

RESERVE STUDY UPDATE

HIGHLANDS CONDOMINIUM
1823 W Northridge Court
Spokane, Washington

Number of Units: 46

September 6, 2011



Prepared By

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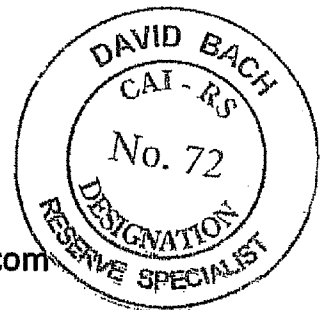


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EXECUTIVE SUMMARY
HIGHLANDS CONDOMINIUM

Based on funding requirements for the future repair and/or replacement of common area components, the Fully Funded or, "Ideal Balance", of the Reserve Fund for the beginning of year 2012 is \$210,331. The actual starting balance is estimated to be \$28,798, which is 14% of the Ideal. Asphalt pavement repairs and seal coat, concrete repairs, tile restoration, and stair and repair are scheduled for 2012, at a cost of approximately \$25,223. With a \$9,200 current annual contribution the association is under funding reserves and the reserve fund may be depleted by year 2014.

RECOMMENDATION:

Increase the level of association funding from the current \$9,200/year to \$48,000/yr starting in 2012. This will result in an average percent funded over the thirty year study of 60%. The recommended increase will provide for a fair and stable contribution, insure that adequate funds are available as needed, and reduce the risk of special assessments.

<u>2011 CONTRIBUTION</u>	
<u>\$16.67</u>	Average Monthly per Unit (based on 46 units)
<u>\$200.00</u>	Average Annual per Unit (based on 46 units)
<u>\$766.67</u>	Association Monthly
<u>\$9,200.00</u>	Association Annual

<u>RECOMMENDED 2012 CONTRIBUTION</u>	
<u>\$86.96</u>	Average Monthly per Unit (based on 46 units)
<u>\$1,043.48</u>	Average Annual per Unit (based on 46 units)
<u>\$4,000.00</u>	Association Monthly
<u>\$48,000.00</u>	Association Annual

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INTRODUCTION

There are three levels of Reserve Funding Analysis and Plans available:

LEVEL 1: FULL RESERVE STUDY FUNDING ANALYSIS & PLAN

A Reserve Study in which the following five Reserve Study tasks are performed:

- Component Inventory
- Condition Assessment (based on visual site observations)
- Life and Valuation Estimates
- Funding Status
- Funding Plan

LEVEL 2: UPDATE WITH VISUAL SITE INSPECTION

A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, no quantification)
- Condition Assessment (based on visual site observations)
- Life and Valuation Estimates
- Funding Status
- Funding Plan

LEVEL 3: UPDATE WITH NO VISUAL SITE INSPECTION

A Reserve Study update with no site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Funding Status
- Funding Plan

This **LEVEL 1: FULL RESERVE STUDY FUNDING ANALYSIS & PLAN** was conducted at the request of the Association's Board of Directors for Highlands Condominium, Spokane, Washington. The Association's Board of Directors has a legal and fiduciary responsibility to maintain the community in a good state of repair and to protect the Association from financial hardship. A long range-plan should be initiated to provide adequate funding for maintenance repairs and/or replacements of common area components. This reserve analysis will help the Association:

- Comply with Article 3 of RCW 64.34.
- Ensure adequate funds are available for future major repair and replacements.
- Maintain the community in a good state of repair.
- Reduce special assessments or borrowing.
- Protect property value and enhance your ability to obtain loans or sell.

- Establish a fair contribution for current and future owners.
- Comply with the American Institute of Certified Public Accountants (AICPA) disclosure requirements for reserves.

GENERAL DESCRIPTION OF PROPERTY

The following description is general in nature. A detailed description of the property is not included as a part of this report. Highlands Condominium is a mid-size common interest development that was built in 1975 and converted to a condominium in 2006. The property is located at 1823 West Northridge Court, Spokane, Washington. Five townhouse style buildings house a total of forty-six residential units. Exterior finishes include wood siding and trim, aluminum clad windows, a combination of torch down and composition asphalt sloped roofs, and aluminum gutters and downspouts.

METHODOLOGY

This Reserve Study was prepared with the assistance of a Reserve Study Professional. In preparation for this Reserve Study, a review was made of:

- 2011 Financial information provided by the property manager
- Additional reserve expenditure information provided by the Property Manager

The actual and projected Reserve Balance totals presented in the study are based upon information provided and was not audited.

No onsite visit or component inspection was performed in preparation of this Level III Reserve Study Update.

Adjusted Useful Life, Remaining Useful Life, and Current Replacement Cost of each component appropriate for reserve funding were established using information entered into a Commercial Cost & Useful Life Database. The data is based upon the actual repair and replacement costs to similar residential and commercial properties. Costs of repairing or replacing components can vary greatly depending on current labor costs, material costs, and the conditions of the component. Wherever possible, actual quotes from local contractors were used as a comparison.

In addition, the following information was compiled. The information was used to assist in developing the parameters for Reserve Study calculations:

- Thirty year analysis to be covered in the study.
- A Reserve Component list, including quantities and estimates for Useful Life of each Reserve Component, Remaining Useful Life of each Reserve Component, and Current Repair and Replacement Cost for each Component.
- The association's Current Reserve Balance.
- Current rate of investment on Reserve Fund.
- The Percentage of the Fully Funded Balance that the Reserve Account is funded.
- Special Assessments already implemented or planned.

- Tax rate applied to interest or dividends earned on the invested reserve funds.
- Interest and Inflation assumptions.
- Current Reserve Account Contribution Rate.
- Recommended Reserve Account Contribution Rate the association can reasonably adopt.
- Projected Reserve Account Balance for thirty years and a funding plan to pay for projected costs from those reserves without reliance on future unplanned Special Assessments.
- Date of Fiscal Year End (FYE).

The year 2012 Starting Reserve Balance was calculated using current balance, current monthly contribution, and any remaining year 2011 expenditures. This information was provided by the Property Manager.

$$\text{Current Balance} + \text{Remaining Monthly Contributions} = \text{Year 2012 Starting Balance}$$

0.60% current rate of investment on reserve fund is based on information provided by the community association manager for the current interest received on invested reserves.

Current and projected inflation rates for construction costs were based on average inflation rates over the past twenty year period.

This information, including data from the component inventory, was then entered into a Reserve Study Funding Plan computer program. The program calculates the necessary monthly and annual reserve contribution, projected annual expenditures for repair and replacement of identified components, percent funded, and reserve account balances for the analysis period.

All applicable spreadsheets, expenditure graph, and funding charts were developed. In addition, Supplementary Information on Future Major Repairs and Replacement, (AICPA) accountant's summary report was prepared.

ASSUMPTION & CONSIDERATIONS

Assumptions were made based on the following information used to develop the parameters for the Reserve Study calculations:

Number of analysis years to be covered in the study:	30
Number of Units:	46
Estimated Year 2012 Starting Reserve Balance:	\$28,798
Current rate of investment on reserve fund:	0.60%
Tax rate applied to interest or dividends earned on the invested funds:	15%
Current and projected inflation rate for construction costs:	3%
Contribution increase the Association can reasonably adopt:	_____

No relationship exists between David Bach & Associates, LLC and the client which could result in a conflict of interest.

Every reasonable effort has been made to insure that the data obtained in this report is based on accurate information. The nature of this study requires assumptions be made about future events which may or may not occur as predicted. The study must be viewed in light of circumstances existing at the actual time of the study. In addition, the cost of repairing or replacing components can vary greatly depending on current labor costs, material costs, and the conditions of the component. This Reserve Study Funding Plan is a **budgeting tool to be used for general planning purposes only**. As the component nears the end of its useful life, estimates from qualified contractors should be obtained.

In conclusion, this study should be regarded as a guideline for developing sound business decisions to insure that adequate funds will be accumulated in anticipation of major repair and/or replacement projects. It is recommended that you review your reserve plan on an annual basis and make adjustments as necessary.

DISCLOSURE PER ARTICLE 3 OF RCW 64.34:

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component.

David Bach & Associates, LLC has earned the Community Association Institute's **Reserve Specialist Designation**, the only national credential for community association reserve study providers. The **RS** designation is awarded to experienced, qualified professionals who help condominium, co-operative, and homeowner associations plan for long-term repair and replacement of major components. The Reserve Specialist Designation Review Board recognizes David Bach's professionalism and dedication to the highest standard of reserve study preparation. **RS** designees must adhere to CAI's Professional Reserve Specialist Code of Ethics. David Bach is also an Honored Member in good standing with the Association of Professional Reserve Analysts.

RESERVE STUDY TERMS

ACCUMULATED RESERVE BALANCE:	The anticipated reserve balance on the first day of the fiscal year for which the report has been prepared.
ALLOCATION (Net Monthly)	The sum of the monthly contribution and interest contribution figures.
ANNUAL CONTRIBUTION INCREASE:	The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the item is replaced.
CASH FLOW FUNDING PLAN SUMMARY:	An alternative funding method (vs. the one proposed from the funding plan computation). In general, it examines and projects the reserving needs (ie., contributions and expenditures) over many years, combining funds from all components, in order to establish a stable annual contribution. The advantage of performing a cash flow analysis is that it allows you to customize your funding plan and it usually generates a lower starting contribution. However, you must monitor your reserve balance as it may drop to a very low level. Your risk of being under funded generally increases when using this type of funding computation.
CONTRIBUTION RATE:	The amount contributed to the reserve account so that the association will have cash reserves to pay major maintenance, repair, or replacement costs without the need of a special assessment.
CURRENT RESERVE FUNDS:	The amount currently held in reserve for repair and replacement of components, with funds being allocated to projects with the shortest remaining useful life first.
EFFECTIVE AGE:	The difference between useful life and remaining useful life.
EXPENDITURES:	Disbursement of reserve funds for repair or replacement of reserve study identified components.

FISCAL YEAR ENDING (FYE):

The Budgetary year for which the report is prepared. For Associations with fiscal years ending December 31st, the monthly contribution figures indicated are for the twelve-month period beginning 1/1/XX and ending 12/31/XX.

FULLY FUNDED BALANCE:

The value of the deteriorated portion of all the reserve components. The fully funded balance for each reserve component is calculated by multiplying the current replacement cost of that reserve component by its effective age, then dividing the result by that reserve component's useful life. The sum total of all reserve components' fully funded balance is the association's fully funded balance.

IDEAL BALANCE:

The basis to any reserve funding plan first starts with computing the ideal balance. The ideal balance is the benchmark against which the standard or cash flow calculations can be compared. The formula for the ideal balance is:

$$\text{Ideal Balance} = (\text{Current Age} / \text{Useful Life}) \times \text{Current Cost}$$

Inflation and interest are also calculated into the basic formula.

INFLATION:

Cost factors are adjusted for inflation at the rate defined in the Funding Plan Summary, compounded annually.

MONTHLY CONTRIBUTION:

The assessment for reserves required by the association each month.

PERCENT FUNDED:

This ratio tells you how your reserve fund compares to the ideal balance. For example, if the ideal balance is \$1,000 and your reserve fund has \$500, you are 50% funded.

REMAINING USEFUL LIFE:

The estimated time, in years, that a reserve component can be expected to continue to serve its intended function.

Worksheet

September 6, 2011

Sorted Alphabetically

THE HIGHLANDS CONDOMINIUM

Item Description	Sub-Group	Number Of Items	Item Type	Item Cost	%	Total Item Cost	Year Built	Useful Life	Life Adj	Year Life	One Replace Left	Time?
Appliances - Washers & Dryers	70	0	1 Allowance	5,941.040	100	5,941	2006	15	0	2021	10	no
Asphalt Pavement Repairs & Seal Coat	10	0	27,945 Square Feet	0.477	100	13,341	2004	6	2	2012	1	no
Balcony/Deck- Repairs/Replace Allowance	75	0	1 Allowance	22,278.900	100	22,279	2006	15	0	2021	10	no
Concrete Repairs/Replace Allowance	100	0	1 Allowance	1,060.900	100	1,061	1996	5	1	2011	0	no
Fencing - Basketweave	40	0	476 Linear Feet	27.583	100	13,130	2006	16	0	2022	11	no
Fencing - Chain-Link	40	0	188 Linear Feet	19.096	100	3,590	2006	35	0	2041	30	no
Fire Control Panels	70	0	1 Allowance	2,758.340	100	2,758	2006	25	0	2031	20	no
HVAC - Electric Baseboard Heater	80	0	7 Each	265.225	100	1,857	1998	16	0	2014	3	no
Irrigation Sprinkler Systems Allowance	100	0	1 Allowance	1,591.350	100	1,591	2006	12	0	2018	7	no
Landscaping & Grounds Overhaul Allowance	100	0	1 Allowance	15,913.500	100	15,914	2006	12	0	2018	7	no
Lighting - Carpet Fixtures	50	0	1 Allowance	2,174.845	100	2,175	2006	20	0	2026	15	no
Lighting - Exterior Building Fixtures	50	0	1 Allowance	10,669.815	100	10,670	1995	22	0	2017	6	no
Lighting - Exterior Site Fixtures	50	0	1 Allowance	6,683.670	100	6,684	2006	25	0	2031	20	no
Lighting - Interior Fixtures	50	0	1 Allowance	742.630	100	743	2000	20	0	2020	9	no
Mailbox Repairs/Replacement Allowance	100	0	1 Allowance	212.180	100	212	2006	5	3	2014	3	no
Paint Buildings Exterior	30	0	1 Total	68,321.960	100	68,322	2006	7	0	2013	2	no
Paint Carpports	30	0	1 Total	5,543.203	100	5,543	2006	7	0	2013	2	no
Paint Interior Common	30	0	1 Total	1,909.620	100	1,910	2006	7	0	2013	2	no
Pedestrian Bridge Restoration/Replacement	100	0	1 Allowance	5,569.725	100	5,570	2011	15	0	2026	15	no
Plumbing - Drinking Fountain	80	0	1 Each	954.810	100	955	2006	18	0	2024	13	no
Plumbing - Water Heater	80	0	1 Each	1,909.620	100	1,910	2006	16	0	2022	11	no
Plumbing Fixtures Allowance	70	0	1 Allowance	1,193.513	100	1,194	2006	10	0	2016	5	no
Pool Deck Concrete Repairs/Replace	60	0	1 Allowance	3,676.019	100	3,676	1973	20	20	2013	2	no
Pool Equipment	60	0	1 Allowance	5,145.365	100	5,145	2010	15	0	2025	14	no
Pool Repairs & Coating	60	0	1 Allowance	3,447.925	100	3,448	2010	14	0	2024	13	no
Property Entry Sign Allowance	100	0	1 Allowance	530.450	100	530	2006	10	0	2016	5	no
Railings - Aluminum & Glass	75	0	1 Allowance	0.000	100	0	2006	40	0	2046	35	no

Worksheet

September 6, 2011

Sorted Alphabetically

THE HIGHLANDS CONDOMINIUM

<u>Item Description</u>	<u>Group</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Item Cost Built</u>	<u>Total Year Useful Life</u>	<u>Life Adj</u>	<u>Year Life Replace Left</u>	<u>One Time?</u>		
Roofing-Buildings-Composition Shingle	20	0	162	Square	344,793	100	55,856	2000	20	0	2020	9	no
Roofing-Buildings-Flat Torch Down	20	0	51	Square	371,315	100	18,937	2000	18	0	2018	7	no
Roofing-Carports-Flat Torch Down	20	0	88	Square	371,315	100	32,676	2000	18	0	2018	7	no
Sauna Heaters	60	0	2	Each	1,432,215	100	2,864	1995	15	5	2015	4	no
Siding & Trim Wood Rot Replacement	75	0	1	Allowance	4,230,210	100	4,230	2006	7	0	2013	2	no
Stairs & Railing Restoration/Replace Allowance	75	0	1	Allowance	9,760,280	100	9,760	1997	15	0	2012	1	no
Tile Restoration/Repairs Allowance	70	0	1	Allowance	1,060,900	100	1,061	2006	5	1	2012	1	no

Total 34 items

Annual Expenditures

Expenditures Graph

Annual Expenditures

September 6, 2011

THE HIGHLANDS CONDOMINIUM

Year	Amount	Item Description
2012	13,341	Asphalt Pavement Repairs & Seal Coat
	1,061	Concrete Repairs/Replace Allowance
	1,061	Tile Restoration/Repairs Allowance
	9,760	Stairs & Railing Restoration/Replace Allowance
	<u>25,223</u>	
2013	70,372	Paint Buildings Exterior
	1,967	Paint Interior Common
	3,786	Pool Deck Concrete Repairs/Replace
	4,357	Siding & Trim Wood Rot Replacement
	5,709	Paint Carports
	<u>86,191</u>	
2014	1,970	HVAC - Electric Baseboard Heater
	225	Mailbox Repairs/Replacement Allowance
	<u>2,195</u>	
2015	3,130	Sauna Heaters
	<u>3,130</u>	
2016	1,343	Plumbing Fixtures Allowance
	597	Property Entry Sign Allowance
	<u>1,940</u>	
2017	1,230	Concrete Repairs/Replace Allowance
	1,230	Tile Restoration/Repairs Allowance
	12,369	Lighting - Exterior Building Fixtures
	<u>14,829</u>	
2018	15,930	Asphalt Pavement Repairs & Seal Coat
	1,900	Irrigation Sprinkler Systems Allowance

Annual Expenditures

September 6, 2011

THE HIGHLANDS CONDOMINIUM

Year	Amount	Item Description
	19,002	Landscaping & Grounds Overhaul Allowance
	22,612	Roofing-Buildings-Flat Torch Down
	39,017	Roofing-Carports-Flat Torch Down
	<u>98,460</u>	
2019	261	Mailbox Repairs/Replacement Allowance
	<u>261</u>	
2020	941	Lighting - Interior Fixtures
	86,548	Paint Buildings Exterior
	2,419	Paint Interior Common
	70,757	Roofing-Buildings-Composition Shingle
	5,359	Siding & Trim Wood Rot Replacement
	7,022	Paint Carports
	<u>173,046</u>	
2021	29,069	Balcony/Deck- Repairs/Replace Allowance
	7,752	Appliances-Washers & Dryers
	<u>36,821</u>	
2022	1,426	Concrete Repairs/Replace Allowance
	17,645	Fencing - Basketweave
	1,426	Tile Restoration/Repairs Allowance
	2,566	Plumbing - Water Heater
	<u>23,063</u>	
2024	19,021	Asphalt Pavement Repairs & Seal Coat
	303	Mailbox Repairs/Replacement Allowance
	1,361	Plumbing - Drinking Fountain
	4,916	Pool Repairs & Coating
	<u>25,601</u>	

Annual Expenditures*September 6, 2011***THE HIGHLANDS CONDOMINIUM**

Year	Amount	Item Description
2025	7,556	Pool Equipment
	<u>7,556</u>	
2026	1,805	Plumbing Fixtures Allowance
	8,425	Pedestrian Bridge Restoration/Replacement
	802	Property Entry Sign Allowance
	3,290	Lighting - Carport Fixtures
	<u>14,322</u>	
2027	1,653	Concrete Repairs/Replace Allowance
	1,653	Tile Restoration/Repairs Allowance
	106,443	Paint Buildings Exterior
	2,975	Paint Interior Common
	6,591	Siding & Trim Wood Rot Replacement
	8,636	Paint Carports
	15,206	Stairs & Railing Restoration/Replace Allowance
	<u>143,157</u>	
2029	351	Mailbox Repairs/Replacement Allowance
	<u>351</u>	
2030	22,712	Asphalt Pavement Repairs & Seal Coat
	3,161	HVAC - Electric Baseboard Heater
	2,709	Irrigation Sprinkler Systems Allowance
	27,092	Landscaping & Grounds Overhaul Allowance
	4,877	Sauna Heaters
	<u>60,550</u>	
2031	4,837	Fire Control Panels
	11,720	Lighting - Exterior Site Fixtures
	<u>16,557</u>	

Annual Expenditures

September 6, 2011

THE HIGHLANDS CONDOMINIUM

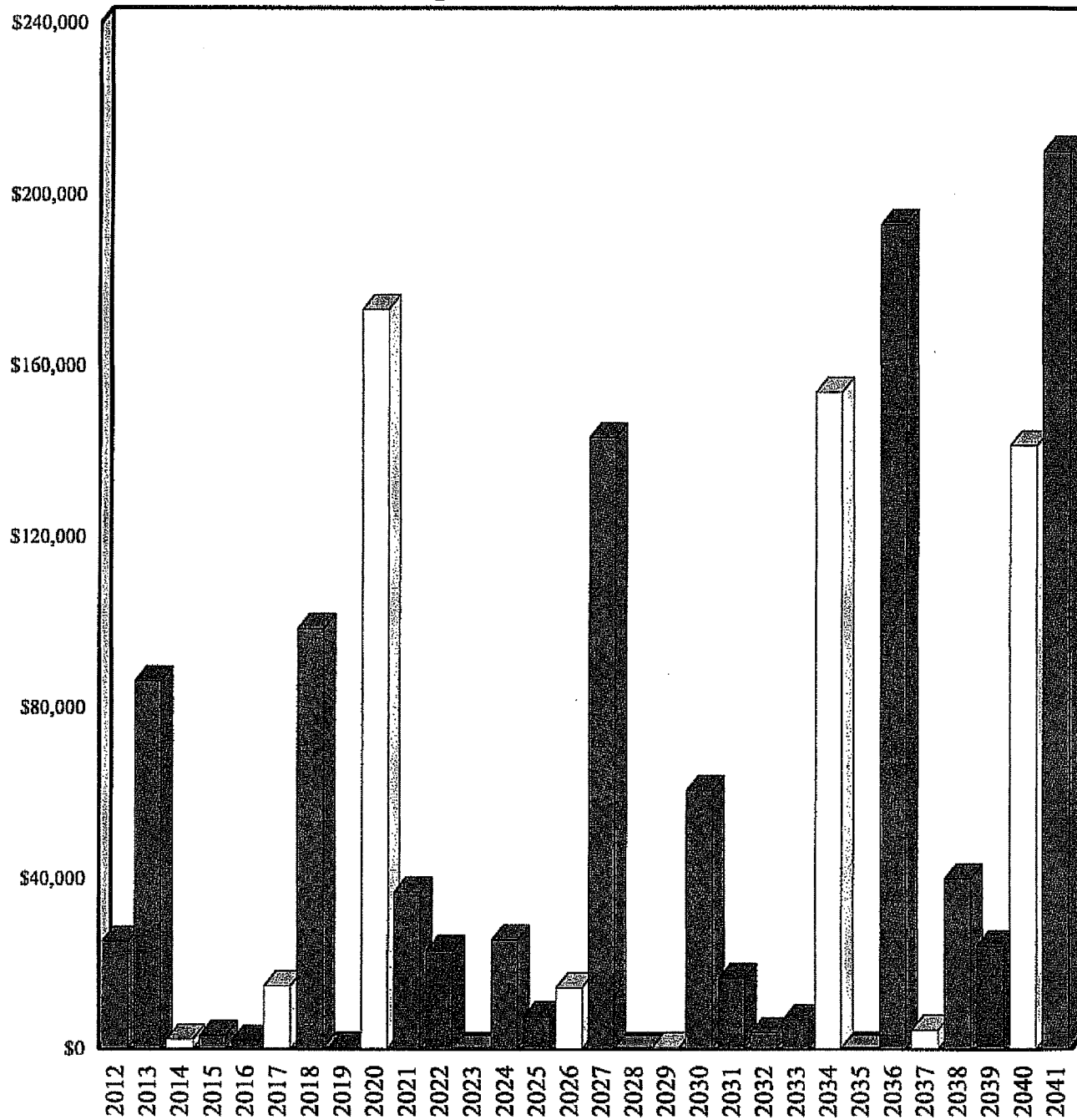
Year	Amount	Item Description
2032	1,916	Concrete Repairs/Replace Allowance
	1,916	Tile Restoration/Repairs Allowance
	<u>3,832</u>	
2033	6,838	Pool Deck Concrete Repairs/Replace
	<u>6,838</u>	
2034	407	Mailbox Repairs/Replacement Allowance
	130,912	Paint Buildings Exterior
	3,659	Paint Interior Common
	8,106	Siding & Trim Wood Rot Replacement
	10,621	Paint Carports
	<u>153,704</u>	
2036	27,119	Asphalt Pavement Repairs & Seal Coat
	2,426	Plumbing Fixtures Allowance
	45,288	Balcony/Deck- Repairs/Replace Allowance
	38,495	Roofing-Buildings-Flat Torch Down
	66,423	Roofing-Carports-Flat Torch Down
	1,078	Property Entry Sign Allowance
	12,077	Appliances-Washers & Dryers
	<u>192,907</u>	
2037	2,221	Concrete Repairs/Replace Allowance
	2,221	Tile Restoration/Repairs Allowance
	<u>4,443</u>	
2038	28,315	Fencing - Basketweave
	4,118	Plumbing - Water Heater
	7,436	Pool Repairs & Coating
	<u>39,869</u>	

Annual Expenditures*September 6, 2011***THE HIGHLANDS CONDOMINIUM**

Year	Amount	Item Description
2039	23,701	Lighting - Exterior Building Fixtures
	471	Mailbox Repairs/Replacement Allowance
	<u>24,172</u>	
2040	1,699	Lighting - Interior Fixtures
	11,772	Pool Equipment
	127,795	Roofing-Buildings-Composition Shingle
	<u>141,267</u>	
2041	13,125	Pedestrian Bridge Restoration/Replacement
	161,005	Paint Buildings Exterior
	4,500	Paint Interior Common
	9,969	Siding & Trim Wood Rot Replacement
	13,063	Paint Carports
	8,460	Fencing - Chain-Link
	<u>210,123</u>	

Total: 1,510,408

Expenditures



■ Expenditures

CURRENT FUNDING PLAN

Funding Plan Summary (Cash Flow)

September 6, 2011

THE HIGHLANDS CONDOMINIUM

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Bal	Contrib Increase Rate	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2012	14%	210,331	210,331	0.00%	28,798	9,200	49	(7)	(25,223)	(25,223)
2013	6%	212,451	218,824	0.00%	12,817	9,200	-413	62	(86,191)	(83,681)
2014	-39%	156,204	165,717	0.00%	-64,526	9,200	-373	56	(2,195)	(2,069)
2015	-29%	181,586	198,424	0.00%	-57,837	9,200	-338	51	(3,130)	(2,864)
2016	-22%	206,220	232,103	0.00%	-52,055	9,200	-296	44	(1,940)	(1,724)
2017	-17%	231,995	268,946	0.00%	-45,047	9,200	-332	50	(14,829)	(12,792)
2018	-17%	246,702	294,575	0.00%	-50,958	9,200	-869	130	(98,460)	(82,459)
2019	-60%	191,742	235,818	0.00%	-140,956	9,200	-820	123	(261)	(212)
2020	-48%	219,028	277,458	0.00%	-132,714	9,200	-1,807	271	(173,046)	(136,604)
2021	-208%	109,922	143,424	0.00%	-298,096	9,200	-1,982	297	(36,821)	(28,220)
2022	-223%	109,201	146,757	0.00%	-327,401	9,200	-2,075	311	(23,063)	(17,161)
2023	-207%	119,538	165,469	0.00%	-343,028	9,200	-2,031	305	0	0
2024	-160%	147,037	209,639	0.00%	-335,554	9,200	-2,139	321	(25,601)	(17,956)
2025	-154%	156,579	229,942	0.00%	-353,773	9,200	-2,140	321	(7,556)	(5,145)
2026	-131%	178,932	270,651	0.00%	-353,948	9,200	-2,182	327	(14,322)	(9,469)
2027	-118%	196,962	306,861	0.00%	-360,925	9,200	-2,997	450	(143,157)	(91,887)
2028	-234%	132,574	212,742	0.00%	-497,430	9,200	-2,957	444	0	0
2029	-185%	160,072	264,575	0.00%	-490,743	9,200	-2,919	438	(351)	(212)
2030	-152%	187,358	318,965	0.00%	-484,375	9,200	-3,242	486	(60,550)	(35,567)
2031	-171%	179,290	314,386	0.00%	-538,481	9,200	-3,303	495	(16,557)	(9,442)
2032	-154%	197,346	356,430	0.00%	-548,644	9,200	-3,287	493	(3,832)	(2,122)
2033	-132%	222,723	414,331	0.00%	-546,071	9,200	-3,290	493	(6,838)	(3,676)
2034	-116%	246,546	472,407	0.00%	-546,506	9,200	-4,174	626	(153,704)	(80,217)
2035	-182%	193,827	382,534	0.00%	-694,558	9,200	-4,140	621	0	0
2036	-153%	221,325	449,909	0.00%	-688,876	9,200	-5,263	789	(192,907)	(94,898)
2037	-272%	153,926	322,287	0.00%	-877,057	9,200	-5,261	789	(4,443)	(2,122)
2038	-227%	179,303	386,683	0.00%	-876,772	9,200	-5,472	821	(39,869)	(18,487)
2039	-218%	188,314	418,300	0.00%	-912,093	9,200	-5,590	838	(24,172)	(10,882)
2040	-199%	204,931	468,866	0.00%	-931,817	9,200	-6,411	962	(141,267)	(61,744)
2041	-266%	170,685	402,229	0.00%	-1,069,333	9,200	-7,649	1,147	(210,123)	(89,165)
Total						276,000	-83,702	12,555	(1,510,408)	(925,999)
Average					-419,265	9,200	-2,790	419	(50,347)	(30,867)
Maximum			472,407		28,798		49	(7)	(210,123)	(136,604)
Minimum			143,424		-1,069,333		-7,649	1,147	0	0

0.60% Investment Rate
 15.00% Tax Rate
 3.00% Inflation Rate

2012 Contributions
 16.67 Monthly Per Unit
 200.00 Annually Per Unit
 766.67 Association Monthly

RECOMMENDED FUNDING PLAN

Funding Plan Summary (Cash Flow)

September 6, 2011

THE HIGHLANDS CONDOMINIUM

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Bal	Contrib Increase Rate	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2012	14%	210,331	210,331	0.00%	28,798	48,000	165	(25)	(25,223)	(25,223)
2013	24%	212,451	218,824	0.00%	51,716	48,000	-63	9	(86,191)	(83,681)
2014	8%	156,204	165,717	0.00%	13,471	48,000	212	(32)	(2,195)	(2,069)
2015	30%	181,586	198,424	0.00%	59,456	48,000	482	(72)	(3,130)	(2,864)
2016	45%	206,220	232,103	0.00%	104,736	48,000	761	(114)	(1,940)	(1,724)
2017	56%	231,995	268,946	0.00%	151,442	48,000	964	(145)	(14,829)	(12,792)
2018	63%	246,702	294,575	0.00%	185,432	48,000	666	(100)	(98,460)	(82,459)
2019	57%	191,742	235,818	0.00%	135,538	48,000	956	(143)	(261)	(212)
2020	66%	219,028	277,458	0.00%	184,089	48,000	210	(32)	(173,046)	(136,604)
2021	41%	109,922	143,424	0.00%	59,222	48,000	278	(42)	(36,821)	(28,220)
2022	48%	109,201	146,757	0.00%	70,638	48,000	429	(64)	(23,063)	(17,161)
2023	58%	119,538	165,469	0.00%	95,940	48,000	720	(108)	0	0
2024	69%	147,037	209,639	0.00%	144,552	48,000	858	(129)	(25,601)	(17,956)
2025	73%	156,579	229,942	0.00%	167,680	48,000	1,105	(166)	(7,556)	(5,145)
2026	77%	178,932	270,651	0.00%	209,063	48,000	1,312	(197)	(14,322)	(9,469)
2027	79%	196,962	306,861	0.00%	243,857	48,000	748	(112)	(143,157)	(91,887)
2028	70%	132,574	212,742	0.00%	149,336	48,000	1,040	(156)	0	0
2029	75%	160,072	264,575	0.00%	198,220	48,000	1,331	(200)	(351)	(212)
2030	77%	187,358	318,965	0.00%	247,001	48,000	1,263	(189)	(60,550)	(35,567)
2031	75%	179,290	314,386	0.00%	235,524	48,000	1,458	(219)	(16,557)	(9,442)
2032	75%	197,346	356,430	0.00%	268,206	48,000	1,730	(260)	(3,832)	(2,122)
2033	76%	222,723	414,331	0.00%	313,845	48,000	1,986	(298)	(6,838)	(3,676)
2034	76%	246,546	472,407	0.00%	356,694	48,000	1,362	(204)	(153,704)	(80,217)
2035	66%	193,827	382,534	0.00%	252,148	48,000	1,657	(249)	0	0
2036	67%	221,325	449,909	0.00%	301,556	48,000	796	(119)	(192,907)	(94,898)
2037	49%	153,926	322,287	0.00%	157,325	48,000	1,061	(159)	(4,443)	(2,122)
2038	52%	179,303	386,683	0.00%	201,785	48,000	1,115	(167)	(39,869)	(18,487)
2039	50%	188,314	418,300	0.00%	210,863	48,000	1,264	(190)	(24,172)	(10,882)
2040	50%	204,931	468,866	0.00%	235,766	48,000	711	(107)	(141,267)	(61,744)
2041	36%	170,685	402,229	0.00%	143,104	48,000	-258	39	(210,123)	(89,165)
Total						1,440,000	26,320	(3,948)	(1,510,408)	(925,999)
Average					172,567	48,000	877	(132)	(50,347)	(30,867)
Maximum			472,407		356,694		1,986	(298)	(210,123)	(136,604)
Minimum			143,424		13,471		-258	39	0	0

0.60% Investment Rate
15.00% Tax Rate
3.00% Inflation Rate

2012 Contributions
86.96 Monthly Per Unit
1,043.48 Annually Per Unit
4,000.00 Association Monthly

Starting Balance Funds Distribution (Cash Flow)

September 6, 2011

Sorted by Group

THE HIGHLANDS CONDOMINIUM

<u>Item Description</u>	<u>Useful Life</u>	<u>Year</u>	<u>Total</u>	<u>Ideal</u>	<u>Actual</u>	<u>2012</u>	
	<u>Life Left</u>	<u>Replace</u>	<u>Item Cost</u>	<u>Balance</u>	<u>Balance</u>	<u>Contribution</u>	
10 - Streets							
Asphalt Pavement Repairs & Seal Coat	6	1	2012	13,341	13,341	13,341	943
SubTotal	1 items			13,341	13,341	13,341	943
20 - Roofs							
Roofing-Buildings-Flat Torch Down	18	7	2018	18,937	12,625	0	1,339
Roofing-Carports-Flat Torch Down	18	7	2018	32,676	21,784	0	2,311
Roofing-Buildings-Composition Shingle	20	9	2020	55,856	33,514	0	2,962
SubTotal	3 items			107,469	67,922	0	6,612
30 - Painting							
Paint Buildings Exterior	7	2	2013	68,322	58,562	0	28,989
Paint Interior Common	7	2	2013	1,910	1,637	0	810
Paint Carports	7	2	2013	5,543	4,751	0	2,352
SubTotal	3 items			75,775	64,950	0	32,151
40 - Fencing							
Fencing - Basketweave	16	11	2022	13,130	4,924	0	557
Fencing - Chain-Link	35	30	2041	3,590	615	0	53
SubTotal	2 items			16,720	5,539	0	610
50 - Lights							
Lighting - Exterior Site Fixtures	25	20	2031	6,684	1,604	0	149
Lighting - Exterior Building Fixtures	22	6	2017	10,670	8,245	0	905
Lighting - Interior Fixtures	20	9	2020	743	446	0	39
Lighting - Carport Fixtures	20	15	2026	2,175	652	0	66
SubTotal	4 items			20,271	10,947	0	1,160
60 - Amenities							
Pool Deck Concrete Repairs/Replace	20	2	2013	3,676	3,584	3,575	43
Pool Equipment	15	14	2025	5,145	686	0	168
Pool Repairs & Coating	14	13	2024	3,448	493	0	122
Sauna Heaters	15	4	2015	2,864	2,435	0	405
SubTotal	4 items			15,134	7,197	3,575	738
70 - Buildings - Interior							

Starting Balance Funds Distribution (Cash Flow)

September 6, 2011

Sorted by Group

THE HIGHLANDS CONDOMINIUM

<u>Item Description</u>	<u>Useful Life</u>	<u>Year</u>	<u>Total</u>	<u>Ideal</u>	<u>Actual</u>	<u>2012</u>	
	<u>Life Left</u>	<u>Replace</u>	<u>Item Cost</u>	<u>Balance</u>	<u>Balance</u>	<u>Contribution</u>	
Plumbing Fixtures Allowance	10	5	2016	1,194	716	0	127
Fire Control Panels	25	20	2031	2,758	662	0	62
Tile Restoration/Repairs Allowance	5	1	2012	1,061	1,061	1,061	90
Appliances-Washers & Dryers	15	10	2021	5,941	2,376	0	280
SubTotal	4 items			10,954	4,815	1,061	558
75 - Buildings - Exterior							
Balcony/Deck- Repairs/Replace Allowance	15	10	2021	22,279	8,912	0	1,050
Railings - Aluminum & Glass	40	35	2046	0	0	0	0
Siding & Trim Wood Rot Replacement	7	2	2013	4,230	3,626	0	1,795
Stairs & Railing Restoration/Replace Allowance	15	1	2012	9,760	9,760	9,760	276
SubTotal	4 items			36,269	22,298	9,760	3,121
80 - Equipment							
HVAC - Electric Baseboard Heater	16	3	2014	1,857	1,625	0	394
Plumbing - Drinking Fountain	18	13	2024	955	318	0	34
Plumbing - Water Heater	16	11	2022	1,910	716	0	81
SubTotal	3 items			4,721	2,659	0	509
100 - Grounds							
Concrete Repairs/Replace Allowance	5	1	2012	1,061	1,061	1,061	90
Pedestrian Bridge Restoration/Replacement	15	15	2026	5,570	371	0	169
Irrigation Sprinkler Systems Allowance	12	7	2018	1,591	796	0	113
Landscaping & Grounds Overhaul Allowance	12	7	2018	15,914	7,957	0	1,125
Mailbox Repairs/Replacement Allowance	5	3	2014	212	159	0	45
Property Entry Sign Allowance	10	5	2016	530	318	0	56
SubTotal	6 items			24,878	10,662	1,061	1,598
Total	34 items			325,532	210,331	28,798	48,000

0.60% Investment Rate

15.00% Tax Rate

3.00% Inflation Rate

Ideally Funded - 14%

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

September 6, 2011

THE HIGHLANDS CONDOMINIUM

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY12 Funding Requirement</u>	<u>Components of Fund Balance End of FY11</u>
10 - Streets				
Asphalt Pavement Repairs & Seal Coat	0	13,341	943	13,341
SubTotal <i>1 items</i>	0 to 0	13,341	943	13,341
20 - Roofs				
Roofing-Buildings-Composition Shingle	8	55,856	2,962	0
Roofing-Buildings-Flat Torch Down	6	18,937	1,339	0
Roofing-Carports-Flat Torch Down	6	32,676	2,311	0
SubTotal <i>3 items</i>	6 to 8	107,469	6,612	0
30 - Painting				
Paint Buildings Exterior	1	68,322	28,989	0
Paint Carports	1	5,543	2,352	0
Paint Interior Common	1	1,910	810	0
SubTotal <i>3 items</i>	1 to 1	75,775	32,151	0
40 - Fencing				
Fencing - Basketweave	10	13,130	557	0
Fencing - Chain-Link	29	3,590	53	0
SubTotal <i>2 items</i>	10 to 29	16,720	610	0
50 - Lights				
Lighting - Carport Fixtures	14	2,175	66	0
Lighting - Exterior Building Fixtures	5	10,670	905	0
Lighting - Exterior Site Fixtures	19	6,684	149	0
Lighting - Interior Fixtures	8	743	39	0
SubTotal <i>4 items</i>	5 to 19	20,271	1,160	0
60 - Amenities				
Pool Deck Concrete Repairs/Replace	1	3,676	43	3,575
Pool Equipment	13	5,145	168	0
Pool Repairs & Coating	12	3,448	122	0
Sauna Heaters	3	2,864	405	0

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

September 6, 2011

THE HIGHLANDS CONDOMINIUM

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY12 Funding Requirement</u>	<u>Components of Fund Balance End of FY11</u>	
SubTotal	4 items	1 to 13	15,134	738	3,575
<u>70 - Buildings - Interior</u>					
Appliances-Washers & Dryers	9	5,941	280	0	0
Fire Control Panels	19	2,758	62	0	0
Plumbing Fixtures Allowance	4	1,194	127	0	0
Tile Restoration/Repairs Allowance	0	1,061	90	1,061	1,061
SubTotal	4 items	0 to 19	10,954	558	1,061
<u>75 - Buildings - Exterior</u>					
Balcony/Deck- Repairs/Replace Allowance	9	22,279	1,050	0	0
Railings - Aluminum & Glass	34	0	0	0	0
Siding & Trim Wood Rot Replacement	1	4,230	1,795	0	0
Stairs & Railing Restoration/Replace Allowance	0	9,760	276	9,760	9,760
SubTotal	4 items	0 to 34	36,269	3,121	9,760
<u>80 - Equipment</u>					
HVAC - Electric Baseboard Heater	2	1,857	394	0	0
Plumbing - Drinking Fountain	12	955	34	0	0
Plumbing - Water Heater	10	1,910	81	0	0
SubTotal	3 items	2 to 12	4,721	509	0
<u>100 - Grounds</u>					
Concrete Repairs/Replace Allowance	0	1,061	90	1,061	1,061
Irrigation Sprinkler Systems Allowance	6	1,591	113	0	0
Landscaping & Grounds Overhaul Allowance	6	15,914	1,125	0	0
Mailbox Repairs/Replacement Allowance	2	212	45	0	0
Pedestrian Bridge Restoration/Replacement	14	5,570	169	0	0
Property Entry Sign Allowance	4	530	56	0	0
SubTotal	6 items	0 to 14	24,878	1,598	1,061
Total	34 items		325,532	48,000	28,798

Ideal vs. Cash Flow Balances

September 6, 2011

Highlands Condominium

The basis to any reserve funding plan first starts with computing the ideal balance. The ideal balance is a benchmark against which the cash flow calculations can be compared. The formula for the ideal balance is:

$$\text{Ideal Balance} = (\text{Current Age} / \text{Useful Life}) \times \text{Current Cost}$$

Inflation and interest are also incorporated into this formula.

The Ideal vs. Cash Flow Balances Graph on the next page shows the cash flow balance in relationship to the "Ideal" balance. The spread between the annual cash flow and the "Idea" is consistent.

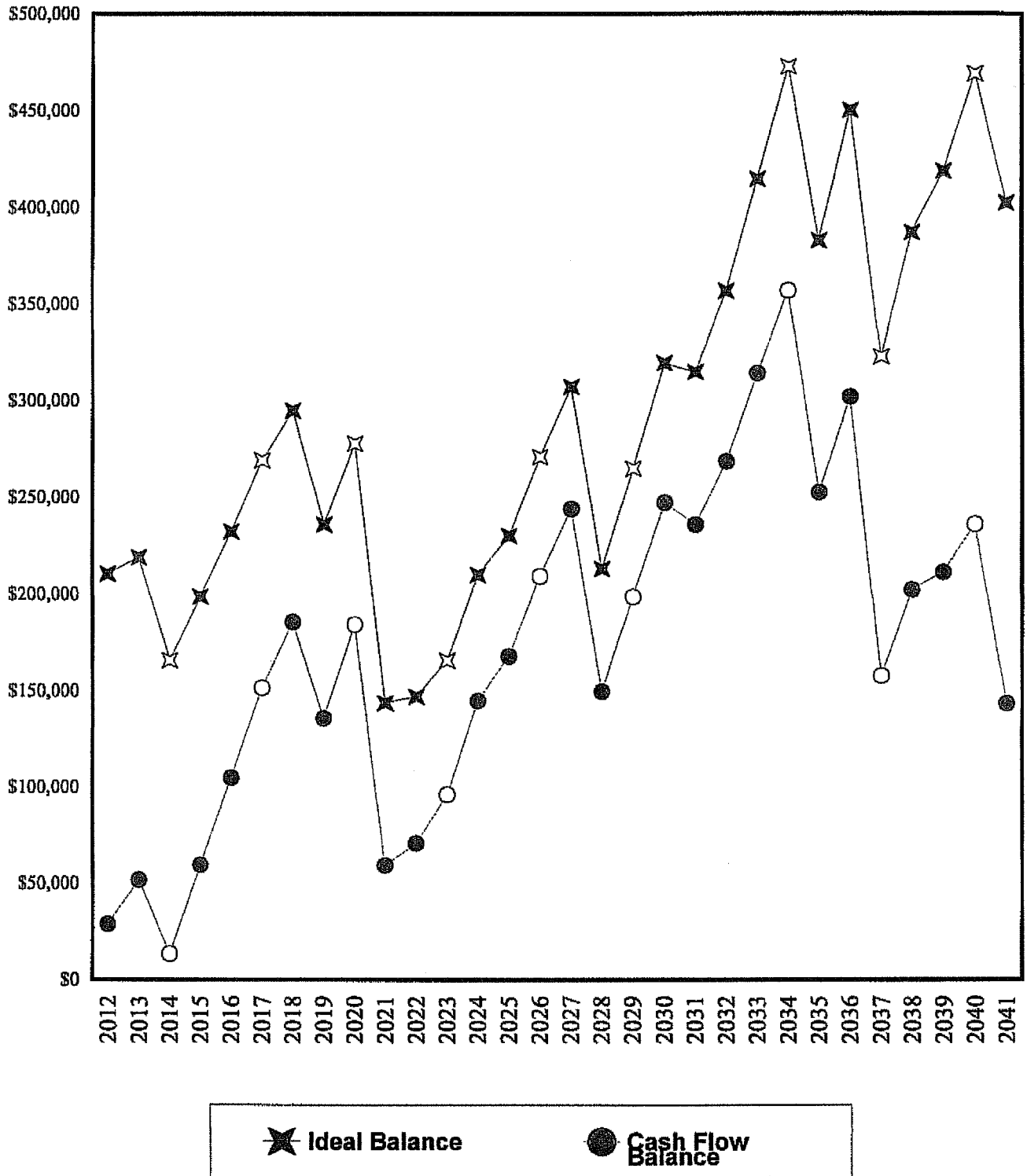
This information is also presented in spread sheet form on the Funding Plan Summary page.

Ideal vs. Cash Flow Balances

September 6, 2011

THE HIGHLANDS CONDOMINIUM

Ideal vs. Cash Flow Balances



Component Inventory Worksheets/Photographs

Worksheet

September 6, 2011

Sorted by Group
THE HIGHLANDS CONDOMINIUM

<u>Item Description</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Item Cost Built</u>	<u>Year</u>	<u>Useful Life</u>	<u>Life Adj</u>	<u>Replace Left</u>	<u>Time?</u>
Sub-Total		3	items								
30 - Painting											
Paint Buildings Exterior	30	0	1 Total	68,321,960	100	68,322	2006	7	0	2013	2 no
Comments: Paint Buildings Exterior											
Useful Life Range 4 - 8 years											
Budget to paint the exterior of the buildings on a seven year cycle.											
Paint Interior Common	30	0	1 Total	1,909,620	100	1,910	2006	7	0	2013	2 no
Comments: Paint Interior Common											
Useful Life Range 4 - 8 years											
Budget to paint the interior of the pool house on a seven year cycle.											
Paint Carpports	30	0	1 Total	5,543,203	100	5,543	2006	7	0	2013	2 no
Comments: Paint Carpports											
Useful Life Range 4 - 8 years											
Budget to paint the carpports on a seven year cycle.											

Sub-Total		3	items								
40 - Fencing											
Fencing - Basketweave	40	0	476 Linear Feet	27,583	100	13,130	2006	16	0	2022	11 no
Comments: Fencing - Basketweave											
Useful Life Range 10 - 18 years											

Worksheet

September 6, 2011

Sorted by Group
THE HIGHLANDS CONDOMINIUM

<u>Item Description</u>	<u>Group</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Item Cost Built</u>	<u>Total Year Useful Life</u>	<u>Life Adj</u>	<u>Year Life</u>	<u>One Replace Left</u>	<u>Time?</u>	
Fencing - Chain-Link	40	0	188	Linear Feet	19,096	100	3,590	2006	35	0	2041	30	no
Budget to replace the lattice style fencing on a sixteen year cycle. ----- Comments: Fencing - Chain-Link *Useful Life Range* 20 - 40+ years Budget to replace the chain-link fencing on a thirty-five year cycle. -----													

Sub-Total 2 items

50 - Lights

Lighting - Exterior Site Fixtures	50	0	1	Allowance	6,683,670	100	6,684	2006	25	0	2031	20	no
Comments: Lighting - Exterior Site Fixtures *Useful Life Range* 15 - 30 years Budget to replace the exterior site lighting fixtures on a twenty-five year cycle. ----- Lighting - Exterior Building Fixtures 50 0 1 Allowance 10,669,815 100 10,670 1995 22 0 2017 6 no Comments: Lighting - Exterior Building Fixtures *Useful Life Range* 15 - 25 years Budget to replace the exterior lighting fixtures on a twenty-two year cycle. ----- Lighting - Interior Fixtures 50 0 1 Allowance 742,630 100 743 2000 20 0 2020 9 no Comments: Lighting - Interior Fixtures *Useful Life Range* 15 - 25 years Budget to replace interior common area fixtures on a twenty year cycle.													

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Mailbox Repairs/Replacement Allowance	100	0	1	Allowance	212,180	100	212	2006	3	3	2014	3	no
Comments: Mailbox Repairs/Replacement Allowance Allowance for repairs and replacement parts such as tumbler locks as necessary, scheduled on a five year cycle. ----- Property Entry Sign Allowance 100 0 1 Allowance 530,450 100 530 2006 10 0 2016 5 no Comments: Property Entry Sign Allowance Allowance for repairs/refurbishing the property sign. -----													

Sub-Total 6 items

Total 34 items

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