Sq Ft	30	21	\$106,700	\$142,300
7 Total Funded Components					

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

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
1115 Stucco - Repaint	8	2	\$76,950	\$62,562	\$62,561.95	\$757.26
1116 Wood Surfaces - Repaint	4	2	\$21,600	\$13,253	\$13,252.50	\$425.13
1304 Tile Roof - Refurbish (A)	30	13	\$124,500	\$73,213	\$73,212.92	\$326.72
1304 Tile Roof - Refurbish (B)	30	15	\$124,500	\$64,809	\$64,809.17	\$326.72
1304 Tile Roof - Refurbish (C)	30	17	\$124,500	\$56,405	\$56,405.42	\$326.72
1304 Tile Roof - Refurbish (D)	30	19	\$124,500	\$48,002	\$3,928.05	\$326.72
1304 Tile Roof - Refurbish (E)	30	21	\$124,500	\$39,598	\$0.00	\$326.72
7 Total Funded Components				\$357,842	\$274,170	\$2,816

**Table 4: 30-Year Reserve Plan Summary****7312M-3****Report Start Date: 06/01/10****Interest:****1.5%****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
2010	\$274,170	\$357,842	76.6%	Strong	\$19,712	\$0	\$4,290	\$0
2011	\$298,172	\$385,252	77.4%	Strong	\$37,200	\$0	\$4,784	\$0
2012	\$340,156	\$434,757	78.2%	Strong	\$39,246	\$0	\$4,644	\$104,552
2013	\$279,495	\$379,197	73.7%	Strong	\$41,405	\$0	\$4,534	\$0
2014	\$325,433	\$430,831	75.5%	Strong	\$43,682	\$0	\$5,268	\$0
2015	\$377,484	\$485,221	77.8%	Strong	\$46,084	\$0	\$6,049	\$0
2016	\$429,617	\$542,488	79.2%	Strong	\$48,619	\$0	\$6,661	\$25,792
2017	\$459,106	\$576,188	79.7%	Strong	\$51,293	\$0	\$7,321	\$0
2018	\$517,720	\$638,785	81.0%	Strong	\$54,114	\$0	\$8,228	\$0
2019	\$580,062	\$704,618	82.3%	Strong	\$57,090	\$0	\$9,192	\$0
2020	\$646,345	\$773,827	83.5%	Strong	\$60,230	\$0	\$9,217	\$132,443
2021	\$583,349	\$710,138	82.1%	Strong	\$63,543	\$0	\$9,291	\$0
2022	\$656,183	\$782,440	83.9%	Strong	\$67,038	\$0	\$10,417	\$0
2023	\$733,637	\$858,441	85.5%	Strong	\$70,725	\$0	\$10,234	\$182,832
2024	\$631,764	\$749,980	84.2%	Strong	\$74,615	\$0	\$9,859	\$32,672
2025	\$683,565	\$794,554	86.0%	Strong	\$75,921	\$0	\$9,433	\$193,967
2026	\$574,952	\$676,003	85.1%	Strong	\$77,249	\$0	\$9,267	\$0
2027	\$661,468	\$755,403	87.6%	Strong	\$78,601	\$0	\$9,030	\$205,780
2028	\$543,320	\$627,006	86.7%	Strong	\$79,977	\$0	\$7,543	\$167,775
2029	\$463,064	\$535,729	86.4%	Strong	\$81,376	\$0	\$5,960	\$218,312
2030	\$332,089	\$391,542	84.8%	Strong	\$82,800	\$0	\$5,641	\$0
2031	\$420,530	\$469,829	89.5%	Strong	\$84,249	\$0	\$5,239	\$231,607
2032	\$278,411	\$313,906	88.7%	Strong	\$85,724	\$0	\$4,540	\$41,388
2033	\$327,287	\$351,286	93.2%	Strong	\$87,224	\$0	\$5,602	\$0
2034	\$420,112	\$434,535	96.7%	Strong	\$88,750	\$0	\$7,015	\$0
2035	\$515,878	\$522,463	98.7%	Strong	\$90,303	\$0	\$8,474	\$0
2036	\$614,655	\$615,275	99.9%	Strong	\$91,884	\$0	\$8,372	\$212,532
2037	\$502,379	\$494,278	101.6%	Strong	\$93,492	\$0	\$8,294	\$0
2038	\$604,164	\$590,943	102.2%	Strong	\$95,128	\$0	\$9,843	\$0
2039	\$709,135	\$692,963	102.3%	Strong	\$96,792	\$0	\$11,441	\$0

**Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)****7312M-3**

Fiscal Year	2010	2011	2012	2013	2014
Starting Reserve Balance	\$274,170	\$298,172	\$340,156	\$279,495	\$325,433
Annual Reserve Contribution	\$19,712	\$37,200	\$39,246	\$41,405	\$43,682
Planned Special Assessments	\$0	\$0	\$0	\$0	\$3,100
Interest Earnings	\$4,290	\$4,784	\$4,644	\$4,534	\$5,268
<b>Total Income</b>	<b>\$298,172</b>	<b>\$340,156</b>	<b>\$384,047</b>	<b>\$325,433</b>	<b>\$377,484</b>
<b># Component</b>					
1115 Stucco - Repaint	\$0	\$0	\$81,636	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$22,915	\$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
<b>Total Expenses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$104,552</b>	<b>\$0</b>	<b>\$0</b>
Ending Reserve Balance:	\$298,172	\$340,156	\$279,495	\$325,433	\$377,484

**Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)****7312M-3**

Fiscal Year	2015	2016	2017	2018	2019
Starting Reserve Balance	\$377,484	\$429,617	\$459,106	\$517,720	\$580,062
Annual Reserve Contribution	\$46,084	\$48,619	\$51,293	\$54,114	\$57,090
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$6,049	\$6,661	\$7,321	\$8,228	\$9,192
Total Income	\$429,617	\$484,897	\$517,720	\$580,062	\$646,345
# Component					
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$25,792	\$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
Total Expenses	\$0	\$25,792	\$0	\$0	\$0
Ending Reserve Balance:	\$429,617	\$459,106	\$517,720	\$580,062	\$646,345

**Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)****7312M-3**

Fiscal Year	2020	2021	2022	2023	2024
Starting Reserve Balance	\$646,345	\$583,349	\$656,183	\$733,637	\$631,764
Annual Reserve Contribution	\$60,230	\$63,543	\$67,038	\$70,725	\$74,615
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$9,217	\$9,291	\$10,417	\$10,234	\$9,859
Total Income	\$715,792	\$656,183	\$733,637	\$814,596	\$716,237
# Component					
1115 Stucco - Repaint	\$103,414	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$29,029	\$0	\$0	\$0	\$32,672
1304 Tile Roof - Refurbish (A)	\$0	\$0	\$0	\$182,832	\$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
Total Expenses	\$132,443	\$0	\$0	\$182,832	\$32,672
Ending Reserve Balance:	\$583,349	\$656,183	\$733,637	\$631,764	\$683,565

**Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)****7312M-3**

Fiscal Year	2025	2026	2027	2028	2029
Starting Reserve Balance	\$683,565	\$574,952	\$661,468	\$543,320	\$463,064
Annual Reserve Contribution	\$75,921	\$77,249	\$78,601	\$79,977	\$81,376
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$9,433	\$9,267	\$9,030	\$7,543	\$5,960
Total Income	\$768,919	\$661,468	\$749,099	\$630,839	\$550,400
# Component					
1115 Stucco - Repaint	\$0	\$0	\$0	\$131,002	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$0	\$36,773	\$0
1304 Tile Roof - Refurbish (A)	\$0	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (B)	\$193,967	\$0	\$0	\$0	\$0
1304 Tile Roof - Refurbish (C)	\$0	\$0	\$205,780	\$0	\$0
1304 Tile Roof - Refurbish (D)	\$0	\$0	\$0	\$0	\$218,312
1304 Tile Roof - Refurbish (E)	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$193,967	\$0	\$205,780	\$167,775	\$218,312
Ending Reserve Balance:	\$574,952	\$661,468	\$543,320	\$463,064	\$332,089

**Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)****7312M-3**

Fiscal Year	2030	2031	2032	2033	2034
Starting Reserve Balance	\$332,089	\$420,530	\$278,411	\$327,287	\$420,112
Annual Reserve Contribution	\$82,800	\$84,249	\$85,724	\$87,224	\$88,750
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,641	\$5,239	\$4,540	\$5,602	\$7,015
<b>Total Income</b>	<b>\$420,530</b>	<b>\$510,018</b>	<b>\$368,675</b>	<b>\$420,112</b>	<b>\$515,878</b>
<b># Component</b>					
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$41,388	\$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	\$231,607	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$0</b>	<b>\$231,607</b>	<b>\$41,388</b>	<b>\$0</b>	<b>\$0</b>
Ending Reserve Balance:	\$420,530	\$278,411	\$327,287	\$420,112	\$515,878

**Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)****7312M-3**

Fiscal Year	2035	2036	2037	2038	2039
Starting Reserve Balance	\$515,878	\$614,655	\$502,379	\$604,164	\$709,135
Annual Reserve Contribution	\$90,303	\$91,884	\$93,492	\$95,128	\$96,792
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$8,474	\$8,372	\$8,294	\$9,843	\$11,441
<b>Total Income</b>	<b>\$614,655</b>	<b>\$714,911</b>	<b>\$604,164</b>	<b>\$709,135</b>	<b>\$817,369</b>
<b># Component</b>					
1115 Stucco - Repaint	\$0	\$165,950	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$46,582	\$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
<b>Total Expenses</b>	<b>\$0</b>	<b>\$212,532</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Ending Reserve Balance:	\$614,655	\$502,379	\$604,164	\$709,135	\$817,369

## 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