

# RESERVE DATA ANALYSIS, INC.

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To: Board of Directors, Stonebridge Gardens

From: Reserve Data Analysis, Inc.

Date: February 10, 2009

RE: Reserve Study Funding Plan

This letter is being written as a brief explanation of the funding strategy/plan that is outlined in your reserve study.

The Association's reserves will be 26% funded as of January 1, 2010 (see the "Distribution of Accumulated Reserves" section starting on page 2-2). This situation will more than likely require either a special assessment or a loan to fund the major impending projects identified in the report. The funding plan provided on the "RDA Standard Projections" page will be difficult, if not impossible, to achieve because it suggests an unfeasible monthly contribution to reserves in 2010 (\$10,321.09), as compared to the 2009 monthly contribution to reserves of \$1,463.00

Given this fact, and the fact that the reserve study can only account for regular monthly contributions as a source of funding, the funding strategy is immediately flawed. Therefore, this report will need to be revised (or updated) once the client has determined how they intend to fund the impending projects. Please see either the "Detail Report by Category" or "Annual Expenditure Detail" sections of the report for a listing of, and/or details regarding these projects.

Reserve Data Analysis will continue to work with the client to develop an appropriate funding strategy once the immediate funding issues have been addressed.

Please call us with any questions.

Reserve Data Analysis, Inc.

# RDA REPORT

Stonebridge Gardens  
Mesa, Arizona  
Account 1324 - Version 002  
February 10, 2009

## RESERVE DATA ANALYSIS, INC.

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*Prepared By*

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## Please Note

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This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Associations Institute, various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and preparation of reserve analysis studies.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. In some cases, estimates may have been used on assets which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

**We recommend that your reserve analysis study be updated every two to three years due to fluctuating interest rates, inflationary changes and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and subsequent computations made in preparing this reserve analysis study are retained in our computer files. Therefore, updates can typically be completed in a more timely manner than the original study.**

Reserve Data Analysis, Inc. would like to thank you for using our services, and we invite you to call us at any time should you have any questions or comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide you with a revised study.

**RESERVE DATA ANALYSIS, INC.**

**(480) 473-7643**

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## PART I - INTRODUCTION

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Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

### ■ 1. Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. Although not commonplace, there have been special assessments in the amount of \$10,000 per member assessed in associations in Virginia and southern California. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure if necessary. However, an association operating on a special assessment basis cannot guarantee that an assessment, when needed, will be passed. Consequently, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated to maintain when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, can be devastating to an association's overall budget.

The second option is for the association to acquire a loan from a lending institution in order to effect the required repairs. In many cases, banks will lend money to an association using "future homeowner assessments" as collateral for the loan. With this method, not only is the current board of directors pledging the future assets of an association, they are also required to pay interest fees on the loan payback in addition to the original principal. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest; whereas, if the association was setting aside reserves for this purpose, using the

vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof in order to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The third option, too often used, is simply to defer the required repair or replacement. This option can create an environment of declining property values due to the increasing deferred maintenance and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the Association by making it difficult or even impossible for potential buyers to obtain financing from lenders. Increasingly, many lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association, a prospective purchaser, or for an individual within such association.

The fourth, and only logical means that the board of directors has to ensure its ability to maintain the assets for which it is obligated, uniformly distributing the costs of the replacements over the entire membership, is by assessing an adequate level of reserves as part of the regular membership assessment. The community is not only comprised of present members, but also future members. Any decision by the board of directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

## ■ 2. The Reserve Study

There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate in the future known as the "funding plan."

Reserve studies fit into one of three categories: 1) Full Study; 2) Update - with site inspection; and 3) Update - without site inspection.

- In a Full reserve study, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan."

- In an Update – with site inspection, the reserve provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both the “fund status” and “funding plan.”
- In an Update – without site inspection, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

### ■ 3. Developing a Component List

The budget process begins with an accurate inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense:

**OPERATIONAL EXPENSES** occur at least annually, no matter how large the expense, and can be effectively budgeted for each year. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next. Examples of Operational Expenses include:

**Utilities:**

- Electricity
- Gas
- Water
- Telephone
- Cable TV

**Services:**

- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

**Administrative:**

- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees

**Repair Expenses:**

- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

**RESERVE EXPENSES** are major expenses that occur other than annually and which must be budgeted for in advance in order to provide the necessary funds in time

for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets which have an indeterminable but potential liability which may be demonstrated as a likely occurrence. They are expenses that when incurred would have a significant affect on the smooth operation of the budgetary process from one year to the next if they were not reserved for in advance. Examples of Reserve Expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Street Seal/Slurry Coatings
- Asphalt Overlays
- Pool Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Park & Play Equipment
- Equipment Replacement
- Interior Furnishings
- Lighting Replacement

**BUDGETING IS NORMALLY EXCLUDED FOR** repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also excluded.

#### ■ 4. Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufacture quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study the association should avoid any major shortfalls. However, to remain accurate, the report should be updated every two to three years to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.



## ■ 5. Funding Methods

From the simplest to most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash-flow method and the component method.

The cash flow method develops a reserve-funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based on the individual lives of the components under consideration.

The component method develops a reserve-funding plan where the total contribution is based on the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserves over time. This method also allows for computations on individual components in the analysis. The RDA Summary and RDA Projection Reports are based upon the component methodology.

## ■ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are two basic strategies widely used by associations. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The two funding plans and descriptions of both are detailed below.

- **Full Funding** — Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect that three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is

important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

When an association's total accumulated reserves for all components meet this criteria, its reserves are "fully-funded."

- **Threshold Funding (RDA Modified Cash Flow Reports)** — There are two goals of this funding method. The first goal is to make sure that all scheduled reserve expenditures are covered by keeping the reserve cash balance above zero during the projected period. The second goal is to reach and maintain a 100% fully funded reserve balance during the projected period. Depending on the association's current percent funded, it may take the entire projected period (typically 30 years) before the 100% fully funded level is achieved.

Reaching and maintaining a 100% fully funded reserve balance by uniformly distributing the costs of the replacements over time benefits both current and future members of an association, and is the best approach the board of directors can take to fulfill its fiduciary responsibility. The modified cash flow method creates a funding strategy that gives the membership the lowest reserve funding recommendation as possible over time, while approaching the 100% fully funded level.

Another advantage of the modified cash flow method is that in most cases several strategies can be manually tested by Reserve Data Analysis, Inc. (the strategy is not based strictly on each components current funding status) until the best funding strategy is created – one that has consistent, incremental contribution increases from year to year. This very important aspect of the reserve study will aid the board of directors during the annual budgeting process.

## ■ 7. Distribution of Accumulated Reserves

The first step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

The RDA RESERVE MANAGEMENT SOFTWARE™ program performs the above calculations to the very month the component was placed-in-service. It also allows for the accumulation of the necessary reserves for the replacement to be available on the first day of the fiscal year it is scheduled to be replaced.

After identifying the ideal level of reserves for each asset, the beginning reserve balance must be allocated to each of the individual components identified in the analysis.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available are depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (schedule for replacement this fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life item to 1 year and that asset assumes its new grouping position alphabetically in the final printed report.

If at the completion of this task there are additional moneys which have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such initially, but are then considered to be available reserves in the report funding computations.

Assigning the reserves in this manner defers the make-up period for any underfunding over the longest remaining life of all the assets under consideration, thereby minimizing the impact of deficiency. For example, if the report indicates an underfunding of \$50,000, this underfunding will be assigned to components with the longest remaining life possible in order to give more time to "replenish" the account. If the \$50,000 underfunding were to be assigned to short remaining life items, the impact would be immediately felt.

If the reserves are underfunded, the monthly contribution requirements as outlined in this report may be higher than normal depending on the calculation method that is used. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes which may be under consideration.

## ■ 8. Funding Reserves

Two contribution numbers are provided in the report, the "Monthly Membership Contribution" and the "Net Monthly Allocation." The association should contribute to reserves each month the "Monthly Membership Contribution" figure, when the interest earned on the reserves is left in the reserve accounts as part of the contribution. When interest is earned on the reserves, that interest must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Net Monthly Allocation" to reserves (this is the member contribution plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

## ■ 9. Users' Guide to Your Reserve Analysis Study

Part II of your RDA REPORT contains the reserve analysis study for your association. There are seven types of pages in the study as described below.

### REPORT SUMMARY

The **Report Summary** lists all of the parameters which were used in calculating the report as well as the summary of your reserve analysis study.

### INDEX REPORTS

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves which should have accumulated for the association as well as the actual reserves available.

### DETAIL REPORTS

The **Detail Report** itemizes each asset and lists all measurements, current and future costs and calculations for that asset. Provisions for percentage replacements, salvage values and one-time replacements can also be utilized.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufacture quality, usage, exposure to elements and maintenance history.

The **Detail Report Index** is an alphabetical listing of all assets together with the page number of the asset's detail report and asset number.

### PROJECTIONS AND CHARTS

**Thirty-year Projections** of projected data add to the usefulness of your reserve analysis study.

## ■ 10. Definitions

**REPORT I.D.** - Includes the REPORT DATE (ex. November 15, 1992), VERSION (ex. 001), and ACCOUNT NUMBER (ex. 9773). Please use this information when referencing your report. (Displayed on the summary page.)

**BUDGET YEAR BEGINNING/ENDING** - The budgetary year for which the report is prepared. For associations with fiscal years ending December 31, the monthly contribution figures indicated are for the 12 month period beginning 1/1/2X and ending 12/31/2X.

**NUMBER OF UNITS/PHASES** - If applicable, the number of units and/or phases included in this version of the report.

**INFLATION** - This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement and the total is used in calculating the monthly reserve contribution which will be necessary in order to accumulate the required funds in time for replacement.

**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 asset is replaced. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000 per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aid those associations that have not set aside appropriate reserves in the past by making the initial year's allocation less formidable.

**INVESTMENT YIELD** - The average interest rate anticipated by the association based upon its current investment practices.

**TAXES ON YIELD** - The estimated percentage of interest income which will be set aside for taxes.

**ACCUMULATED RESERVE BALANCE** - The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. Based upon information provided and not audited.

**PERCENT FULLY FUNDED** - The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

**PHASE INCREMENT DETAIL/AGE** - Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

**MONTHLY CONTRIBUTION** - The contribution to reserves required by the association each month.

**INTEREST CONTRIBUTION** - The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

**NET MONTHLY ALLOCATION** - The sum of the monthly contribution and interest contribution figures.

**GROUP OR FACILITY NUMBER/CATEGORY NUMBER** - The report may be prepared and sorted either by group or facility (location, building, phase, etc.) or by category (roofing, painting, etc.). Standard report printing format is by category.

**PERCENTAGE OF REPLACEMENT** - In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

**PLACED-IN-SERVICE** - The month and year that the asset was placed-in-service. - This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

**ESTIMATED USEFUL LIFE** - The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

**ADJUSTMENT TO USEFUL LIFE** - Once the useful life is determined it may be adjusted +/- by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

**ESTIMATED REMAINING LIFE** - This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

**REPLACEMENT YEAR** - The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

**FIXED ACCUMULATED RESERVES** - An optional figure which, if used, will override the normal process of allocating reserves to each asset.

**FIXED MONTHLY CONTRIBUTION** - An optional figure which, if used, will override all calculations and set the contribution at this amount.

**SALVAGE VALUE** - The salvage value of the asset at the time of replacement, if applicable.

**ONE-TIME REPLACEMENT** - Notation if the asset is to be replaced on a one-time basis.

**CURRENT REPLACEMENT COST** - The estimated replacement cost effective as of the beginning of the fiscal year for which the report is being prepared.

**FUTURE REPLACEMENT COST** - The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

**COMPONENT INVENTORY** - The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents and discussion with appropriate association representative(s).



## ■ 11. A Multi-Purpose Tool

Your RDA REPORT is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your RDA reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- A reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your RDA REPORT is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your RDA REPORT is a tool which can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components which the association is obligated to maintain.
- Since the RDA reserve analysis study includes precise measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

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**Stonebridge Gardens**  
Mesa, Arizona  
RDA Reserve Analysis Report Summary

Report Date	February 10, 2009	Parameters:	
Version	002	Inflation	3.00%
Account Number	1324	Annual Contribution Increase	3.00%
Budget Year Beginning	1/ 1/10	Investment Yield	3.20%
Ending	12/31/10	Taxes on Yield	0.00%
Total Units Included	186	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/10:	\$81,757.00

Project Profile & Introduction

Unless otherwise indicated in this report, we have used 1985 as the basis for aging the original components examined in this analysis.

Refer to Asset ID #1001 (Reserve Balance Calculation) for an explanation of how the projected 1/1/2010 reserve balance was arrived at.

Calculation Method: Component  
Funding Strategy: Full  
RDA Reports: August 1999. Updated w/field inspection February 2009.

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$10,321.09
( \$55.49 per unit per month)	
Average Net Monthly Interest Contribution This Year:	341.74
Net Monthly Allocation to Reserves 1/ 1/10 to 12/31/10:	\$10,662.83
( \$57.33 per unit per month)	

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**Stonebridge Gardens**  
Distribution of Accumulated Reserves

REPORT DATE: February 10, 2009  
 VERSION: 002  
 ACCOUNT NUMBER: 1324

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
BB Court - Surface, Unfunded	0	0.00	0.00
Concrete Components - Unfunded	0	0.00	0.00
Irrigation System - Unfunded	0	0.00	0.00
Paint - Common Area Walls	0	7,665.00	7,665.00
Paint - Ramadas & Pool Cabana	0	3,500.00	3,500.00
Picnic Table (Pool Area)	0	750.00	750.00
Reserve Balance Calculation	0	0.00	0.00
Swing Set - Unfunded	0	0.00	0.00
Fencing/Gates - Wrought Iron (Pool)	1	8,542.33	8,542.33
Pool - Deck Recoat	1	5,756.12	5,756.12
Pool - Resurface & Retile	1	13,127.60	13,127.60
Granite Replenishment	2	8,632.00	8,632.00
Irrigation Controller (Perimeter)	2	166.67	166.67
Pool - Furniture	2	4,000.00	4,000.00
Streets - Asphalt Rehabilitation	2	212,086.79	27,236.01
Streets - Repair & Seal Coat	4	0.00	0.00
Paint - Wrought Iron (Pool)	5	0.00	0.00
Picnic Table (NE Retention Area)	5	500.00	0.00
Pool Bldg - Remodel Restrooms	5	12,457.63	0.00
Roofs - Tile, Underlayment	5	6,176.91	0.00
Walls - Block & Stucco, Repairs	5	6,206.71	0.00
Pool - Deck Resurface	8	8,200.90	0.00
Basketball Backboards	10	400.00	0.00
Irrigation Controller (Pool Bldg)	10	54.17	0.00
Playstructure	10	6,250.00	0.00
Pool - Filter	14	227.78	0.00
Monument Sign	15	187.50	0.00
Roofs - Asphalt Shingle	22	460.00	0.00

**Stonebridge Gardens**  
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Total Asset Summary:		305,348.11	79,375.73
Contingency @ 3.00%:		9,160.44	2,381.27
Grand Total:		314,508.55	81,757.00
Excess Reserves Not Used:			0.00
Percent Fully Funded:	26%		

**Stonebridge Gardens**  
RDA Standard Projections

REPORT DATE: February 10, 2009  
VERSION: 002  
ACCOUNT NUMBER: 1324

Beginning Accumulated Reserves: \$81,757

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'10	361,635	123,853	4,101	11,915	197,796	332,101	60%
'11	372,484	114,782	7,133	30,446	289,265	330,364	88%
'12	383,658	29,173	1,371	260,334	59,474	85,124	70%
'13	395,168	23,072	2,272	0	84,819	109,346	78%
'14	407,023	22,494	2,668	12,910	97,071	121,249	80%
'15	419,234	23,156	2,299	36,837	85,689	108,841	79%
'16	431,811	23,778	3,135	0	112,601	135,833	83%
'17	444,765	24,467	4,018	0	141,087	164,347	86%
'18	458,108	25,570	3,437	46,915	123,179	145,018	85%
'19	471,851	26,236	4,341	1,455	152,300	174,103	87%
'20	486,007	27,012	4,751	18,311	165,752	186,967	89%
'21	500,587	27,752	5,793	0	199,297	220,454	90%
'22	515,605	28,590	5,632	38,866	194,653	214,549	91%
'23	531,073	29,324	6,702	1,637	229,042	248,825	92%
'24	547,005	30,146	7,824	1,853	265,159	284,787	93%
'25	563,415	31,002	8,675	12,152	292,684	311,816	94%
'26	580,318	31,888	8,797	36,323	297,046	314,955	94%
'27	597,727	32,745	10,071	1,843	338,019	355,737	95%
'28	615,659	33,703	11,475	0	383,198	400,696	96%
'29	634,129	34,692	12,957	0	430,847	448,032	96%
'30	653,153	35,735	13,803	22,071	458,314	474,433	97%
'31	672,747	36,735	15,359	2,074	508,334	523,932	97%
'32	692,930	37,882	15,062	61,775	499,503	512,703	97%
'33	713,718	38,810	16,795	0	555,108	567,832	98%
'34	735,129	39,980	17,124	46,012	566,199	576,992	98%
'35	757,183	40,978	18,917	2,335	623,759	633,994	98%
'36	779,899	42,192	19,237	50,591	634,596	642,775	99%
'37	803,296	43,081	21,245	0	698,923	706,795	99%
'38	827,394	44,171	22,498	26,243	739,349	746,237	99%
'39	852,216	45,879	6,566	558,070	233,724	224,028	104%

NOTE: In some cases, the projected ending reserves may exceed the fully funded reserves during years following high expenditures. This is a result of the provision for a contingency in the report, which in the projections, is never expended. The contingency is continually adjusted according to present needs and any excess is redistributed among all assets considered.

**Stonebridge Gardens**  
Annual Expenditure Detail

REPORT DATE: February 10, 2009  
VERSION: 002  
ACCOUNT NUMBER: 1324

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DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2010	
Paint - Common Area Walls	7,665.00
Paint - Ramadas & Pool Cabana	3,500.00
Picnic Table (Pool Area)	750.00
*** ANNUAL TOTAL:	<hr/> 11,915.00
REPLACEMENT YEAR 2011	
Fencing/Gates - Wrought Iron (Pool)	9,157.73
Pool - Deck Recoat	6,489.00
Pool - Resurface & Retile	14,799.04
*** ANNUAL TOTAL:	<hr/> 30,445.77
REPLACEMENT YEAR 2012	
Granite Replenishment	11,447.11
Irrigation Controller (Perimeter)	212.18
Pool - Furniture	5,304.50
Streets - Asphalt Rehabilitation	243,370.46
*** ANNUAL TOTAL:	<hr/> 260,334.25
REPLACEMENT YEAR 2013	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2014	
Streets - Repair & Seal Coat	12,909.59
*** ANNUAL TOTAL:	<hr/> 12,909.59
REPLACEMENT YEAR 2015	
Paint - Wrought Iron (Pool)	1,292.59
Picnic Table (NE Retention Area)	869.46
Pool Bldg - Remodel Restrooms	17,389.12
Roofs - Tile, Underlayment	8,622.10
Walls - Block & Stucco, Repairs	8,663.70
*** ANNUAL TOTAL:	<hr/> 36,836.97

**Stonebridge Gardens**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2016	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2017	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2018	
Paint - Common Area Walls	9,709.78
Paint - Ramadas & Pool Cabana	4,433.70
Pool - Deck Resurface	18,241.50
Streets - Repair & Seal Coat	14,529.86
*** ANNUAL TOTAL:	46,914.84
REPLACEMENT YEAR 2019	
Paint - Wrought Iron (Pool)	1,454.82
*** ANNUAL TOTAL:	1,454.82
REPLACEMENT YEAR 2020	
Basketball Backboards	1,075.13
Irrigation Controller (Pool Bldg)	436.75
Playstructure	16,798.96
*** ANNUAL TOTAL:	18,310.84
REPLACEMENT YEAR 2021	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2022	
Granite Replenishment	15,383.97
Pool - Furniture	7,128.83
Streets - Repair & Seal Coat	16,353.49
*** ANNUAL TOTAL:	38,866.29
REPLACEMENT YEAR 2023	
Paint - Wrought Iron (Pool)	1,637.40
*** ANNUAL TOTAL:	1,637.40

**Stonebridge Gardens**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2024	
Irrigation Controller (Perimeter)	302.52
Pool - Filter	1,550.41
*** ANNUAL TOTAL:	1,852.93
REPLACEMENT YEAR 2025	
Monument Sign	1,168.48
Picnic Table (Pool Area)	1,168.48
Pool - Deck Recoat	9,815.20
*** ANNUAL TOTAL:	12,152.16
REPLACEMENT YEAR 2026	
Paint - Common Area Walls	12,300.04
Paint - Ramadas & Pool Cabana	5,616.47
Streets - Repair & Seal Coat	18,405.99
*** ANNUAL TOTAL:	36,322.50
REPLACEMENT YEAR 2027	
Paint - Wrought Iron (Pool)	1,842.91
*** ANNUAL TOTAL:	1,842.91
REPLACEMENT YEAR 2028	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2029	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2030	
Picnic Table (NE Retention Area)	1,354.58
Streets - Repair & Seal Coat	20,716.11
*** ANNUAL TOTAL:	22,070.69
REPLACEMENT YEAR 2031	
Paint - Wrought Iron (Pool)	2,074.21
*** ANNUAL TOTAL:	2,074.21



**Stonebridge Gardens**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2032	
Granite Replenishment	20,674.77
Irrigation Controller (Pool Bldg)	622.72
Pool - Deck Resurface	27,591.91
Pool - Furniture	9,580.57
Roofs - Asphalt Shingle	3,305.29
*** ANNUAL TOTAL:	61,775.26
REPLACEMENT YEAR 2033	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2034	
Paint - Common Area Walls	15,581.31
Paint - Ramadas & Pool Cabana	7,114.78
Streets - Repair & Seal Coat	23,316.16
*** ANNUAL TOTAL:	46,012.25
REPLACEMENT YEAR 2035	
Paint - Wrought Iron (Pool)	2,334.55
*** ANNUAL TOTAL:	2,334.55
REPLACEMENT YEAR 2036	
Fencing/Gates - Wrought Iron (Pool)	19,174.22
Irrigation Controller (Perimeter)	431.34
Pool - Resurface & Retile	30,985.90
*** ANNUAL TOTAL:	50,591.46
REPLACEMENT YEAR 2037	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2038	
Streets - Repair & Seal Coat	26,242.54
*** ANNUAL TOTAL:	26,242.54
REPLACEMENT YEAR 2039	
Paint - Wrought Iron (Pool)	2,627.56
Pool - Deck Recoat	14,846.38

**Stonebridge Gardens**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
Streets - Asphalt Rehabilitation	540,596.12
*** ANNUAL TOTAL:	<hr/> 558,070.06

**Stonebridge Gardens**  
Detail Report by Category

REPORT DATE: February 10, 2009  
 VERSION: 002  
 ACCOUNT NUMBER: 1324

**Reserve Balance Calculation**

	QUANTITY	1 comment
ASSET ID 1001	UNIT COST	0.000
GROUP/FACILITY 0	PERCENT REPL	0.00%
CATEGORY 5	CURRENT COST	0.00
	FUTURE COST	0.00
PLACED IN SERVICE 0/ 0	ASSIGNED RESERVES	0.00
0 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2010	INTEREST	0.00
0 YEAR REM LIFE	MONTHLY ALLOCTN	0.00

REMARKS:

Current Reserve Balance Per Client (12/31/08):	\$	61,969
2009 Reserve Contributions (per budget):		+ 17,528
2009 Projected Interest to be Earned (3.20%)		+ 2,260
Anticipated January 1, 2010 Reserve Balance:	\$	----- 81,757

CATEGORY SUMMARY:

ASSIGNED RESERVES		0.00
MONTHLY CNTRBTN		0.00
INTEREST		0.00
MONTHLY ALLOCTN		0.00

**Stonebridge Gardens**  
Detail Report by Category

Concrete Components - Unfunded		QUANTITY	1 comment
ASSET ID	1004	UNIT COST	0.000
GROUP/FACILITY	0	PERCENT REPL	0.00%
CATEGORY	10	CURRENT COST	0.00
		FUTURE COST	0.00
PLACED IN SERVICE	0/ 0	ASSIGNED RESERVES	0.00
0 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2010		INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

We are not budgeting for repair or replacement of concrete decks, pads, sidewalks, or driveways as a reserve component. It is anticipated that any repairs required will be addressed immediately due to safety concerns. Good maintenance practice won't allow the need for repairs to accumulate to a point of major expense. We recommend that the client includes a line item in the annual operating budget for repairs and/or replacements on an "as needed" basis. However, should the client wish to include budgeting for concrete components, we will do so at their request (cost and useful life to be provided by client).

Streets - Asphalt Rehabilitation		QUANTITY	1 total
ASSET ID	1040	UNIT COST	229,400.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	10	CURRENT COST	229,400.00
		FUTURE COST	243,370.46
PLACED IN SERVICE	7/85	ASSIGNED RESERVES	27,236.01
27 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	8,533.90
REPLACEMENT YEAR 2012		INTEREST	199.99
2 YEAR REM LIFE		MONTHLY ALLOCTN	8,733.89

REMARKS:

114,700 - sq. ft. of rehabilitation @ \$ 2.00 = \$ 229,400.00  
-----  
TOTAL = \$ 229,400.00

At the time of the initial reserve study in 1999 we were budgeting to overlay the community asphalt in approximately 2010. However, due to the excessive amount of cracking throughout the community asphalt, we are no longer recommending an asphalt overlay. This component includes a provision to pulverize the asphalt, remove excess materials, grade and compact the pulverized material, and repave.

**Stonebridge Gardens**  
Detail Report by Category

Streets - Asphalt Rehabilitation, Continued ...

Over the past 10 years the asphalt appears to have been slurry sealed and then seal coated. At this point we are not budgeting for any asphalt sealing to be done prior to the removal and replacement of the asphalt scheduled for 2012. Should the Association feel that the life of the asphalt can be further extended with another slurry seal application, we recommend contacting an asphalt consultant for an expert opinion. The asphalt consultant should be able to provide a specific maintenance and rehabilitation program that can be incorporated into a revision or future update of this report.

Streets - Repair & Seal Coat		QUANTITY	114,700 sq. ft.
ASSET ID	1003	UNIT COST	0.100
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	10	CURRENT COST	11,470.00
		FUTURE COST	12,909.59
PLACED IN SERVICE	1/10	ASSIGNED RESERVES	0.00
4 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	241.67
REPLACEMENT YEAR	2014	INTEREST	3.58
4 YEAR REM LIFE		MONTHLY ALLOCTN	245.25

REMARKS:

This component includes a provision to repair and seal coat the community asphalt in 2014, two years after the rehabilitation project scheduled for 2012.

CATEGORY SUMMARY:			
		ASSIGNED RESERVES	27,236.01
		MONTHLY CNTRBTN	8,775.57
		INTEREST	203.57
		MONTHLY ALLOCTN	8,979.14

**Stonebridge Gardens**  
Detail Report by Category

Roofs - Asphalt Shingle		QUANTITY	575 sq. ft.
ASSET ID	1043	UNIT COST	3.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	20	CURRENT COST	1,725.00
		FUTURE COST	3,305.28
PLACED IN SERVICE	1/02	ASSIGNED RESERVES	0.00
30 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	6.47
REPLACEMENT YEAR	2032	INTEREST	0.10
22 YEAR REM LIFE		MONTHLY ALLOCTN	6.57

REMARKS:

This component is to replace the asphalt shingle roof atop the NE retention area ramada. For budgeting purposes we have used 2002 as the basis for aging this roof.

Roofs - Tile, Underlayment		QUANTITY	2,125 sq. ft.
ASSET ID	1042	UNIT COST	3.500
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	20	CURRENT COST	7,437.50
		FUTURE COST	8,622.10
PLACED IN SERVICE	7/85	ASSIGNED RESERVES	0.00
30 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	125.21
REPLACEMENT YEAR	2015	INTEREST	1.85
5 YEAR REM LIFE		MONTHLY ALLOCTN	127.06

REMARKS:

Previously, we weren't budgeting for tile roof underlayment replacement because we had been advised that tile roof systems have an indefinite life. However, we have now been advised by many local roof contractors and consultants that the tile roof underlayment will eventually require replacement. The following comments apply to the tile roofs atop the poolside cabana building, the pool area ramada, and the ramada just outside of the pool area:

Tile roof systems are designed to last for the life of the project. However, the integrity of a tile roof is totally dependent on the roof underlayment. The tile can last forever, but will not keep the building watertight unless the underlayment is intact.

The condition of a tile roof can be deceiving. The tile may appear to be in good condition, but must be removed in order to determine the condition of the underlayment. Should it be discovered that the underlayment has deteriorated, the only solution is to remove the existing tile, replace the un-

**Stonebridge Gardens**  
Detail Report by Category

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Roofs - Tile, Underlayment, Continued ...

derlayment and reinstall the tile.

Flashing defects, attachment problems and broken/displaced/missing tiles are common factors affecting the condition of the underlayment by allowing exposure to sun and rain. Therefore, in order to protect your investment, prevent potential problems and extend the life of the underlayment, it is necessary to have a qualified roofer inspect the tile roofs on a regular basis. We recommend including a line item in the operating budget for periodic inspections.

Given the many factors listed above, we have included a provision for tile roof underlayment replacement. After several discussions with local roofing contractors and inspectors, we have come to the conclusion that the underlayment has a life expectancy of 20 - 40 years. Therefore, in order to account for this significant future liability, we are budgeting to replace the underlayment on a 30 year cycle. Should the client wish to budget for this component in a different manner we will do so at their request.

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CATEGORY SUMMARY:	ASSIGNED RESERVES	0.00
	MONTHLY CNTRBTN	131.68
	INTEREST	1.95
	MONTHLY ALLOCTN	133.63

**Stonebridge Gardens**  
Detail Report by Category

Paint - Common Area Walls		QUANTITY	30,660 sq. ft.
ASSET ID	1007	UNIT COST	0.250
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	30	CURRENT COST	7,665.00
		FUTURE COST	7,665.00
PLACED IN SERVICE	1/00	ASSIGNED RESERVES	7,665.00
8 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	80.36
REPLACEMENT YEAR	2010	INTEREST	1.19
0 YEAR REM LIFE		MONTHLY ALLOCTN	81.55

REMARKS:

This component is to paint the perimeter and interior common area stucco (19,700 sq. ft.) and painted block (10,960 sq. ft.) walls.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Paint - Ramadas & Pool Cabana		QUANTITY	1 total
ASSET ID	1011	UNIT COST	3,500.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	30	CURRENT COST	3,500.00
		FUTURE COST	3,500.00
PLACED IN SERVICE	1/00	ASSIGNED RESERVES	3,500.00
8 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	36.69
REPLACEMENT YEAR	2010	INTEREST	0.54
0 YEAR REM LIFE		MONTHLY ALLOCTN	37.23

REMARKS:

This component is to paint the stucco and wood exteriors of the three community ramadas and the pool cabana.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.



**Stonebridge Gardens**  
Detail Report by Category

<b>Paint - Wrought Iron (Pool)</b>		QUANTITY	1,115 sq. ft.
ASSET ID	1034	UNIT COST	1.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	30	CURRENT COST	1,115.00
		FUTURE COST	1,292.59
PLACED IN SERVICE	1/10	ASSIGNED RESERVES	0.00
4 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+1 YEAR ADJUSTMENT		MONTHLY CNTRBTN	18.77
REPLACEMENT YEAR 2015		INTEREST	0.28
5 YEAR REM LIFE		MONTHLY ALLOCTN	19.05

REMARKS:

This component is to paint the wrought iron fencing and gates at the pool area following its replacement in 2011. We are not budgeting to paint this wrought iron prior to its replacement.

We are not budgeting to paint or replace any of the wrought iron view fencing at the NE retention area or the pool area greenbelt. We were not told, nor do the CC&Rs indicate, this fencing to be the Association's responsibility. Furthermore, only some of the homes have view fencing - another indication that this fencing is the individual homeowner's responsibility to maintain.

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CATEGORY SUMMARY:	ASSIGNED RESERVES	11,165.00
	MONTHLY CNTRBTN	135.82
	INTEREST	2.01
	MONTHLY ALLOCTN	137.83

**Stonebridge Gardens**  
Detail Report by Category

Fencing/Gates - Wrought Iron (Pool)		QUANTITY	1 total
ASSET ID	1033	UNIT COST	8,891.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	40	CURRENT COST	8,891.00
		FUTURE COST	9,157.73
		ASSIGNED RESERVES	8,542.33
PLACED IN SERVICE	7/85	SALVAGE VALUE	0.00
25 YEAR USEFUL LIFE			
+1 YEAR ADJUSTMENT		MONTHLY CNTRBTN	27.76
REPLACEMENT YEAR	2011	INTEREST	23.53
1 YEAR REM LIFE		MONTHLY ALLOCTN	51.29

REMARKS:

182 - lin. ft. of 5'10" fencing	@	\$ 43.00	=	\$ 7,826.00
1 - 4'9" x 3'7" gate	@	340.00	=	340.00
1 - 5'10" x 2'9" gate	@	325.00	=	325.00
1 - 5'10" x 3'6" gate	@	400.00	=	400.00
				-----
		TOTAL	=	\$ 8,891.00

We are budgeting to replace the pool area wrought iron in 2011 so that it coincides with the pool resurfacing project.

Walls - Block & Stucco, Repairs		QUANTITY	30,660 sq. ft.
ASSET ID	1005	UNIT COST	9.750
GROUP/FACILITY	0	PERCENT REPL	2.50%
CATEGORY	40	CURRENT COST	7,473.38
		FUTURE COST	8,663.70
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	7/85	SALVAGE VALUE	0.00
30 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	125.82
REPLACEMENT YEAR	2015	INTEREST	1.86
5 YEAR REM LIFE		MONTHLY ALLOCTN	127.68

REMARKS:

This component includes a provision to repair the perimeter and interior common area stucco and block walls. It is estimated that a percentage of these walls will require repair or replacement over time. The condition of the walls should be monitored over time, and the estimates adjusted accordingly.

**Stonebridge Gardens**  
Detail Report by Category

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CATEGORY SUMMARY:	ASSIGNED RESERVES	8,542.33
	MONTHLY CNTRBTN	153.58
	INTEREST	25.39
	MONTHLY ALLOCTN	178.97

**Stonebridge Gardens**  
Detail Report by Category

Pool - Deck Recoat		QUANTITY	3,600 sq. ft.
ASSET ID	1044	UNIT COST	1.750
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	6,300.00
		FUTURE COST	6,489.00
PLACED IN SERVICE	6/99	ASSIGNED RESERVES	5,756.12
14 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
-2 YEAR ADJUSTMENT		MONTHLY CNTRBTN	44.83
REPLACEMENT YEAR	2011	INTEREST	16.24
1 YEAR REM LIFE		MONTHLY ALLOCTN	61.07

REMARKS:

This component includes a provision to repair and recoat (repaint) the pool deck in between resurfacing cycles, and includes a provision to install pool depth markers in the deck. We have scheduled this expense in 2011, to coincide with the pool resurfacing project.

Pool - Deck Resurface		QUANTITY	3,600 sq. ft.
ASSET ID	1018	UNIT COST	4.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	14,400.00
		FUTURE COST	18,241.49
PLACED IN SERVICE	6/99	ASSIGNED RESERVES	0.00
14 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+5 YEAR ADJUSTMENT		MONTHLY CNTRBTN	150.97
REPLACEMENT YEAR	2018	INTEREST	2.23
8 YEAR REM LIFE		MONTHLY ALLOCTN	153.20

REMARKS:

The pool deck was last resurfaced in June 1999. We are budgeting to recoat the deck in 2011 (see Asset ID #1044), and have scheduled the next resurfacing in 2018.

This component is for a normal resurfacing of the pool deck, and does not include a provision for any concrete crack repairs that may be required. Once a licensed contractor has determined the extent, corrective measures, and costs associated with such repairs, if any, we will incorporate the recommendations into this report.

**Stonebridge Gardens**  
Detail Report by Category

<b>Pool - Filter</b>	QUANTITY	1 filter
ASSET ID 1023	UNIT COST	1,025.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 60	CURRENT COST	1,025.00
	FUTURE COST	1,550.40
PLACED IN SERVICE 1/06	ASSIGNED RESERVES	0.00
18 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	6.10
REPLACEMENT YEAR 2024	INTEREST	0.09
14 YEAR REM LIFE	MONTHLY ALLOCTN	6.19

REMARKS:

This is a Triton II, 4.91 sq. ft. sand filter.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

<b>Pool - Furniture</b>	QUANTITY	1 total
ASSET ID 1021	UNIT COST	5,000.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 60	CURRENT COST	5,000.00
	FUTURE COST	5,304.50
PLACED IN SERVICE 1/02	ASSIGNED RESERVES	4,000.00
10 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	41.43
REPLACEMENT YEAR 2012	INTEREST	11.44
2 YEAR REM LIFE	MONTHLY ALLOCTN	52.87

REMARKS:

This component includes a provision every 10 years for the refurbishment/ replacement of the pool furniture. The accumulated funds should be used on an "as needed" basis. For budgeting purposes we have used 2002 as the basis for aging this component. The pool furniture inventory includes:

- 16 - strapped chaise lounges
- 10 - chairs
- 3 - tables
- 2 - umbrellas

**Stonebridge Gardens**  
Detail Report by Category

Pool - Resurface & Retile		QUANTITY	1 total
ASSET ID	1020	UNIT COST	14,368.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	14,368.00
		FUTURE COST	14,799.04
PLACED IN SERVICE	6/99	ASSIGNED RESERVES	13,127.60
25 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
-13 YEAR ADJUSTMENT		MONTHLY CNTRBTN	102.25
REPLACEMENT YEAR	2011	INTEREST	37.04
1 YEAR REM LIFE		MONTHLY ALLOCTN	139.29

REMARKS:

1,975 - sq. ft. (IA) of Pebble Tek	@ \$ 6.00	= \$ 11,850.00
136 - lin. ft. of trim tile	@ 13.00	= 1,768.00
1 - provision for dual drain installation	@ 750.00	= 750.00
		-----
	TOTAL	= \$ 14,368.00

The pool was last replastered in June 1999. The client has indicated that they intend to resurface with Pebble Tek at the time of the next resurfacing, which we have scheduled to occur in 2011.

Pool Bldg - Remodel Restrooms		QUANTITY	1 total
ASSET ID	1047	UNIT COST	15,000.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	15,000.00
		FUTURE COST	17,389.11
PLACED IN SERVICE	7/85	ASSIGNED RESERVES	0.00
30 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	252.53
REPLACEMENT YEAR	2015	INTEREST	3.74
5 YEAR REM LIFE		MONTHLY ALLOCTN	256.27

REMARKS:

At the time of the February 2009 field inspection we weren't provided keys for access into the pool area restrooms. However, the community manager advised us that no improvements have been made to these restrooms since the previous study completed in 1999. This component includes a provision for the refurbishment/replacement of the restroom interiors every 30 years, and will allow funding to be available for the replacement of the following components: plumbing fixtures, doors, shower tile, toilet partitions, floor covering, counter tops, light fixtures, and interior painting.

**Stonebridge Gardens**  
Detail Report by Category

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CATEGORY SUMMARY:	ASSIGNED RESERVES	22,883.72
	MONTHLY CNTRBTN	598.11
	INTEREST	70.78
	MONTHLY ALLOCTN	668.89

**Stonebridge Gardens**  
Detail Report by Category

Basketball Backboards		QUANTITY	2 backboards
ASSET ID	1032	UNIT COST	400.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	65	CURRENT COST	800.00
		FUTURE COST	1,075.13
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
20 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	6.69
REPLACEMENT YEAR 2020		INTEREST	0.10
10 YEAR REM LIFE		MONTHLY ALLOCTN	6.79

REMARKS:

This component is to replace the basketball backboards.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

BB Court - Surface, Unfunded		QUANTITY	1 commnet
ASSET ID	1037	UNIT COST	0.000
GROUP/FACILITY	0	PERCENT REPL	0.00%
CATEGORY	65	CURRENT COST	0.00
		FUTURE COST	0.00
		ASSIGNED RESERVES	0.00
PLACED IN SERVICE	0/ 0	SALVAGE VALUE	0.00
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2010		INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

The acrylic surface on the basketball court is well beyond its useful life, and is missing from much of the court. This is primarily due to lack of attention over time, and the fact that sprinkler water collects on the court due to its proximity to turf areas. It doesn't appear as though the Association ever intends to repair or resurface this court. Therefore, we have excluded funding for such. However, should the client advise us that they intend to maintain/resurface this court, we will include a provision for such in a revision or future update of this report. We estimate the cost for crack repairs and resurfacing to be approximately \$5,000.00. The basketball court measures 50' x 100'.



**Stonebridge Gardens**  
Detail Report by Category

**Picnic Table (NE Retention Area)**

ASSET ID 1014	QUANTITY	1 total
GROUP/FACILITY 0	UNIT COST	750.000
CATEGORY 65	PERCENT REPL	100.00%
	CURRENT COST	750.00
	FUTURE COST	869.46
PLACED IN SERVICE 1/00	ASSIGNED RESERVES	0.00
15 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	12.63
REPLACEMENT YEAR 2015	INTEREST	0.19
5 YEAR REM LIFE	MONTHLY ALLOCTN	12.82

REMARKS:

1 - 6' picnic table @ \$ 750.00 = \$ 750.00  
-----  
TOTAL = \$ 750.00

Location: NE Retention Area ramada

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

**Picnic Table (Pool Area)**

ASSET ID 1015	QUANTITY	1 total
GROUP/FACILITY 0	UNIT COST	750.000
CATEGORY 65	PERCENT REPL	100.00%
	CURRENT COST	750.00
	FUTURE COST	750.00
PLACED IN SERVICE 7/85	ASSIGNED RESERVES	750.00
15 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	4.16
REPLACEMENT YEAR 2010	INTEREST	0.06
0 YEAR REM LIFE	MONTHLY ALLOCTN	4.22

REMARKS:

1 - 6' picnic table @ \$ 750.00 = \$ 750.00  
-----  
TOTAL = \$ 750.00

Location: Ramada just outside of the pool area

**Stonebridge Gardens**  
Detail Report by Category

<b>Playstructure</b>	QUANTITY	1 total
ASSET ID 1045	UNIT COST	12,500.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 65	CURRENT COST	12,500.00
	FUTURE COST	16,798.95
	ASSIGNED RESERVES	0.00
PLACED IN SERVICE 1/00	SALVAGE VALUE	0.00
20 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	104.59
REPLACEMENT YEAR 2020	INTEREST	1.55
10 YEAR REM LIFE	MONTHLY ALLOCTN	106.14

REMARKS:

Since the original study completed in 1999 the Association installed a playstructure in the NE retention area. This component is to replace the playstructure. The cost includes a provision for mulch replenishment on an "as needed" basis. For budgeting purposes we have used 2000 as the basis for aging this Park Structures playstructure. The installation date wasn't provided by the client.

<b>Swing Set - Unfunded</b>	QUANTITY	1 comment
ASSET ID 1009	UNIT COST	0.000
GROUP/FACILITY 0	PERCENT REPL	0.00%
CATEGORY 65	CURRENT COST	0.00
	FUTURE COST	0.00
	ASSIGNED RESERVES	0.00
PLACED IN SERVICE 0/ 0	SALVAGE VALUE	0.00
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2010	INTEREST	0.00
0 YEAR REM LIFE	MONTHLY ALLOCTN	0.00

REMARKS:

This steel frame, four seat, swing set is located in the NE retention area. We are not budgeting to replace this swing set because it has an indefinite life. Any rubber seat or chain replacements should be handled on an "as needed" basis out of the operating budget.

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CATEGORY SUMMARY:	ASSIGNED RESERVES	750.00
	MONTHLY CNTRBTN	128.07
	INTEREST	1.90
	MONTHLY ALLOCTN	129.97

**Stonebridge Gardens**  
Detail Report by Category

Granite Replenishment		QUANTITY	166 tons
		UNIT COST	65.000
ASSET ID	1013	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	10,790.00
CATEGORY	100	FUTURE COST	11,447.11
		ASSIGNED RESERVES	8,632.00
PLACED IN SERVICE	1/02	SALVAGE VALUE	0.00
10 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	89.40
REPLACEMENT YEAR	2012	INTEREST	24.68
2 YEAR REM LIFE		MONTHLY ALLOCTN	114.08

REMARKS:

As previously requested, this component includes a provision for granite replenishment along all of the perimeter common areas (approximately 39,900 sq. ft.). We are budgeting to replenish with a 1" layer of new granite added to the existing base. The cost is an estimate for purchase, delivery and installation. For budgeting purposes we have used 2002 as the basis for aging this component.

Irrigation Controller (Perimeter)		QUANTITY	1 total
		UNIT COST	200.000
ASSET ID	1012	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	200.00
CATEGORY	100	FUTURE COST	212.18
		ASSIGNED RESERVES	166.67
PLACED IN SERVICE	1/00	SALVAGE VALUE	0.00
12 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	1.37
REPLACEMENT YEAR	2012	INTEREST	0.47
2 YEAR REM LIFE		MONTHLY ALLOCTN	1.84

REMARKS:

1 - RD600 controller @ \$ 200.00 = \$ 200.00  
-----  
TOTAL = \$ 200.00

Location: mounted in an enclosure on the perimeter wall at the Val Vista entrance to the community

**Stonebridge Gardens**  
Detail Report by Category

Irrigation Controller (Pool Bldg)		QUANTITY	1 total
ASSET ID	1046	UNIT COST	325.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	100	CURRENT COST	325.00
		FUTURE COST	436.77
PLACED IN SERVICE	1/08	ASSIGNED RESERVES	0.00
12 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	2.72
REPLACEMENT YEAR	2020	INTEREST	0.04
10 YEAR REM LIFE		MONTHLY ALLOCTN	2.76

REMARKS:

1 - RD1200 controller @ \$ 325.00 = \$ 325.00  
 -----  
 TOTAL = \$ 325.00

Location: wall mounted on the side of the pool building

Irrigation System - Unfunded		QUANTITY	1 comment
ASSET ID	1048	UNIT COST	0.000
GROUP/FACILITY	0	PERCENT REPL	0.00%
CATEGORY	100	CURRENT COST	0.00
		FUTURE COST	0.00
PLACED IN SERVICE	0/ 0	ASSIGNED RESERVES	0.00
0 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR	2010	INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

We have been advised that irrigation systems (pvc piping, sprinkler heads, valves, etc.) have a useful life of approximately 20 years, and should be included as a reserve component. However, budgeting for the replacement of the irrigation system requires evaluating the present condition (remaining useful life) and replacement cost - both of which call for expert evaluation, but fall outside the scope of a reserve study. Therefore, we recommend that the client have the system evaluated to determine these two factors so that budgeting can be included in a revision or future update of this report.

**Stonebridge Gardens**  
Detail Report by Category

<b>Monument Sign</b>		QUANTITY	1 total
ASSET ID	1017	UNIT COST	750.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	100	CURRENT COST	750.00
		FUTURE COST	1,168.48
PLACED IN SERVICE	1/05	ASSIGNED RESERVES	0.00
20 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	4.16
REPLACEMENT YEAR	2025	INTEREST	0.06
15 YEAR REM LIFE		MONTHLY ALLOCTN	4.22

REMARKS:

This two-sided monument sign is located at the Val Vista entrance. The sign indicates, "921 - STONEBRIDGE GARDENS". This component includes a provision to replace the ceramic tile and metal letters. Based on its condition we have used 2005 as the basis for aging this component. The accumulated funds should be used to refurbish/replacement these components "as needed."

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CATEGORY SUMMARY:	ASSIGNED RESERVES	8,798.67
	MONTHLY CNTRBTN	97.65
	INTEREST	25.25
	MONTHLY ALLOCTN	122.90

**Stonebridge Gardens**  
Detail Report by Category

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TOTAL ALL ASSETS:	ASSIGNED RESERVES	79,375.73
	MONTHLY CNTRBTN	10,020.48
	INTEREST	330.85
	MONTHLY ALLOCTN	10,351.33
CONTINGENCY @ 3.00%:	ASSIGNED RESERVES	2,381.27
	MONTHLY CNTRBTN	300.61
	INTEREST	10.89
	MONTHLY ALLOCTN	311.50
GRAND TOTALS:	ASSIGNED RESERVES	81,757.00
	MONTHLY CNTRBTN	10,321.09
	INTEREST	341.74
	MONTHLY ALLOCTN	10,662.83

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TOTAL ASSET LINES INCLUDED:            28