

# RDA REPORT

**Diamond Ridge I**  
Phoenix, Arizona  
Account 3055 - Version 002  
April 14, 2010

**RESERVE DATA ANALYSIS, INC.**

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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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**Diamond Ridge I**  
 Phoenix, Arizona  
CFS Reserve Analysis Report Summary

Report Date	April 14, 2010	Parameters:	
Version	002	Inflation	1.80%
Account Number	3055	Annual Contribution Increase	0.10%
Budget Year Beginning	1/ 1/10	Investment Yield	1.00%
Ending	12/31/10	Taxes on Yield	0.00%
Total Units Included	60	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/10:	\$5,502.37

Project Profile & Introduction

Unless otherwise indicated in this report, we have used 1987 as the basis for aging the original components examined in this analysis. The 12/31/2009 reserve balance was \$3,002.57. The client has advised us that \$2,500.00 will be transferred from operating to reserves. Therefore, we have used \$5,502.57 as the 1/1/2010 reserve balance. The client has requested that we use a 1.8% inflation rate & 1% interest rate. Please note that we had to use a 0.10% annual contribution increase in order to create a reasonable funding strategy.  
 Calculation Method: Modified Cash Flow Funding Strategy: Threshold  
 RDA Reports: 3/08. Updated w/out inspection 3/10 (revised 4/10).

Cash Flow Specific Summary of Calculations

Monthly Contribution to Reserves Required:	\$2,455.00
( \$40.92 per unit per month)	
Average Net Monthly Interest Contribution This Year:	12.41
Net Monthly Allocation to Reserves 1/ 1/10 to 12/31/10:	\$2,467.41
( \$41.12 per unit per month)	

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**Diamond Ridge I**  
Distribution of Accumulated Reserves

REPORT DATE: April 14, 2010  
 VERSION: 002  
 ACCOUNT NUMBER: 3055

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Benches - Unfunded	0	0.00	0.00
Bomantie Pavers - Unfunded	0	0.00	0.00
Gate Sensor Loops	0	2,800.00	2,800.00
Irrigation Controller	0	600.00	600.00
Irrigation System - Unfunded	0	0.00	0.00
Paint - Entrance Gates	0	760.00	760.00
Paint - Metal Poles, Unfunded	0	0.00	0.00
Surveillance System - Unfunded	0	0.00	0.00
Tree Trimming - Unfunded	0	0.00	0.00
Granite Replenishment (Frontage)	2	8,000.00	1,182.11
Access Phone	4	1,666.67	0.00
Concrete - Sidewalk Repairs	4	600.00	0.00
Keypads (Linear)	4	1,500.00	0.00
Streets - Repair/Slurry Seal (2014)	4	7,389.41	0.00
Paint - Common Walls & Ramada	5	3,461.54	0.00
Fencing & Gate - W/I (S. Perimeter)	7	613.33	0.00
Monument Signs	7	1,066.67	0.00
Roof - Tile, Underlayment	7	2,606.67	0.00
Light Poles/Fixtures	8	39,916.13	0.00
Gate Operators	9	723.89	0.00
Granite Replenishment (Interior)	10	0.00	0.00
Streets - Asphalt Overlay	10	83,929.09	0.00
Streets - Seal Coat (Ongoing)	12	0.00	0.00
Gates - Wrought Iron (Entrance)	22	2,960.00	0.00
Total Asset Summary:		158,593.40	5,342.11
Contingency @ 3.00%:		4,757.80	160.26
Grand Total:		163,351.20	5,502.37
Excess Reserves Not Used:			0.00
Percent Fully Funded:	3%		

**Diamond Ridge I**  
Cash Flow Specific Projections

REPORT DATE: April 14, 2010  
 VERSION: 002  
 ACCOUNT NUMBER: 3055

Beginning Accumulated Reserves: \$5,502

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'10	291,920	29,460	149	4,160	30,951	182,084	17%
'11	297,174	29,489	446	0	60,887	206,440	29%
'12	302,523	29,519	643	10,363	80,686	220,747	37%
'13	307,969	29,548	938	802	110,371	245,724	45%
'14	313,512	29,578	869	37,422	103,396	227,599	45%
'15	289,533	29,608	979	19,461	114,522	228,091	50%
'16	294,744	29,637	1,278	846	144,592	248,414	58%
'17	300,050	29,667	1,518	7,025	168,752	262,931	64%
'18	305,451	29,697	1,208	62,053	137,604	220,394	62%
'19	310,949	29,726	1,282	23,624	144,988	217,580	67%
'20	316,546	29,756	137	159,238	15,642	74,241	21%
'21	322,244	29,786	294	0	45,722	95,644	48%
'22	328,044	29,815	143	45,083	30,597	72,695	42%
'23	333,949	29,845	445	0	60,887	97,010	63%
'24	339,960	29,875	710	3,851	87,622	118,139	74%
'25	346,079	29,905	971	4,652	113,845	139,231	82%
'26	352,309	29,935	1,084	19,669	125,195	145,385	86%
'27	358,650	29,965	1,395	0	156,555	172,711	91%
'28	365,106	29,995	1,700	1,048	187,202	199,874	94%
'29	371,678	30,025	1,534	48,224	170,537	178,514	96%
'30	378,368	30,055	1,524	32,625	169,490	173,585	98%
'31	385,179	30,085	1,830	1,105	200,300	202,087	99%
'32	392,112	30,115	1,807	34,203	198,019	196,876	101%
'33	399,170	30,145	2,128	0	230,292	227,920	101%
'34	406,355	30,175	2,230	22,088	240,609	236,858	102%
'35	413,669	30,205	2,512	4,374	268,953	265,035	101%
'36	421,115	30,236	2,601	23,852	277,937	273,807	102%
'37	428,696	30,266	2,919	1,230	309,892	306,980	101%
'38	436,412	30,296	3,008	24,365	318,831	317,025	101%
'39	444,268	30,326	3,016	32,478	319,695	319,284	100%

**Diamond Ridge I**  
Annual Expenditure Detail

REPORT DATE: April 14, 2010  
VERSION: 002  
ACCOUNT NUMBER: 3055

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DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2010	
Gate Sensor Loops	2,800.00
Irrigation Controller	600.00
Paint - Entrance Gates	760.00
*** ANNUAL TOTAL:	4,160.00
REPLACEMENT YEAR 2011	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2012	
Granite Replenishment (Frontage)	10,363.24
*** ANNUAL TOTAL:	10,363.24
REPLACEMENT YEAR 2013	
Paint - Entrance Gates	801.79
*** ANNUAL TOTAL:	801.79
REPLACEMENT YEAR 2014	
Access Phone	2,684.91
Concrete - Sidewalk Repairs	3,221.90
Keypads (Linear)	2,416.43
Streets - Repair/Slurry Seal (2014)	29,098.61
*** ANNUAL TOTAL:	37,421.85
REPLACEMENT YEAR 2015	
Gate Sensor Loops	3,061.24
Paint - Common Walls & Ramada	16,399.48
*** ANNUAL TOTAL:	19,460.72
REPLACEMENT YEAR 2016	
Paint - Entrance Gates	845.87
*** ANNUAL TOTAL:	845.87

**Diamond Ridge I**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2017	
Fencing & Gate - W/I (S. Perimeter)	906.41
Monument Signs	2,266.03
Roof - Tile, Underlayment	3,852.23
*** ANNUAL TOTAL:	7,024.67
REPLACEMENT YEAR 2018	
Light Poles/Fixtures	62,053.25
*** ANNUAL TOTAL:	62,053.25
REPLACEMENT YEAR 2019	
Concrete - Sidewalk Repairs	3,522.49
Gate Operators	19,209.38
Paint - Entrance Gates	892.38
*** ANNUAL TOTAL:	23,624.25
REPLACEMENT YEAR 2020	
Gate Sensor Loops	3,346.84
Granite Replenishment (Interior)	11,953.02
Streets - Asphalt Overlay	143,938.32
*** ANNUAL TOTAL:	159,238.18
REPLACEMENT YEAR 2021	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2022	
Granite Replenishment (Frontage)	12,387.20
Irrigation Controller	743.23
Paint - Common Walls & Ramada	18,580.80
Paint - Entrance Gates	941.44
Streets - Seal Coat (Ongoing)	12,430.56
*** ANNUAL TOTAL:	45,083.23
REPLACEMENT YEAR 2023	
*** ANNUAL TOTAL:	0.00

**Diamond Ridge I**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2024	
Concrete - Sidewalk Repairs	3,851.13
*** ANNUAL TOTAL:	3,851.13
REPLACEMENT YEAR 2025	
Gate Sensor Loops	3,659.10
Paint - Entrance Gates	993.20
*** ANNUAL TOTAL:	4,652.30
REPLACEMENT YEAR 2026	
Access Phone	3,325.87
Keypads (Linear)	2,993.29
Streets - Seal Coat (Ongoing)	13,350.02
*** ANNUAL TOTAL:	19,669.18
REPLACEMENT YEAR 2027	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2028	
Paint - Entrance Gates	1,047.81
*** ANNUAL TOTAL:	1,047.81
REPLACEMENT YEAR 2029	
Concrete - Sidewalk Repairs	4,210.44
Gate Operators	22,961.01
Paint - Common Walls & Ramada	21,052.25
*** ANNUAL TOTAL:	48,223.70
REPLACEMENT YEAR 2030	
Gate Sensor Loops	4,000.49
Granite Replenishment (Interior)	14,287.47
Streets - Seal Coat (Ongoing)	14,337.49
*** ANNUAL TOTAL:	32,625.45
REPLACEMENT YEAR 2031	
Paint - Entrance Gates	1,105.42

**Diamond Ridge I**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
*** ANNUAL TOTAL:	1,105.42
REPLACEMENT YEAR 2032	
Gates - Wrought Iron (Entrance)	16,435.17
Granite Replenishment (Frontage)	14,806.44
Monument Signs	2,961.30
*** ANNUAL TOTAL:	34,202.91
REPLACEMENT YEAR 2033	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2034	
Concrete - Sidewalk Repairs	4,603.26
Irrigation Controller	920.66
Paint - Entrance Gates	1,166.20
Streets - Seal Coat (Ongoing)	15,397.99
*** ANNUAL TOTAL:	22,088.11
REPLACEMENT YEAR 2035	
Gate Sensor Loops	4,373.74
*** ANNUAL TOTAL:	4,373.74
REPLACEMENT YEAR 2036	
Paint - Common Walls & Ramada	23,852.45
*** ANNUAL TOTAL:	23,852.45
REPLACEMENT YEAR 2037	
Paint - Entrance Gates	1,230.31
*** ANNUAL TOTAL:	1,230.31
REPLACEMENT YEAR 2038	
Access Phone	4,119.83
Keypads (Linear)	3,707.85
Streets - Seal Coat (Ongoing)	16,536.93
*** ANNUAL TOTAL:	24,364.61

**Diamond Ridge I**  
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2039	
Concrete - Sidewalk Repairs	5,032.74
Gate Operators	27,445.35
*** ANNUAL TOTAL:	<hr/> 32,478.09



**Diamond Ridge I**  
Cash Flow Detail Report by Category

REPORT DATE: April 14, 2010  
 VERSION: 002  
 ACCOUNT NUMBER: 3055

Bomantie Pavers - Unfunded		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1005	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	10	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2010		
0 YEAR REM LIFE			

REMARKS:

There are approximately 9,800 sq. ft. of bomanite pavers. The client has advised us that all maintenance associated with the bomanite pavers will be handled out of the operating budget.

Concrete - Sidewalk Repairs		QUANTITY	1 total
		UNIT COST	3,000.000
ASSET ID	1001	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	3,000.00
CATEGORY	10	FUTURE COST	3,221.90
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/09		
5 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2014		
4 YEAR REM LIFE			

REMARKS:

The client has advised us that \$10,244.00 was spent in 2008 on a sidewalk repair project. This component will accumulate \$3,000.00, every five years, to be used on an "as needed" basis for ongoing sidewalk repairs.

The budgeted amount of \$3,000.00 was provided by the client.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

Streets - Asphalt Overlay		QUANTITY	1 total
ASSET ID	1002	UNIT COST	120,420.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	10	CURRENT COST	120,420.00
		FUTURE COST	143,938.31
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/87  
 25 YEAR USEFUL LIFE  
 +8 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2020  
 10 YEAR REM LIFE

REMARKS:

100,350 - sq. ft. of 1.5" overlay @ \$ 1.20 = \$ 120,420.00  
-----  
 TOTAL = \$ 120,420.00

Most asphalt areas can be expected to last between 20 - 30 years before it will become necessary for an overlay to be applied. This can double the life of the surface upon application. It will be necessary to adjust man-hole and valve covers at the time the overlay is applied. Deflection testing should be conducted by an independent consultant near the end of the estimated useful life to determine the condition of the asphalt and estimated remaining life before the overlay is required.

The useful life on the asphalt overlay has been adjusted to align with the future replacement cycles of the asphalt repairs and slurry sealing.

Streets - Repair/Slurry Seal (2014)		QUANTITY	100,350 sq. ft.
ASSET ID	1003	UNIT COST	0.270
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	10	CURRENT COST	27,094.50
		FUTURE COST	29,098.61
		SALVAGE VALUE	0.00

PLACED IN SERVICE 7/08  
 6 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2014  
 4 YEAR REM LIFE (One Time Repl)

**Diamond Ridge I**  
Cash Flow Detail Report by Category

Streets - Repair/Slurry Seal (2014), Continued ...

REMARKS:

The client has advised us that a special assessment was passed in 2008 to fund a slurry seal project at a cost of \$18,965.83 (see the Ace Asphalt proposal dated December 13, 2007). No repairs were included.

This component includes budgeting for a repair and slurry seal project in 2014. This is the last scheduled maintenance prior to the overlay scheduled for 2020 (see Asset ID #1002). Should the client choose not to overlay in 2020, and choose to repair and slurry seal again, we will make the necessary changes to the asphalt assets at the time of a future update of this report.

Streets - Seal Coat (Ongoing)	QUANTITY	100,350 sq. ft.
ASSET ID 1004	UNIT COST	0.100
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 10	CURRENT COST	10,035.00
	FUTURE COST	12,430.56
	SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10  
4 YEAR USEFUL LIFE  
+8 YEAR ADJUSTMENT  
REPLACEMENT YEAR 2022  
12 YEAR REM LIFE

REMARKS:

This component is for a continuous four year repair and seal coating cycle beginning in 2022, two years after the overlay scheduled for 2020.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

<b>Roof - Tile, Underlayment</b>	QUANTITY	850 sq. ft.
	UNIT COST	4.000
ASSET ID 1006	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	3,400.00
CATEGORY 20	FUTURE COST	3,852.24
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/87		
30 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2017		
7 YEAR REM LIFE		

REMARKS:

The following comments apply to the concrete tile roof atop the ramada:

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 underlayment 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.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

Paint - Common Walls & Ramada		QUANTITY	1 total
		UNIT COST	15,000.000
ASSET ID	1024	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	15,000.00
CATEGORY	30	FUTURE COST	16,399.48
		SALVAGE VALUE	0.00
PLACED IN SERVICE 7/08			
7 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2015			
5 YEAR REM LIFE			

REMARKS:

As requested by the client, this component budgets \$15,000, every seven years, to paint the following components, most of which were last painted in mid-2008:

- front monument sign and entrance walls
- park area ramada
- interior common walls and traffic circles
- north/frontage walls

Paint - Entrance Gates		QUANTITY	1 total
		UNIT COST	760.000
ASSET ID	1025	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	760.00
CATEGORY	30	FUTURE COST	760.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/07			
3 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2010			
0 YEAR REM LIFE			

REMARKS:

The client has advised us to budget \$760.00 to paint the front entry gates in 2010, and then on a continuous three year cycle.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

**Paint - Metal Poles, Unfunded**

ASSET ID 1009  
 GROUP/FACILITY 0  
 CATEGORY 30  
  
 PLACED IN SERVICE 0/ 0  
 0 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2010  
 0 YEAR REM LIFE

QUANTITY	1 comment
UNIT COST	0.000
PERCENT REPL	0.00%
CURRENT COST	0.00
FUTURE COST	0.00
SALVAGE VALUE	0.00

REMARKS:

The client has requested that we exclude funding for the painting of the metal light poles (31) and street sign poles (7) throughout the community.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

Fencing & Gate - W/I (S. Perimeter)		QUANTITY	1 total
ASSET ID	1011	UNIT COST	800.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	40	CURRENT COST	800.00
		FUTURE COST	906.41
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/87			
30 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2017			
7 YEAR REM LIFE			

REMARKS:

This component is to replace the wrought iron fencing located along the south perimeter between lots 10 & 11. The client has advised us that the gate will be removed and replaced with fencing only. The client has advised us to use a replacement cost of \$800 for this component.

17 - lin. ft. of 5'9" fencing  
 1 - 5'9" x 3'9" gate

Gates - Wrought Iron (Entrance)		QUANTITY	1 total
ASSET ID	1012	UNIT COST	11,100.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	40	CURRENT COST	11,100.00
		FUTURE COST	16,435.17
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/02			
30 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2032			
22 YEAR REM LIFE			

REMARKS:

2 - 5'10" x 3'11" gates	@ \$	450.00	= \$	900.00
2 - 7'4" x 10'8" vehicle gates	@	2,350.00	=	4,700.00
2 - 7'4" x 12'8" vehicle gates	@	2,750.00	=	5,500.00
				-----
		TOTAL	=	\$ 11,100.00

At the time of the field inspection we were advised by a resident that the gated entrance components were installed in approximately 2002.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

**Light Poles/Fixtures**

ASSET ID 1010  
 GROUP/FACILITY 0  
 CATEGORY 50

QUANTITY	1 total
UNIT COST	53,800.000
PERCENT REPL	100.00%
CURRENT COST	53,800.00
FUTURE COST	62,053.25
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/87  
 30 YEAR USEFUL LIFE  
 +1 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2018  
 8 YEAR REM LIFE

REMARKS:

This component budgets to replace the following light poles/fixtures:

8 - 8' poles w/lantern fixtures (park area)	@	\$ 400.00	=	\$ 3,200.00
23 - 12' poles w/lantern fixtures (streets)	@	\$ 2,200.00	=	50,600.00
				-----
TOTAL				= \$ 53,800.00

The client has advised us to budget for replacement of these light poles/fixtures in 2018, and use a 30 year useful life. The cost for the 12' street light poles/fixtures was provided by the client.



**Diamond Ridge I**  
Cash Flow Detail Report by Category

Benches - Unfunded		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1007	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	65	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2010		
0 YEAR REM LIFE			

REMARKS:

The client has advised us that the maintenance/replacement of the park benches will be handled out of the operating budget.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

Access Phone		QUANTITY	1 total
		UNIT COST	2,500.000
ASSET ID	1016	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	2,500.00
CATEGORY	80	FUTURE COST	2,684.92
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/02  
 12 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2014  
 4 YEAR REM LIFE

REMARKS:

This component includes a provision to replace the Elite, "hands-free" entry access phone.

\*\* Note: The maintenance/replacement of the Quick Pass keypad is handled within the monthly maintenance fee.

Gate Operators		QUANTITY	4 operators
		UNIT COST	4,090.000
ASSET ID	1014	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	16,360.00
CATEGORY	80	FUTURE COST	19,209.38
		SALVAGE VALUE	0.00

PLACED IN SERVICE 8/09  
 10 YEAR USEFUL LIFE  
 +0 YEAR ADJUSTMENT  
 REPLACEMENT YEAR 2019  
 9 YEAR REM LIFE

REMARKS:

All four gate operators were replaced in August 2009. The client has advised us to use a current replacement cost of \$4,090.00 for each gate operator.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

Gate Sensor Loops		QUANTITY	7 loops
		UNIT COST	400.000
ASSET ID	1028	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	2,800.00
CATEGORY	80	FUTURE COST	2,800.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/02			
5 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2010			
0 YEAR REM LIFE			

REMARKS:

The client has advised us that they will be replacing the seven underground sensor loops in 2010 at a cost of \$400 each. They have provided a five year useful life for the sensor loops.

Keypads (Linear)		QUANTITY	3 keypads
		UNIT COST	750.000
ASSET ID	1015	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	2,250.00
CATEGORY	80	FUTURE COST	2,416.43
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/02			
12 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2014			
4 YEAR REM LIFE			

REMARKS:

These are Linear Access keypads at the gated entrance.

Surveillance System - Unfunded		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1019	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	80	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE 0/ 0			
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2010			
0 YEAR REM LIFE			

**Diamond Ridge I**  
Cash Flow Detail Report by Category

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Surveillance System - Unfunded, Continued ...

REMARKS:

The client has advised us that the surveillance system components at the entrance to the community are not owned by the Association - they are leased as part of the monthly operating expense.

**Diamond Ridge I**  
Cash Flow Detail Report by Category

<b>Granite Replenishment (Frontage)</b>	QUANTITY	1 total
ASSET ID 1027	UNIT COST	10,000.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 100	CURRENT COST	10,000.00
	FUTURE COST	10,363.24
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/02		
10 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2012		
2 YEAR REM LIFE		

REMARKS:

The client has advised us to budget \$10,000 for granite replenishment for the frontage area in 2012, and then on a 10 year cycle.

<b>Granite Replenishment (Interior)</b>	QUANTITY	1 total
ASSET ID 1020	UNIT COST	10,000.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 100	CURRENT COST	10,000.00
	FUTURE COST	11,953.02
	SALVAGE VALUE	0.00
PLACED IN SERVICE 7/10		
10 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2020		
10 YEAR REM LIFE		

REMARKS:

The client has advised us that a special assessment will be passed in 2010 to fund a \$10,000 project to replenish granite on the interior of the property. The client has advised us to use a 10 year useful life for interior granite replenishment.

<b>Irrigation Controller</b>	QUANTITY	1 total
ASSET ID 1008	UNIT COST	600.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 100	CURRENT COST	600.00
	FUTURE COST	600.00
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/03		
12 YEAR USEFUL LIFE		
-5 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2010		
0 YEAR REM LIFE		

**Diamond Ridge I**  
Cash Flow Detail Report by Category

Irrigation Controller, Continued ...

REMARKS:

The client has advised us to budget \$600 to replace the irrigation controller in 2010. The new controller will be equipped with a moisture sensor and automatic watering adjustment.

Location: mounted on the stucco wall next to Lot 60

**Irrigation System - Unfunded**

	QUANTITY	1 comment
ASSET ID 1021	UNIT COST	0.000
GROUP/FACILITY 0	PERCENT REPL	0.00%
CATEGORY 100	CURRENT COST	0.00
	FUTURE COST	0.00
	SALVAGE VALUE	0.00
PLACED IN SERVICE 0/ 0		
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2010		
0 YEAR REM LIFE		

REMARKS:

The client has indicated that they would like to have a provision included in the reserve study for the replacement of the irrigation system infrastructure (pvc piping, tubing, sprinkler heads, valves, etc.). However, at this time they are unable to come up with a good dollar amount and useful life to use. Therefore, they have requested that we continue to exclude funding for the irrigation system infrastructure within the reserve study at this time.

**Monument Signs**

	QUANTITY	1 total
ASSET ID 1018	UNIT COST	2,000.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 100	CURRENT COST	2,000.00
	FUTURE COST	2,266.02
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/02		
15 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2017		
7 YEAR REM LIFE		

**Diamond Ridge I**  
Cash Flow Detail Report by Category

Monument Signs, Continued ...

REMARKS:

This component includes a provision to refurbish/replace the tile sign face and letters making up the two monument signs at the entrance that indicate "DIAMOND RIDGE". Based on the appearance and condition of these signs we have used 2002 as the basis for aging these components.

Tree Trimming - Unfunded		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1022	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	100	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2010		
0 YEAR REM LIFE			

REMARKS:

The client has advised us that tree trimming will be handled out of the operating budget. Should the client change their mind and wish to have tree trimming included we will need to be provided with the following information:

- \$ amount to be budgeted
- useful life to be used
- year in which next expenditure should occur

DETAIL REPORT INDEX

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1005	Bomantie Pavers - Unfunded	2-9
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1011	Fencing & Gate - W/I (S. Perimeter)	2-15
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1020	Granite Replenishment (Interior)	2-21
1008	Irrigation Controller	2-21
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TOTAL ASSET LINES INCLUDED:            24