

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

Prepared by
Floyd L. Smith, Esq.
48 CR 250, Suite 5
Durango, Colorado 81301
and
Colorado's Timber Ridge Homeowners Association
PO Box 5436
Pagosa Springs, Colorado 81147

July 2012
With Exhibit D-1

TABLE OF CONTENTS

| <u>SectionName</u> | <u>Page Number</u> |
|--|--------------------|
| Section 1 Introduction | 1 |
| Colorado's Timber Ridge | 1 |
| Colorado's Timber Ridge Homeowners Association | 1 |
| Colorado's Timber Ridge Metropolitan | 1 |
| Contents of Service Plan | 2 |
| Modification of Service Plan | 2 |
| Benefits | 2 |
| Section 2 Purpose and Need for the Proposed District | 3 |
| Purpose..... | 3 |
| Need for District..... | 3 |
| Power and Authority of District..... | 3 |
| Specific Service and Facilities..... | 3 |
| Section 3 Boundaries, Population and Assessed Valuation | 5 |
| Boundaries | 5 |
| Population Estimates..... | 5 |
| Assessed Valuation | 5 |
| Section 4 Roads | 6 |
| Introduction..... | 6 |
| Existing Road System | 6 |
| Reserves for Replacement..... | 6 |
| Section 5 Parks and Recreation | 9 |
| Introduction..... | 9 |
| Parks and Recreation Facilities..... | 9 |
| Costs..... | 10 |
| Section 6 Operating Expenses and Revenues | 11 |
| Introduction..... | 11 |
| Expenses 11 | |
| Revenues | 11 |
| Organizational Costs..... | 13 |
| Section 7 Annual Report | 14 |
| Section 8 Conclusion | 16 |
| Appendix | |

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

SECTION 1 INTRODUCTION

A. COLORADO'S TIMBER RIDGE. Colorado's Timber Ridge is a subdivision located in southwest Colorado near Pagosa Springs (see Appendix Exhibit A). The subdivision includes 203 residential lots accessed by paved roads with impressive views of the San Juan Mountains. The lots range in size from 1.5 acres to 8.5 acres with central water and sewer service provided by Pagosa Area Water and Sanitation District. About a third of the lots have houses which have been constructed or are in the process of being constructed. There are an estimated 81 homes constructed in Colorado's Timber Ridge with 35 occupied year round by full time residents. There is also a tract of 319.44 acres in Colorado's Timber Ridge which was platted as Timber Ridge Meadows. The plat was later vacated by order of the District Court in Archuleta County following litigation with the developer. It is likely the 319.44 acres will be developed at some point in the future as eight 35 acre parcels for residential use and one 35 acre parcel for recreational facilities. The total number of residential parcels in Colorado's Timber Ridge will be a maximum of 211 plus a parcel with a clubhouse and equestrian facility (known as the "Equestrian Center") which would be owned by the homeowners association. No further subdivision of platted lots is permitted. In addition to the residential lots, there are 19 tracts (Tracts A through S) in Phases 1 through 4 which are dedicated on the plats to the homeowners association as common properties. The developer recorded a Declaration of Protective Covenants, Conditions and Restrictions for Colorado's Timber Ridge on August 26, 1999 at Reception No. 99008651 in the office of the Clerk and Recorder for Archuleta County, Colorado (the "Declaration"). The Declaration establishes a framework for the development of Colorado's Timber Ridge.

B. COLORADO'S TIMBER RIDGE HOMEOWNERS ASSOCIATION. Colorado's Timber Ridge Homeowners Association (the "Association") is a nonprofit corporation established by the developer to maintain common properties, enforce the Declaration and generally oversee the development and operation of the Colorado's Timber Ridge community in accordance with the Declaration. Following careful analysis and a survey of the owners, the Board of Directors of the Association has determined that formation of a metropolitan district would be beneficial to the owners in Colorado's Timber Ridge. The Association has developed this Colorado's Timber Ridge Metropolitan District Service Plan ("Service Plan") in accordance with the Colorado's Special District Act, C.R.S. §32-1-101, *et seq.* (Special District Act").

C. COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT. After carefully reviewing the need for services, the availability of those services and through consultation with Archuleta County (the "County") officials, it has been determined that establishing a metropolitan district under the Special District Act, is the most effective and efficient manner of providing the necessary services at a reasonable cost for Colorado's Timber Ridge owners. The name of the district will be **Colorado's Timber Ridge Metropolitan**

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

District (the “District”), a quasi-municipal corporation and political subdivision of the State of Colorado with all the powers enumerated in the Special District Act. The District will be an independent local governmental entity and not a unit of the Archuleta County government. As required by the Special District Act, the County has authority to review the Service Plan and certain activities of the District. One of the primary purposes for organizing the District is to insure that the District can provide maintenance and repair for the asphalt roads and other services throughout the Colorado’s Timber Ridge community without burdening the County or County residents not residing within the District. The cost of those services will be paid by the property owners in the District through property taxes and other fees. The County and property owners outside of the District will not be impacted.

D. CONTENTS OF SERVICE PLAN. The Service Plan will provide the basis for the formation, operation and financial management of the District. This Service Plan will become a permanent record of the District and will serve to inform residents, property owners and the general public of the services expected to be offered by the District, the anticipated costs of such service and methods of funding such costs. The service plan includes engineering information and a financial analysis explaining how the facilities and services of the District can be provided and financed. A key component of the Service Plan is a financial plan which describes how the cost of maintaining, operating and replacing the improvements will be funded. Additional information is included which is required by the Special District Act.

E. MODIFICATION OF SERVICE PLAN. This Service Plan has been prepared with sufficient flexibility to enable the District to provide road services and facilities to meet the needs of Colorado’s Timber Ridge community under revolving circumstances. The cost estimates and the financial plan are sufficiently flexible to enable the District to provide the proposed services and facilities without the need for repeated amendments to the Service Plan. Material modifications will require formal modification of the Service Plan in accordance with the Special District Act. Such procedures include approval of the modification by the County.

F. BENEFITS. Establishment of the District will create several benefits for the inhabitants of the Colorado’s Timber Ridge community and the County. Those benefits include the perpetual operation and maintenance of public improvements by a public entity. In addition, this Service Plan shall insure that the cost of maintaining the public improvements required to serve Colorado’s Timber Ridge community shall be borne solely by those residents utilizing such improvements and not by the other residents of the County.

SECTION 2
PURPOSE OF AND NEED FOR THE PROPOSED DISTRICT

A. Purpose. It is the intent of this Service Plan to describe the creation and operation of the District which will provide for the acquisition, operation and maintenance of essential public improvements for the use and benefit of the anticipated inhabitants and taxpayers of real property within the boundaries of the District and to insure that the County and its other residents do not bear any financial burdens for Colorado's Timber Ridge. The proponents of this Service Plan acknowledge the need and their intent to cooperate with the County to promote the health, safety, prosperity, security and general welfare of the residents of the District and the County.

B. Need for District. No other existing governmental entities are located in the area surrounding the District which have the ability to acquire, operate and maintain the public improvements needed to provide these essential services within a reasonable time and on a comparable basis to that proposed herein. Currently road maintenance and park and recreation services are being provided by the Association. Although the Association has done a good job providing these services, it has not been able to establish adequate reserves for replacement. The Association has determined that the financial powers provided by law for the District would enable it to accumulate the needed reserves as well as providing quality maintenance on a more cost effective basis. The District also would have the ability to acquire funds for capital improvements on terms much more favorable than those available to the Association. A more detailed discussion of these financial advantages is set forth in the financial plan.

C. Power and Authority of District. The Special District Act enumerates the general powers and authority which a special district has to provide the services and facilities authorized by its service plan. This Service Plan contains certain limitations on the general powers and authority of the District, which the County and the proponents have determined are necessary and reasonable.

D. Specific Services and Facilities. The Special District Act requires that a metropolitan district provide two or more specific services. The services which the District shall have authority to provide are described in this section. The District will be authorized to provide the services described below but is not required to provide all facilities listed. Ultimately, the District will determine which improvements are necessary for Colorado's Timber Ridge and the community needs.

1. Street Improvement: The design, acquisition, installation, construction, operation and maintenance of street and roadway improvements for roads within the Districts and certain other roads providing access to the community, including but not limited to curbs, entry ornamentation, sidewalks, bridges, underpasses, emergency access streets, parking facilities, paving, lighting, sleeving, grading, landscaping, snow removal equipment, and other street

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

improvements, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities.

2. Parks and Recreation: The design, acquisition, installation, construction, operation and maintenance of public park and recreation facilities or programs including, but not limited to, swimming pools and spas, tennis courts, golf courses, exercise facilities, bike paths, hiking trails, pedestrian trails, equestrian trails and centers, picnic areas, skating areas and facilities, common area and right-of-way landscaping and irrigation, weed control, outdoor lighting of all types, community events and other facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems.

SECTION 3
BOUNDARIES; POPULATION AND ASSESSED VALUATION ESTIMATES

A. Boundaries. The boundary of the District will include all of the property in the Colorado's Timber Ridge community as shown on the official plats for Phases 1 through 4 in the office of the Clerk and Recorder of Archuleta County, Colorado plus the 319.44 acre parcel recorded. The complete legal description of the District is set forth on Appendix Exhibit B and is shown on the Boundaries are shown on Appendix Exhibit A. After the formation of the District, the inclusion of any property into and the exclusion of any property from the boundaries of the District shall be in accordance with the requirements of the Special District Act.

B. Population Estimates. The current year round population within the boundaries of the District is estimated at 70. There are some part time residents which can increase the population to 120. At full build-out the estimated population of the District would be 735 assuming all lots have homes with year round residents and an average of 3.5 persons per home.

C. Assessed Valuation. The current assessed valuation of Phases 1 through 4 Colorado's Timber Ridge subdivision is \$9,283,040. The County Assessor records indicate that 78 parcels in those Phases have improvements¹. The estimated actual values for parcels with improvements show a high of \$1,564,010 with an average value of \$631,588. The estimated actual values for unimproved land show a high of \$307,220 with an average of \$159,857. The 319.44 acre parcel has an assessed value of \$517,590 which includes an assessed valuation of \$54,400 for the clubhouse and horse stalls located on the property. Including the 319.44 acre parcel would bring the assessed total value of all property within the proposed boundaries of the District to \$9,800,630.

The recent economic problems have impacted values in the Colorado's Timber Ridge subdivision. Housing starts and lot sales have slowed considerably. However, that trend is slowly being reversed and continued long term growth is likely given the desirability of lots in communities like Colorado's Timber Ridge. The availability of well maintained roads and recreational opportunities which the District would provide should help attract new owners and encourage the construction of new homes.

¹ There are additional parcels with improvements which have not yet been added to the assessors roll.

**SECTION 4
ROADS**

A. INTRODUCTION. The most immediate need within the proposed District is to provide a financially sound method for developing reserve funds which will be adequate to replace the asphalt roads in Colorado Timber Ridge community. Road maintenance services are currently being provided by the Association. The Association levies assessments on each lot which provides funding for the services and programs of the Association, including road maintenance and repair. Although that service has generally been adequate, there are limitations. The formation of a District to provide road maintenance and replacement services will offer substantial benefits to owners and taxpayers in the District.

B. EXISTING ROAD SYSTEM. The existing road system within Colorado's Timber Ridge Phases 1 through 4 consists of 8.15 miles of asphalt paved roads and 0.5 miles of emergency gravel roads. No additional roads are proposed for the unplatted area. Large 35 acre parcels could be laid out for that area that would all be served by the existing roads. Attached as Appendix Exhibit C is a map showing the existing road system. The width of the roads, according to the Archuleta County road inventory, varies from 24-28 feet. There are no curb and gutters. Drainage ditches and culverts were designed and installed to provide adequate drainage for the roads. The roads were installed by the developer as part of the County requirements for subdivision approval, in a manner which is compatible with standards of the County.

The roads are generally in good repair although additional repairs are required each year. A summary of the current road maintenance expenses:

Sealing expenses:

24.4 feet wide roads x 5,280 feet per mile = 129,360 square feet (SF) per mile.
129,360 SF x 8 miles of paved roads = 1,034,880 SF
1,034,880 SF sealed once every 5 years = 206,976 SF per year
206,976 SF x \$ 0.15 per SF* = \$ 31,046 annual sealing expenses
*current cost

Other: About \$ 3,000 annually for crack filling expenses
Shoulder and ditch work ranges from \$ 2,000 - \$7,000 annually.

This means approximately \$40,000 is required annually to just maintain the roads system in its current state. There are also expenses for snowplowing, which vary each year. In 2012 the Association budgeted a total of \$12,000 for snowplowing.

C. RESERVES FOR REPLACEMENT. In addition to maintaining the road system, prudent fiscal planning requires the development of a long range plan for replacement of the

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

roads. Although seal coating prolongs the life of the roads, eventually a complete replacement is necessary and the costs are substantial. The Board of the Association has recognized this need and contracted with Association Reserve, Inc. to prepare a reserve fund study to determine what amount would be required to adequately establish capital reserves which would be needed to replace the roads in Colorado's Timber Ridge. A copy of the executive summary of the most recent reserve study is included in the Appendix as Exhibit D. The study, which was last updated in May of 2011, found that the Association's reserve fund was at 39.6% of recommended levels. According to the study, those associations with reserves which are funded at 30% or less are more likely to face large increases in dues, special assessments or deferred maintenance issues. The recommended monthly reserve contribution for 2012 was almost 3 times the 2011 contribution rate, an increase in assessment level that is not acceptable.

The financial tools and advantages of a special district will allow a more rapid increase in the reserve fund level than could be achieved by the Association. Here is a list of those financial advantages.

1. Highway User Trust Fund ("HUTF") distributions from the State of Colorado are not currently received by the County for the roads in Colorado's Timber Ridge subdivision. It will be possible to receive HUTF distributions once the District is formed because the roads in the District are dedicated to public use on the plats and will be ". . . open, used and maintained public highways" as required by statute for the receipt of HUTF distributions (see C.R.S. § 43-4-207(2)(b)). The District has discussed with County officials the development of an agreement for the pass through of these HUTF distributions to the District which are attributable to the roads within the District. Currently other metropolitan districts in the County have similar agreements. A draft of an agreement between the County and the District for the pass through of HUTF distributions attributable to the roads in the District is attached as Appendix Exhibit E. Based on currently HUTF funding levels, this would amount to approximately \$41,000 annually in revenue for road maintenance and reserves.

2. Specific ownership taxes are revenue received from motor vehicle licensing. This revenue is distributed among all local governments in the county that levy an ad valorem property tax. The amount will depend on the final mill levy established for the District and all other taxing entities in Archuleta County. This could mean approximately \$6,000 annually in additional revenue for road maintenance and reserves.

3. The availability of grants and low interest loans to the District would provide another funding opportunity that is not available to the Association. Instead of large special assessments which would be required if the Association needed to fund a major road project, the District could issue tax exempt bonds at low interest rates which could be repaid over 20 years.

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

4. For the owners in Colorado's Timber Ridge, there is an advantage to paying their share of the costs of these services through a tax deductible property tax rather than an assessment, thus enabling them to pay slightly less, depending on their individual tax situation.

5. All funds of the District are "public funds" as defined by statute and are required to be backed by approved securities under the provisions of the Public Deposit Protection Act. The reserve fund for the road system will accumulate tax free interest earnings in secure, protected deposits.

Section 5
PARKS AND RECREATION

A. INTRODUCTION. The most compelling need for service in Colorado's Timber Ridge is street improvement service including maintenance, repairs and replacement. However, the Association recognizes that continued growth within Colorado's Timber Ridge will increase the demand for parks and recreational amenities. While it may seem unnecessary to provide such amenities in an area like this, located near thousands of acres of public land on which recreational opportunities abound, the desire of home owners for such amenities within their neighborhood will increase as growth continues.

B. PARKS AND RECREATION FACILITIES. The Service Plan does not propose any immediate capital expenditures for parks and recreation. Once established, a special district is entitled to receive lottery funds which are placed in a Conservation Trust Fund to be used only for acquisition of parks and recreation facilities which are open to the public. The declaration specifically provides that all parks, recreational facilities and other amenities within Colorado's Timber Ridge are private, are not dedicated to the public and are for the use and enjoyment of Association members, their guests and lessees. At the present time, the Service Plan does not propose the development of any parks and recreation facilities which would be open to the public so the District would not be eligible to receive lottery funds.

There are several existing or proposed park and recreation facilities which the Association owns or will own. These include 19 parcels designated on the plats of Phases 1 through 4 as Tracts A through S. The language on the plats concerning these tracts is not clear on the use or purpose. The plat language merely provides that the tracts are "dedicated forever" to the Association. The Declaration provides that there are certain Common Areas or Common Properties which are defined as follows:

[A]ll real property in which the Association owns any interest for the common use and enjoyment of its members, as designated on the recorded plat. Such interest may include, without limitation, estates in fee, estates for a term of years, leasehold estates, parks or easements. Each and every Common Property may have a restricted use or enjoyment and may be designated for a specific use for such Common Properties.

The developer of Colorado's Timber Ridge constructed improvements on the unplatted portion of the development which are identified in the Declaration and on the vacated plat of phases 5-8 as the "Equestrian Center". Those improvements include a 15 stall open barn and a 2,232 square foot clubhouse. It was always represented that those facilities would be transferred to the Association. An attempt by the developer to sell the facilities to a private party triggered the litigation that resulted in the court order vacating the Timber Ridge Meadows plat of Phases 5

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

through 8. The Association is in the process of acquiring the Equestrian Center and other tracts in the unplatted portion of Colorado's Timber Ridge.

It is anticipated that the Association will enter into one or more agreements with the District to provide for the transfer, maintenance and development of parks and recreational facilities like the Equestrian Center and trails in Colorado's Timber Ridge for the Common Properties and other properties acquired by the Association. As was noted in the section on roads, the District provides a broader range of financial tools and benefits which are not available to the Association. This will help provide a more cost effective method of financing the needs for parks and recreational facilities.

C. COSTS. The Service Plan does not include any proposed capital costs for park and recreational amenities. There have been discussions about developing walking and riding trails throughout the Common Properties. A plan for such improvements would need to be presented to the owners through public meetings and printed materials. The plan would need to describe the improvements, the anticipated cost and a funding mechanism.

Section 6
OPERATING EXPENSES AND REVENUES

A. INTRODUCTION. This section of the Service Plan will analyze the operation and maintenance costs and revenues for the proposed district. As required by the Act, the first full year operating budget for the proposed district when tax revenue would be received (2014) is attached as Appendix Exhibit F in the appendix. Property tax revenues will not be available until 2014 since the statutes do not permit a special district to levy a tax in the year of its organization unless the organization is completed prior to July 1. Once organized, the District will be required to adopt an annual budget in accordance with the Local Government Budget Law (C.R.S. 29-1-101 *et seq.*). The actual date on which the district is organized is uncertain and so no attempt has been made estimate revenues and expenditures during the year of formation. Archuleta County has indicated a willingness to assist with the transition for the new district.

B. EXPENSES. The expenses for the proposed district are divided into three primary categories - administration, operating and capital expenditures. Administration expenses include accounting and auditing, insurance, office and professional expenses for attorneys, engineers and others. These estimates are purposely high and also reflect higher administrative costs in the first year of operation as the District gets organized. Once the district is operating smoothly, it may not require the same level of administrative expenditures. In recent years, Association administration expenses, not including attorney fees for litigation, have been in the \$12,000 range so the proposed district will be able to operate at or below the current level. The Association will continue to incur some administrative expenses. The amount will be dependent on what services it provides after organization of the District.

The estimates of operating expenses for road maintenance are based on the experience of the Association. Obviously, one of the largest variables in road maintenance is the cost of snow plowing, which is dependent on the severity of the winter. The balance between snow plowing and grading can be shifted depending on need. It is the intent of the organizers that the District, at least in the early years, will contract out all road maintenance services. The board of Directors of the District may determine at some point that acquiring its own equipment and utilizing its own employee(s) is preferable.

The third general category of expenses in the general fund budget is for capital improvements. As noted earlier in the service plan, there is no present plan for capital expenses however as the Reserve Study shows there will be capital expenditures required in the future to reconstruct the roads (see Table 1 in the Executive Summary of the Reserve Study).

C. REVENUES. The general fund will have two primary sources of revenue. A general property tax levy of 9 mills will produce tax revenues of \$88,206 based on the current assessed valuation in the District of \$9,800,630. By the time the first mill levy is actually imposed for the

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

tax year 2013, payable in 2014, the assessed value could be higher with the construction of additional homes and the appreciation in property values for unimproved lots.

The organizers of the District believe that the mill levy provides a more equitable manner of allocating the costs for services. The owner of an average home in Colorado's Timber Ridge will pay approximately \$452 annually in property taxes based on an average market value of improved parcels of \$631,588. Unimproved vacant lots will pay an average of \$417 based on an average market value for vacant lots of \$159,857. This amount represents a substantial savings from the current assessment for the owners of both improved and unimproved parcels .

A second source of revenue will be Highway User Trust Funds (HUTF) distributions which are divided among the state, the counties and the municipalities in Colorado based on a complex formula that includes factors such as mileage of maintained roads. HUTF distributions are to be used solely for the maintenance and improvement of public roads. The Board of County Commissioners of Archuleta County has entered into Public Highway Maintenance Agreements with all metropolitan districts in the County. Under these agreements, the County receives HUTF revenue for the miles of roads within the district and then pays those funds to the district. In return, the district agrees to maintain the roads within their jurisdiction and acknowledges that the County has no maintenance responsibility. The agreements also include an acknowledgment by the districts that HUTF distributions alone may not be adequate to maintain the roads within the district so additional sources of revenue will need to be developed. A copy of a proposed agreement with the Board of County Commissioners of Archuleta County is included as Exhibit F in the Appendix. The County has encouraged the formation of districts within subdivisions such as Colorado's Timber Ridge to assume road maintenance responsibility and has approved identical agreements for all other metropolitan district in the County, so approval of a similar agreement with the District seems likely. The estimated amount of HUTF revenue is based on 94.30 adjusted lane miles of finished, maintained roads in Colorado's Timber Ridge.

The District may receive small amounts of revenue from other sources. Any taxing authority that levies an ad valorem property tax also receives a share of specific ownership taxes collected by the county. Specific ownership taxes are paid by the owners of motor vehicles, trailers and the like at the time of licensing and registration. The money collected is then divided by the county treasurer among all taxing entities based on a percentage determined by dividing the prior year's ad valorem tax for each entity by the total ad valorem taxes for all taxing entities in the county. Based on the 2011 Archuleta County Abstract of Assessment, the proposed taxes for Colorado's Timber Ridge Metropolitan District would be 0.455% of the total taxes for Archuleta County. The total amount of specific ownership taxes received by all taxing entities in the County in 2011 was \$1,374,364.29, so the District's share would have been \$6,253.

One of the primary benefits in the formation of the District is to provide mechanisms for the more rapid development of reserves for replacement of the road system than could be achieved by the Association. The Association and the District are expected to negotiate agreements for

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

the transfer of money and property to the District. The District can sell property and then invest the proceeds and other moneys in the reserve fund to provide additional sources of revenue. Because of financial tools available to the District which are not available to the Association, the District will be able to increase the value of the reserve fund more rapidly. The interest estimates in the budget are based on the anticipated market values of the properties that could be transferred and tax free interest earnings at today's rates.

D. ORGANIZATIONAL COSTS. There are certain costs associated with the organization of a metropolitan district. Those costs include professional fees, printing, publication, postage, and miscellaneous expenses. The Association has provided initial funding for the development of the Service Plan and will fund the organizational expenses. The Association does not intend to seek reimbursement of organizational costs from the district once formed. Therefore it is not necessary to include a detailed estimate or analysis of those costs.

Section 7
ANNUAL REPORT

In accordance with the requirements of C.R.S. § 32-1-207(3)(d), the Districts shall be responsible for submitting a written annual report to the County no later than June 30 of each year following the year of formation. The annual report shall include information as to the any of the following events that occurred during the preceding calendar year:

- A. Boundary changes made or proposed.
- B. Intergovernmental Agreements with other governmental entities entered into or proposed.
- C. Changes or proposed changes in the District' policies, rules and regulations.
- D. Changes or proposed changes in the District's operations.
- E. Any changes in the financial status of the District including revenue projections or operating costs.
- F. A summary of any litigation which involves the District.
- G. Proposed plans for the year immediately following the year summarized in the annual report.
- H. A list of all facilities and improvements constructed by the District.
- I. Summary of current assessed valuation in the District.
- J. A copy of the budget for the current year as filed with the Division of Local Government.
- K. A copy of the District's audit for the preceding year as filed with the State Auditor.
- L. Any defaults or anticipated defaults in the repayment of indebtedness or in the performance of any other obligations, contracts or agreements of the District.

The annual report provided for herein is intended to be a summary of significant events affecting the Districts during the prior year. Since such reporting could occur more than a year after a significant event occurs which should be reported to the County on a timelier basis, any event described under L above shall be reported in writing to the County prior to the occurrence if

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

possible but in any event no later than 10 days after the occurrence or discovery of such event. Any other significant events which may have a material adverse impact on the Districts shall be reported in writing to the County within 10 days of the occurrence or discovery of such event.

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT SERVICE PLAN

Section 8 CONCLUSION

It is submitted that this Service Plan for the District, as required by § 32-1-203(2), C.R.S., as amended, has established that:

- (a) There is sufficient existing and projected need for organized service in the area to be serviced by the District;
- (b) The existing service in the area to be served by the District is inadequate for present and projected needs;
- (c) The District is capable of providing economical and sufficient service to the area within its proposed boundaries;
- (d) The area to be included in the District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;
- (e) Adequate service is not, and will not be, available to the area through the County, or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis;
- (f) The facility and service standards of the District are compatible with the facility and service standards of the County;
- (g) The proposal is in substantial compliance with a master plan adopted pursuant to § 30-28-108, C.R.S.;
- (h) The proposal is in compliance with any duly adopted county, regional, or state long-range water quality management plan for the area; and
- (i) The creation of the District is in the best interests of the area proposed to be served.

Therefore, it is requested that the Board of County Commissioner of Archuleta County, which has jurisdiction to approve this Service Plan by virtue of § 32-1-201, C.R.S., *et seq.*, as amended, adopt a resolution which approves this Service Plan for the District as submitted.

Respectfully submitted

Floyd L. Smith, Esq.
Counsel for the Organizers

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT

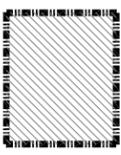
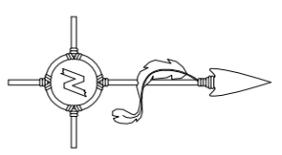
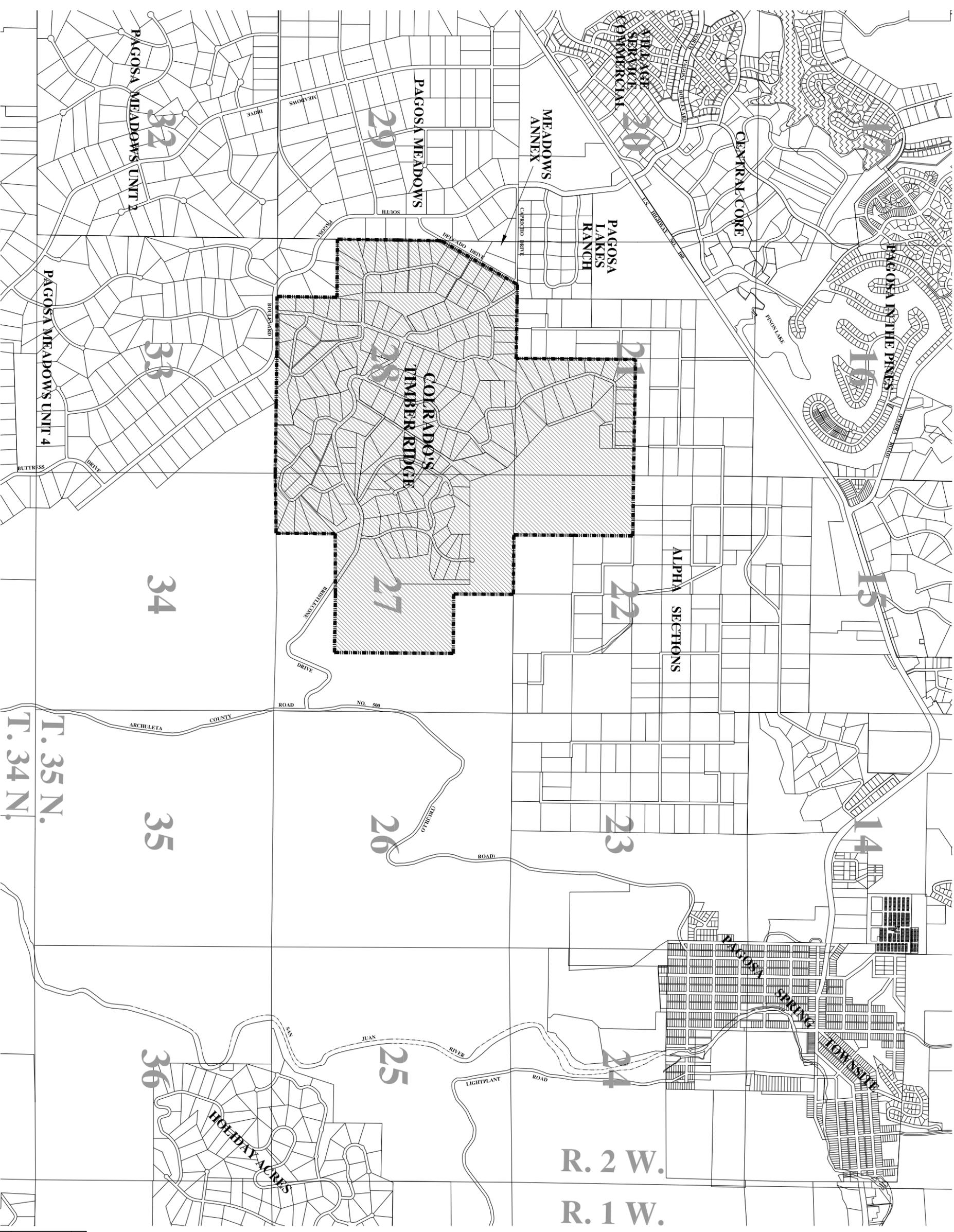
Appendix List

- Exhibit A Vicinity and Boundary Map
- Exhibit B Legal Description of Boundaries
- Exhibit C Road System
- Exhibit D Reserve Fund Study
- Exhibit E Agreement for Public Highway Maintenance
- Exhibit F Sample 2014 Budget

EXHIBIT A

VICINITY AND BOUNDARY MAP

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT



| REVISIONS | | MAP OF | |
|---------------------------------|-----|--|------------|
| DATE | BY | DESCRIPTION | SCALE |
| 07/12/12 | DLM | DAVIS ENGINEERING SERVICE, INC. | 1" = 1000' |
| | | 1000 S. 2ND ST. SUITE 100 | |
| | | PAGOSA SPRING, COLORADO 81147 | |
| | | PHONE: (970) 264-5065 | |
| | | FAX: (970) 264-9210 | |
| COLORADO'S Timber Ridge, P.O.A. | | COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT LOC. IN SECTIONS 21, 22, 27 & 28, T. 34 N., R. 2 W., N.M.P.M., ARCHULETA COUNTY, COLORADO | |
| | | DESIGNED BY | DLM |
| | | DRAWN BY | DLM |
| | | PROJECT NO. | P06195 |

EXHIBIT B

LEGAL DESCRIPTION OF BOUNDARIES

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT

LEGAL DESCRIPTION

All of the following described property located in the County of Archuleta, State of Colorado:

All property described on the Colorado's Timber Ridge Phase One Final Plat recorded August 26, 1999 at Reception Number 99008647 in the office of the Clerk and Recorder for Archuleta County, Colorado; and

All property described on the Colorado's Timber Ridge Phase Two final Plat recorded December 5, 2000 at Reception Number 2011528 in the office of the Clerk and Recorder for Archuleta County, Colorado; and

All property described on the Colorado's Timber Ridge Phase Three Final Plat recorded December 4, 2001 at Reception Number 20110833 in the office of the Clerk and Recorder for Archuleta County, Colorado; and

All property described on the Colorado's Timber Ridge Phase Four Final Plat recorded December 19, 2002 at Reception Number 20212644 in the office of the Clerk and Recorder for Archuleta County, Colorado; and

A tract of land located in Section 22, 27 and 28, Township 35 North, Range 7 West, N.M.P.M. containing 319.44 acres, identified as Archuleta County Assessor Parcel No. 569928100002.

EXHIBIT C
ROAD SYSTEM

COLORADO'S TIMBER RIDGE RANCH

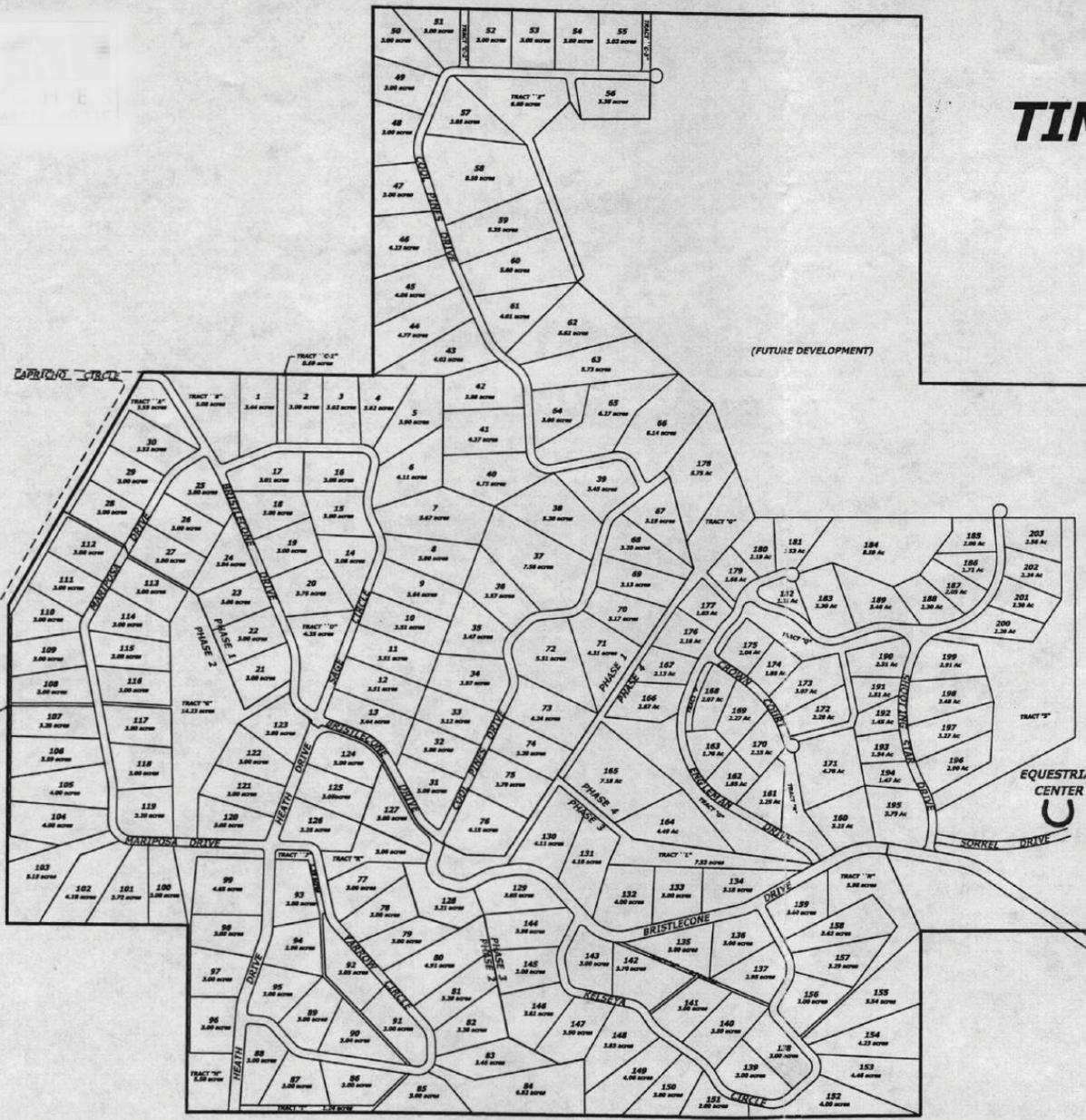


0 400 800
SCALE: 1"=800'

(FUTURE DEVELOPMENT)

EQUESTRIAN
CENTER

TO TRUDELO ROAD



PLANNED BY: [unreadable]
DESIGNED BY: [unreadable]

EXHIBIT D
RESERVE FUND STUDY

3- Minute Executive Summary

Association: Colorado Timber Ridge HOA **Assoc. #:** 14624-1
Location: Pagosa Springs, CO
of Units: 203
Report Period: January 1, 2012 through December 31, 2012

Results

| | |
|---|------------------|
| Projected Starting Reserve Balance: | \$285,718 |
| Fully Funded Reserve Balance: | \$722,167 |
| Average Reserve Deficit (Surplus) Per Unit: | \$2,150 |
| Percent Funded: | 39.6% |
| Recommended 2012 monthly Reserve Contribution: | \$9,850 |
| Recommended Special Assessment this year: | \$0 |
| Most Recent Reserve Contribution Rate: | \$3,553 |

Economic Assumptions:

Net Annual “After Tax” Interest Earnings Accruing to Reserves.....**0.95%**
Annual Inflation Rate**3.00%**

- This is an “Update With-Site-Visit” Reserve Study, based on a prior Report prepared by Association Reserves for your 2007 Fiscal Year. The information in this Reserve Study is based on our site inspection on May 3, 2011.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is above 30% at 39.6% Funded, this represents a mid-range. In perspective, associations 70% funded and above are less likely to experience any financial risk. Whereas, associations 30% funded and below are more likely to experience large increase to dues, special assessments or deferred maintenance issues. Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or “Fully Funded”.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions.

- **Minimum threshold amount was set at \$5,000.00 to segregate Reserve Study components to be included in the study from operational expenses.**
- **Sealing work and cycles are based on areas (roads) deteriorating at different rates; which may not be consistent with the chronological age of the road when it was installed. Therefore, roads grouped for mill and overlay work are not grouped similarly with sealing work. Please keep this in mind when reviewing the Photographic Inventory Report.**
- **Currently, the club house and stables are not included in this report. We recommend updating the Reserve Study to reflect any changes in shifting those components back to the HOA's responsibility. As a courtesy to the board, a supplemental analysis is included to show a 'what if' scenario if those components were included as part of the HOA's responsibility.**

| # | Component | Useful Life (yrs) | Rem. Useful Life (yrs) | Current Average Cost | Future Average Cost |
|------|------------------------------------|-------------------|------------------------|----------------------|---------------------|
| 201 | Asphalt/Primary - Mill/Overlay | 30 | 18 | \$454,400 | \$773,586 |
| 201 | Asphalt/Secondary 1 - Mill/Overlay | 30 | 20 | \$955,200 | \$1,725,197 |
| 201 | Asphalt/Secondary 2 - Mill/Overlay | 30 | 24 | \$136,000 | \$276,460 |
| 201 | Asphalt/Tertiary 1 - Mill/Overlay | 30 | 20 | \$151,400 | \$273,445 |
| 201 | Asphalt/Tertiary 2 - Mill/Overlay | 20 | 24 | \$382,400 | \$777,340 |
| 202 | Asphalt 1 - Seal Coat | 5 | 0 | \$76,200 | \$88,337 |
| 202 | Asphalt 2 - Seal Coat | 5 | 2 | \$44,000 | \$46,680 |
| 202 | Asphalt 3 - Seal Coat | 5 | 4 | \$28,800 | \$32,415 |
| 202 | Asphalt 4 - Seal Coat | 5 | 1 | \$30,600 | \$31,518 |
| 203 | Asphalt - Crack Filler/Sealant | 1 | 0 | \$5,000 | \$5,150 |
| 1311 | Culverts - Repair | 1 | 0 | \$5,000 | \$5,150 |
| 1403 | Monument Sign - Refurbish | 10 | 4 | \$2,500 | \$2,814 |
| 12 | Total Funded Components | | | | |

Note: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

EXHIBIT D-1

RESERVE FUND STUDY

Update "With-Site-Visit" Reserve Study

May 31, 2011

Colorado Office
3578 Hartsel Drive #E338
Colorado Springs, CO 80920

TEL 877/344-8868
303/394-9181
FAX 303/394-9014
www.reservestudy.com



Corporate Office
Calabasas, CA
Regional Offices
Phoenix, AZ
Orange County, CA
San Diego, CA
San Francisco, CA
Kailua-Kona, HI
Las Vegas, NV
Seattle, WA

Update “With-Site-Visit” Reserve Study



Colorado Timber Ridge HOA **Pagosa Springs, CO**

Report #: 14624-1
For Period Beginning: January 1, 2012
Ending: December 31, 2012

Date Prepared: May 31, 2011

Hello, and welcome to your Reserve Study!

This Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

With respect to Reserves, this Report will tell you “where you are”, and “where to go from here”.

In this Report, you will find...

- 1) A List of What you’re Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

More Questions?

Visit our website at www.ReserveStudy.com or call us at:

877/344-8868



Table of Contents

| | |
|---|-----------------|
| Executive Summary | i |
| Reserve Study Summary | i |
| Reserve Component List – Table 1 | iii |
| Introduction, Objectives, and Methodology..... | 1 |
| Which Physical Assets are Covered by Reserves?..... | 2 |
| How are Useful Life and Remaining Useful Life established?..... | 2 |
| How are Cost Estimates Established? | 2 |
| How much Reserves are enough? | 3 |
| How much should we contribute? | 3 |
| What is our Funding Goal?..... | 4 |
| Site Inspection..... | 5 |
| Projected Expenses | 7 |
| Expense Graph – Figure 1 | 7 |
| Reserve Fund Status & Recommended Funding Plan | 8 |
| Funding Plan Graph – Figure 2..... | 8 |
| Cash Flow Graph – Figure 3 | 9 |
| % Funded Graph – Figure 4..... | 9 |
| Table Descriptions..... | 10 |
| Reserve Component List Detail – Table 2..... | 11 |
| Contribution & Fund Breakdown – Table 3 | 12 |
| 30 Year Reserve Plan Summary – Table 4 | 13 |
| 30 Year Reserve Plan Year by Year Detail – Table 5 | 14 |
| Accuracy, Limitations, and Disclosures | 20 |
| Terms and Definitions | 21 |
| Photographic Inventory..... | Appendix |

3- Minute Executive Summary

Association: Colorado Timber Ridge HOA **Assoc. #:** 14624-1
Location: Pagosa Springs, CO
of Units: 203
Report Period: January 1, 2012 through December 31, 2012

Results

| | |
|---|------------------|
| Projected Starting Reserve Balance: | \$285,718 |
| Fully Funded Reserve Balance: | \$722,167 |
| Average Reserve Deficit (Surplus) Per Unit: | \$2,150 |
| Percent Funded: | 39.6% |
| Recommended 2012 monthly Reserve Contribution: | \$9,850 |
| Recommended Special Assessment this year: | \$0 |
| Most Recent Reserve Contribution Rate: | \$3,553 |

Economic Assumptions:

Net Annual “After Tax” Interest Earnings Accruing to Reserves.....0.95%
Annual Inflation Rate3.00%

- This is an “Update With-Site-Visit” Reserve Study, based on a prior Report prepared by Association Reserves for your 2007 Fiscal Year. The information in this Reserve Study is based on our site inspection on May 3, 2011.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is above 30% at 39.6% Funded, this represents a mid-range. In perspective, associations 70% funded and above are less likely to experience any financial risk. Whereas, associations 30% funded and below are more likely to experience large increase to dues, special assessments or deferred maintenance issues. Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or “Fully Funded”.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions.

- **Minimum threshold amount was set at \$5,000.00 to segregate Reserve Study components to be included in the study from operational expenses.**
- **Sealing work and cycles are based on areas (roads) deteriorating at different rates; which may not be consistent with the chronological age of the road when it was installed. Therefore, roads grouped for mill and overlay work are not grouped similarly with sealing work. Please keep this in mind when reviewing the Photographic Inventory Report.**
- **Currently, the club house and stables are not included in this report. We recommend updating the Reserve Study to reflect any changes in shifting those components back to the HOA's responsibility. As a courtesy to the board, a supplemental analysis is included to show a 'what if' scenario if those components were included as part of the HOA's responsibility.**

| # | Component | Useful Life (yrs) | Rem. Useful Life (yrs) | Current Average Cost | Future Average Cost |
|------|------------------------------------|-------------------|------------------------|----------------------|---------------------|
| 201 | Asphalt/Primary - Mill/Overlay | 30 | 18 | \$454,400 | \$773,586 |
| 201 | Asphalt/Secondary 1 - Mill/Overlay | 30 | 20 | \$955,200 | \$1,725,197 |
| 201 | Asphalt/Secondary 2 - Mill/Overlay | 30 | 24 | \$136,000 | \$276,460 |
| 201 | Asphalt/Tertiary 1 - Mill/Overlay | 30 | 20 | \$151,400 | \$273,445 |
| 201 | Asphalt/Tertiary 2 - Mill/Overlay | 20 | 24 | \$382,400 | \$777,340 |
| 202 | Asphalt 1 - Seal Coat | 5 | 0 | \$76,200 | \$88,337 |
| 202 | Asphalt 2 - Seal Coat | 5 | 2 | \$44,000 | \$46,680 |
| 202 | Asphalt 3 - Seal Coat | 5 | 4 | \$28,800 | \$32,415 |
| 202 | Asphalt 4 - Seal Coat | 5 | 1 | \$30,600 | \$31,518 |
| 203 | Asphalt - Crack Filler/Sealant | 1 | 0 | \$5,000 | \$5,150 |
| 1311 | Culverts - Repair | 1 | 0 | \$5,000 | \$5,150 |
| 1403 | Monument Sign - Refurbish | 10 | 4 | \$2,500 | \$2,814 |
| 12 | Total Funded Components | | | | |

Note: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Introduction

A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

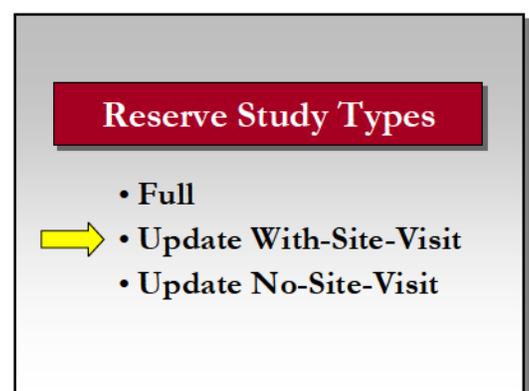
In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association's Reserve Fund Strength (measured as "Percent Funded"), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.



As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own "fair share" of ongoing common area deterioration.

Methodology

First we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan. For this "Update With-Site-Visit" Reserve Study, we started with a review of your prior Reserve Study, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs. Reserves), and research into any well-established association precedents. We performed an on-site inspection to evaluate your common areas, updating and adjusting your Reserve Component List as appropriate.



Which Physical Assets are Covered by Reserves?

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a “surprise” which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost. This limits Reserve

Reserve Components

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

Components to major, predictable expenses. Within this framework, it is inappropriate to include “lifetime” components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

How are Useful Life and Remaining Useful Life established?

- 1) Visual Inspection (observed wear and age since last report)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

How are Cost Estimates Established?

Financial projections are based on the average of our Best Case and Worst Case estimates, which are established in this order...

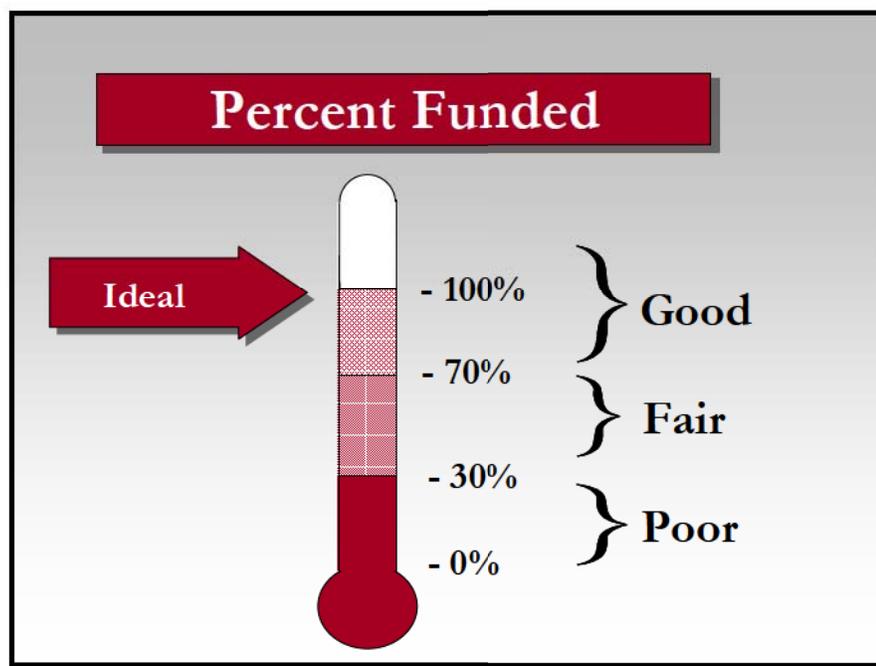
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

- 1) Calculate the association's Fully Funded Balance (FFB).
- 2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% -130% range is considered "strong" because in this range cash flow problems are rare.

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

How much should we contribute?

There are four Funding Principles that we balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their “fair share” of the association’s Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and “safe” for Board members to recommend to their association.

Funding Principles

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

What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called “Full Funding” the Reserves (100% Funded). As each asset ages and becomes “used up”, the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

Funding Goals

- Full Funding
- Threshold Funding
- Baseline Funding

Site Inspection Notes

During our site visit on May 3, 2011, we started with a brief meeting with Bob Milford – President, Ivo Brieven – Chairman of the Road/Maintenance Committee, and Mike Ward – Member of the Road/Maintenance Committee. We then started the site inspection beginning with the roads. We visually inspected the roads, and were able to see all areas.

Based on our observations and research, we recommend the following:

Most roads are exhibiting signs of longitudinal cracking (center or edge – parallel to the road), block cracking, and transverse (some may be cold joint) cracks. We recommend engaging an engineer to determine if cracks are working or non-working cracks; which will determine type of material, filler or sealant to use.

We recommend crack filler/sealant work be performed on a yearly basis. Mitigating subsurface moisture is critical in ensuring the pavement remains intact and reducing structural damage. Timing, on when the cracks should be repaired (month – season), and preparation is critical in the longevity and expectations of how long the repairs will be effective.

Areas of edge cracking were noted. Shoulder should be maintained and graded properly. We recommend the engineer review and recommend specific requirements to ensure the shoulder supports the pavement and ensures proper drainage.

The recommendation of engaging an engineer is based on the fact the single largest expense the community faces are the roads. Engaging an engineer that can recommend specific materials, designs, and procedures with no financial incentive (performing the work) will be a benefit to the community. By obtaining specific recommendations from the engineer, (materials, procedures, designs) the community benefits by ensuring all vendors are bidding the same scope of work.

We used the following resources to form our recommendation.

CDOT 2011 Design Pavement Manual

CDOT 2005 Chapter 4 Cross Section Elements (shoulder design)

Federal Highway Administration - FHWA Report No. FHWA-RD-99-147
(Materials and Procedures for Sealing and Filling Cracks in Asphalt
Surfaced Pavements - Manual of Practice)



Projected Expenses

The figure below shows the array of the projected future expenses at your association. This figure clearly shows the near term and future expenses that your association will face. Note the large expense in approximately 2032, made up primarily of asphalt pavement mill/overlay and sealing expenses.

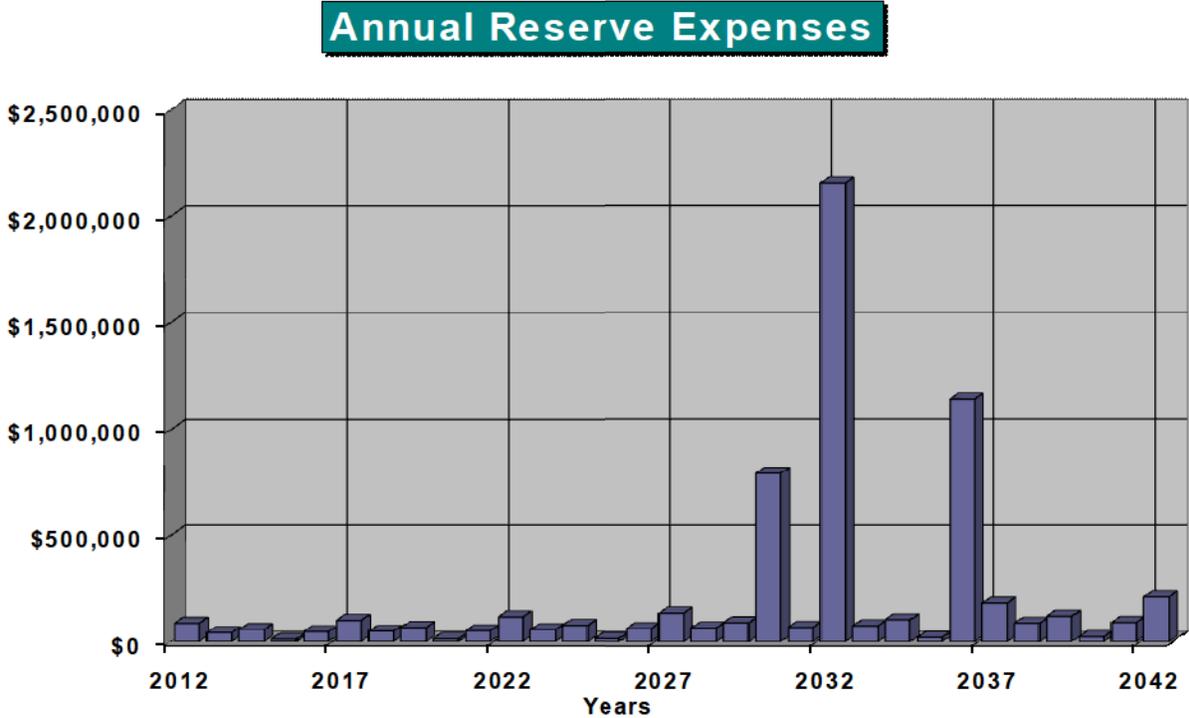


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$285,718 as-of the start of your Fiscal Year on January 1, 2012. This is based on your actual balance on 12/31/2010 of \$279,063.00 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of January 1, 2012, your Fully Funded Balance is computed to be \$722,167 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 40% Funded. As indicated earlier in the Executive Summary, this represents a mid-range status.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$9,850/month this Fiscal Year. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

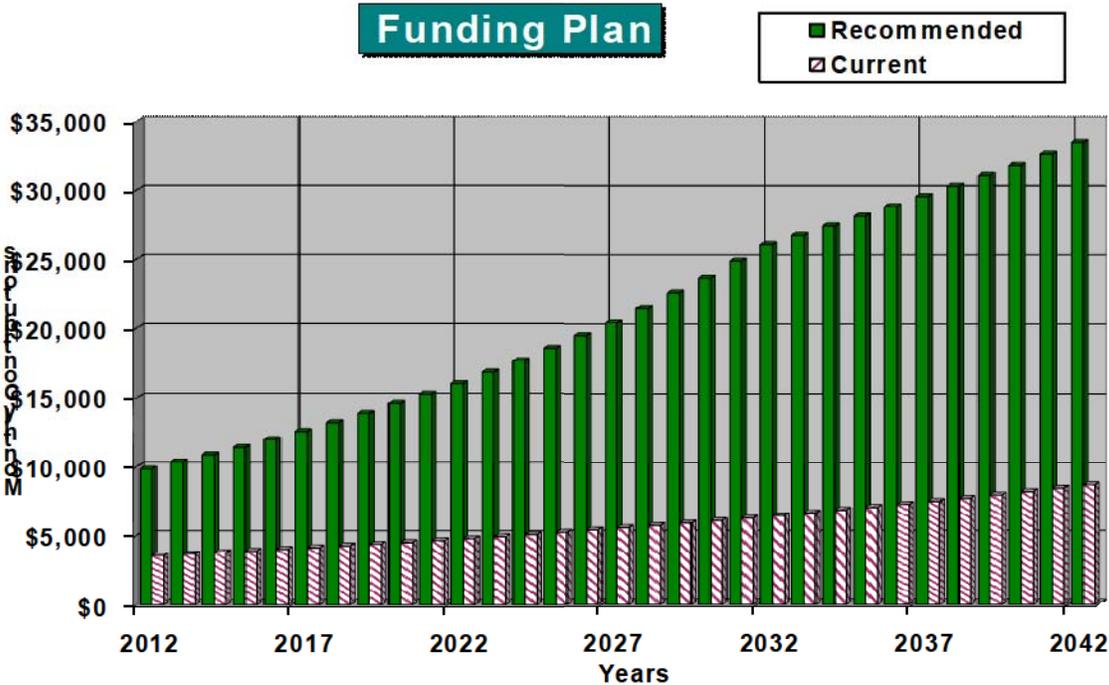


Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

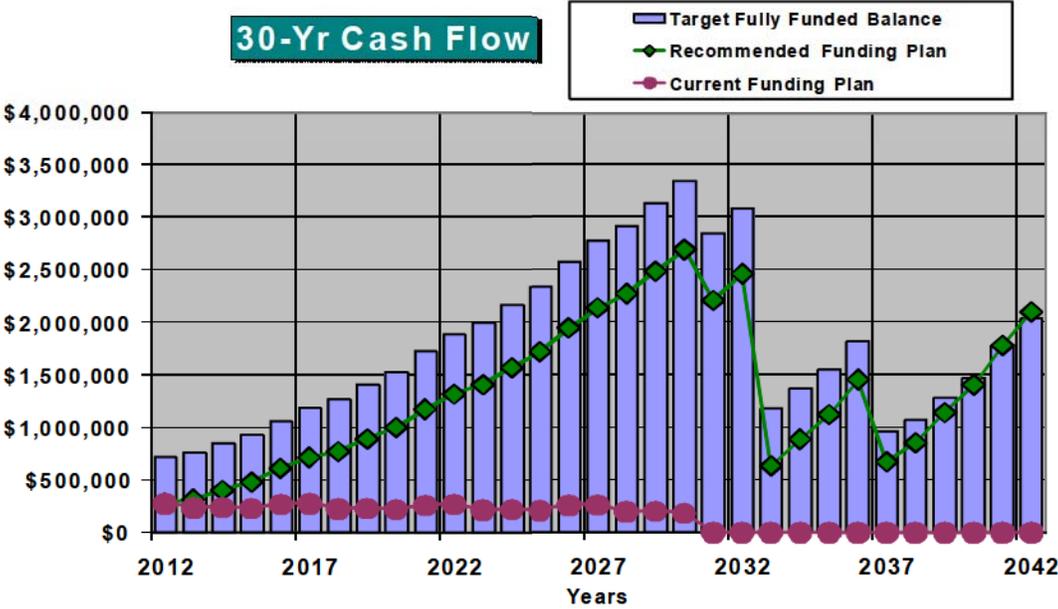


Figure 3

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

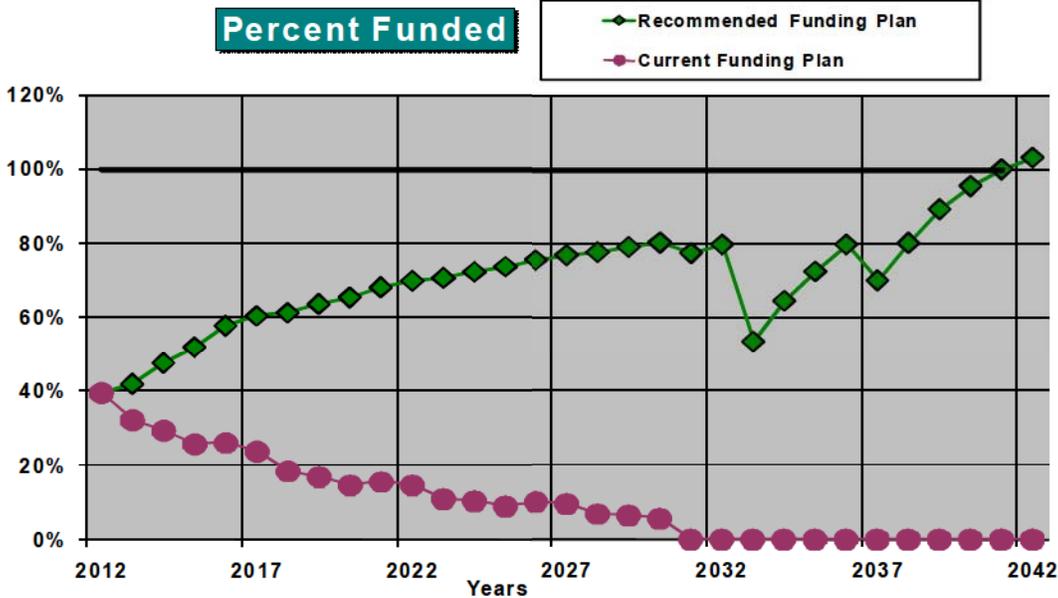


Figure 4

Table Descriptions

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary page. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is underfunded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

Table 2: Reserve Component List Detail**14624-1**

| # | Component | Quantity | Use ful Life | Rem. Useful Life | Best | Current |
|------|------------------------------------|---------------------|--------------------|------------------------|-----------|---------------|
| | | | | | Cost | Worst Cost |
| 201 | Asphalt/Primary - Mill/Overlay | Apprx 224,400 GSF | 30 | 18 | \$403,900 | \$504,900 |
| 201 | Asphalt/Secondary 1 - Mill/Overlay | Apprx 471,700 GSF | 30 | 20 | \$849,100 | \$1,061,300 |
| 201 | Asphalt/Secondary 2 - Mill/Overlay | Apprx 67,175 GSF | 30 | 24 | \$120,900 | \$151,100 |
| 201 | Asphalt/Tertiary 1 - Mill/Overlay | Apprx 74,775 GSF | 30 | 20 | \$134,600 | \$168,200 |
| 201 | Asphalt/Tertiary 2 - Mill/Overlay | Apprx 188,825 GSF | 20 | 24 | \$339,900 | \$424,900 |
| 202 | Asphalt 1- Seal Coat | Apprx 435,600 GSF | 5 | 0 | \$65,300 | \$87,100 |
| 202 | Asphalt 2- Seal Coat | Apprx 251,650 GSF | 5 | 2 | \$37,700 | \$50,300 |
| 202 | Asphalt 3 - Seal Coat | Apprx 174,875 GSF | 5 | 4 | \$24,700 | \$32,900 |
| 202 | Asphalt 4 - Seal Coat | Apprx 164,700 GSF | 5 | 1 | \$26,200 | \$35,000 |
| 203 | Asphalt - Crack Filler/Sealant | Apprx 1,026,875 GSF | 1 | 0 | \$4,000 | \$6,000 |
| 1311 | Culverts - Repair | Numerous Culverts | 1 | 0 | \$4,000 | \$6,000 |
| 1403 | Monument Sign - Refurbish | (1) Monument Sign | 10 | 4 | \$2,000 | \$3,000 |
| 12 | Total Funded Components | | | | | |

Table 3: Contribution and Fund Breakdown**14624-1**

| # | Component | Useful Life | Rem. Useful Life | Current (Avg) Cost | Fully Funded Balance | Current Fund Balance | Reserve Contributions |
|------|------------------------------------|-------------|------------------|--------------------|----------------------|----------------------|-----------------------|
| 201 | Asphalt/Primary - Mill/Overlay | 30 | 18 | \$454,400 | \$181,760 | \$141,378.00 | \$1,452.20 |
| 201 | Asphalt/Secondary 1 - Mill/Overlay | 30 | 20 | \$955,200 | \$318,400 | \$0.00 | \$3,052.70 |
| 201 | Asphalt/Secondary 2 - Mill/Overlay | 30 | 24 | \$136,000 | \$27,200 | \$0.00 | \$434.64 |
| 201 | Asphalt/Tertiary 1 - Mill/Overlay | 30 | 20 | \$151,400 | \$50,467 | \$0.00 | \$483.86 |
| 201 | Asphalt/Tertiary 2 - Mill/Overlay | 20 | 24 | \$382,400 | \$0 | \$0.00 | \$0.00 |
| 202 | Asphalt 1- Seal Coat | 5 | 0 | \$76,200 | \$76,200 | \$76,200.00 | \$1,461.15 |
| 202 | Asphalt 2- Seal Coat | 5 | 2 | \$44,000 | \$26,400 | \$26,400.00 | \$843.71 |
| 202 | Asphalt 3 - Seal Coat | 5 | 4 | \$28,800 | \$5,760 | \$5,760.00 | \$552.25 |
| 202 | Asphalt 4 - Seal Coat | 5 | 1 | \$30,600 | \$24,480 | \$24,480.00 | \$586.76 |
| 203 | Asphalt - Crack Filler/Sealant | 1 | 0 | \$5,000 | \$5,000 | \$5,000.00 | \$479.38 |
| 1311 | Culverts - Repair | 1 | 0 | \$5,000 | \$5,000 | \$5,000.00 | \$479.38 |
| 1403 | Monument Sign - Refurbish | 10 | 4 | \$2,500 | \$1,500 | \$1,500.00 | \$23.97 |
| 12 | Total Funded Components | | | | \$722,167 | \$285,718 | \$9,850 |

Table 4: 30-Year Reserve Plan Summary

14624-1

Fiscal Year Beginning: 01/01/12

| | | | |
|------------------|-------------|-------------------|-------------|
| Interest: | 1.0% | Inflation: | 3.0% |
|------------------|-------------|-------------------|-------------|

| Year | Starting Reserve Balance | Fully Funded Balance | Percent Funded | Rating | Annual Reserve Contribs. | Loans or Special Assmts | Interest Income | Projected Reserve Expenses |
|------|--------------------------|----------------------|----------------|--------|--------------------------|-------------------------|-----------------|----------------------------|
| 2012 | \$285,718 | \$722,167 | 39.6% | Fair | \$118,200 | \$0 | \$2,879 | \$86,200 |
| 2013 | \$320,597 | \$760,864 | 42.1% | Fair | \$124,110 | \$0 | \$3,452 | \$41,818 |
| 2014 | \$406,340 | \$849,611 | 47.8% | Fair | \$130,316 | \$0 | \$4,225 | \$57,289 |
| 2015 | \$483,593 | \$928,355 | 52.1% | Fair | \$136,831 | \$0 | \$5,215 | \$10,927 |
| 2016 | \$614,712 | \$1,060,582 | 58.0% | Fair | \$143,673 | \$0 | \$6,329 | \$46,484 |
| 2017 | \$718,230 | \$1,185,787 | 60.6% | Fair | \$150,856 | \$0 | \$7,096 | \$99,929 |
| 2018 | \$776,253 | \$1,263,936 | 61.4% | Fair | \$158,399 | \$0 | \$7,931 | \$48,479 |
| 2019 | \$894,105 | \$1,401,790 | 63.8% | Fair | \$166,319 | \$0 | \$9,008 | \$66,413 |
| 2020 | \$1,003,018 | \$1,529,802 | 65.6% | Fair | \$174,635 | \$0 | \$10,343 | \$12,668 |
| 2021 | \$1,175,329 | \$1,721,644 | 68.3% | Fair | \$183,367 | \$0 | \$11,848 | \$50,625 |
| 2022 | \$1,319,918 | \$1,884,914 | 70.0% | Strong | \$192,535 | \$0 | \$12,960 | \$115,846 |
| 2023 | \$1,409,568 | \$1,990,819 | 70.8% | Strong | \$202,162 | \$0 | \$14,146 | \$56,200 |
| 2024 | \$1,569,676 | \$2,166,396 | 72.5% | Strong | \$212,270 | \$0 | \$15,622 | \$76,991 |
| 2025 | \$1,720,577 | \$2,331,038 | 73.8% | Strong | \$222,884 | \$0 | \$17,410 | \$14,685 |
| 2026 | \$1,946,186 | \$2,570,162 | 75.7% | Strong | \$234,028 | \$0 | \$19,388 | \$62,470 |
| 2027 | \$2,137,132 | \$2,772,772 | 77.1% | Strong | \$245,729 | \$0 | \$20,923 | \$134,297 |
| 2028 | \$2,269,487 | \$2,913,173 | 77.9% | Strong | \$258,016 | \$0 | \$22,574 | \$65,151 |
| 2029 | \$2,484,926 | \$3,134,873 | 79.3% | Strong | \$270,917 | \$0 | \$24,577 | \$89,254 |
| 2030 | \$2,691,166 | \$3,344,441 | 80.5% | Strong | \$284,462 | \$0 | \$23,263 | \$790,610 |
| 2031 | \$2,208,281 | \$2,844,123 | 77.6% | Strong | \$298,686 | \$0 | \$22,171 | \$68,036 |
| 2032 | \$2,461,101 | \$3,079,456 | 79.9% | Strong | \$313,620 | \$0 | \$14,701 | \$2,154,329 |
| 2033 | \$635,093 | \$1,179,569 | 53.8% | Fair | \$321,460 | \$0 | \$7,233 | \$75,528 |
| 2034 | \$888,258 | \$1,370,653 | 64.8% | Fair | \$329,497 | \$0 | \$9,554 | \$103,470 |
| 2035 | \$1,123,839 | \$1,545,693 | 72.7% | Strong | \$337,734 | \$0 | \$12,240 | \$19,736 |
| 2036 | \$1,454,077 | \$1,819,446 | 79.9% | Strong | \$346,178 | \$0 | \$10,098 | \$1,137,755 |
| 2037 | \$672,598 | \$957,282 | 70.3% | Strong | \$354,832 | \$0 | \$7,249 | \$180,484 |
| 2038 | \$854,195 | \$1,062,898 | 80.4% | Strong | \$363,703 | \$0 | \$9,468 | \$87,558 |
| 2039 | \$1,139,808 | \$1,275,279 | 89.4% | Strong | \$372,795 | \$0 | \$12,082 | \$119,950 |
| 2040 | \$1,404,736 | \$1,468,789 | 95.6% | Strong | \$382,115 | \$0 | \$15,117 | \$22,879 |
| 2041 | \$1,779,089 | \$1,776,450 | 100.1% | Strong | \$391,668 | \$0 | \$18,407 | \$91,435 |

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)**14624-1**

| Fiscal Year | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------------------|------------------|------------------|------------------|------------------|
| Starting Reserve Balance | \$285,718 | \$320,597 | \$406,340 | \$483,593 | \$614,712 |
| Annual Reserve Contribution | \$118,200 | \$124,110 | \$130,316 | \$136,831 | \$143,673 |
| Planned Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$2,879 | \$3,452 | \$4,225 | \$5,215 | \$6,329 |
| Total Income | \$406,797 | \$448,158 | \$540,881 | \$625,639 | \$764,713 |
| # Component | | | | | |
| 201 Asphalt/Primary - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 1- Seal Coat | \$76,200 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 2- Seal Coat | \$0 | \$0 | \$46,680 | \$0 | \$0 |
| 202 Asphalt 3 - Seal Coat | \$0 | \$0 | \$0 | \$0 | \$32,415 |
| 202 Asphalt 4 - Seal Coat | \$0 | \$31,518 | \$0 | \$0 | \$0 |
| 203 Asphalt - Crack Filler/Sealant | \$5,000 | \$5,150 | \$5,305 | \$5,464 | \$5,628 |
| 1311 Culverts - Repair | \$5,000 | \$5,150 | \$5,305 | \$5,464 | \$5,628 |
| 1403 Monument Sign - Refurbish | \$0 | \$0 | \$0 | \$0 | \$2,814 |
| Total Expenses | \$86,200 | \$41,818 | \$57,289 | \$10,927 | \$46,484 |
| Ending Reserve Balance: | \$320,597 | \$406,340 | \$483,593 | \$614,712 | \$718,230 |

Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)**14624-1**

| Fiscal Year | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------------|------------------|--------------------|--------------------|--------------------|
| Starting Reserve Balance | \$718,230 | \$776,253 | \$894,105 | \$1,003,018 | \$1,175,329 |
| Annual Reserve Contribution | \$150,856 | \$158,399 | \$166,319 | \$174,635 | \$183,367 |
| Planned Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$7,096 | \$7,931 | \$9,008 | \$10,343 | \$11,848 |
| Total Income | \$876,182 | \$942,583 | \$1,069,432 | \$1,187,997 | \$1,370,544 |
| # Component | | | | | |
| 201 Asphalt/Primary - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 1- Seal Coat | \$88,337 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 2- Seal Coat | \$0 | \$0 | \$54,114 | \$0 | \$0 |
| 202 Asphalt 3 - Seal Coat | \$0 | \$0 | \$0 | \$0 | \$37,577 |
| 202 Asphalt 4 - Seal Coat | \$0 | \$36,538 | \$0 | \$0 | \$0 |
| 203 Asphalt - Crack Filler/Sealant | \$5,796 | \$5,970 | \$6,149 | \$6,334 | \$6,524 |
| 1311 Culverts - Repair | \$5,796 | \$5,970 | \$6,149 | \$6,334 | \$6,524 |
| 1403 Monument Sign - Refurbish | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$99,929 | \$48,479 | \$66,413 | \$12,668 | \$50,625 |
| Ending Reserve Balance: | \$776,253 | \$894,105 | \$1,003,018 | \$1,175,329 | \$1,319,918 |

Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)**14624-1**

| Fiscal Year | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Starting Reserve Balance | \$1,319,918 | \$1,409,568 | \$1,569,676 | \$1,720,577 | \$1,946,186 |
| Annual Reserve Contribution | \$192,535 | \$202,162 | \$212,270 | \$222,884 | \$234,028 |
| Planned Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$12,960 | \$14,146 | \$15,622 | \$17,410 | \$19,388 |
| Total Income | \$1,525,414 | \$1,625,876 | \$1,797,568 | \$1,960,871 | \$2,199,602 |
| # Component | | | | | |
| 201 Asphalt/Primary - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 1- Seal Coat | \$102,406 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 2- Seal Coat | \$0 | \$0 | \$62,733 | \$0 | \$0 |
| 202 Asphalt 3 - Seal Coat | \$0 | \$0 | \$0 | \$0 | \$43,563 |
| 202 Asphalt 4 - Seal Coat | \$0 | \$42,358 | \$0 | \$0 | \$0 |
| 203 Asphalt - Crack Filler/Sealant | \$6,720 | \$6,921 | \$7,129 | \$7,343 | \$7,563 |
| 1311 Culverts - Repair | \$6,720 | \$6,921 | \$7,129 | \$7,343 | \$7,563 |
| 1403 Monument Sign - Refurbish | \$0 | \$0 | \$0 | \$0 | \$3,781 |
| Total Expenses | \$115,846 | \$56,200 | \$76,991 | \$14,685 | \$62,470 |
| Ending Reserve Balance: | \$1,409,568 | \$1,569,676 | \$1,720,577 | \$1,946,186 | \$2,137,132 |

Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)**14624-1**

| Fiscal Year | 2027 | 2028 | 2029 | 2030 | 2031 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Starting Reserve Balance | \$2,137,132 | \$2,269,487 | \$2,484,926 | \$2,691,166 | \$2,208,281 |
| Annual Reserve Contribution | \$245,729 | \$258,016 | \$270,917 | \$284,462 | \$298,686 |
| Planned Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$20,923 | \$22,574 | \$24,577 | \$23,263 | \$22,171 |
| Total Income | \$2,403,784 | \$2,550,077 | \$2,780,419 | \$2,998,891 | \$2,529,137 |
| # Component | | | | | |
| 201 Asphalt/Primary - Mill/Overlay | \$0 | \$0 | \$0 | \$773,586 | \$0 |
| 201 Asphalt/Secondary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 1- Seal Coat | \$118,717 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 2- Seal Coat | \$0 | \$0 | \$72,725 | \$0 | \$0 |
| 202 Asphalt 3 - Seal Coat | \$0 | \$0 | \$0 | \$0 | \$50,501 |
| 202 Asphalt 4 - Seal Coat | \$0 | \$49,104 | \$0 | \$0 | \$0 |
| 203 Asphalt - Crack Filler/Sealant | \$7,790 | \$8,024 | \$8,264 | \$8,512 | \$8,768 |
| 1311 Culverts - Repair | \$7,790 | \$8,024 | \$8,264 | \$8,512 | \$8,768 |
| 1403 Monument Sign - Refurbish | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$134,297 | \$65,151 | \$89,254 | \$790,610 | \$68,036 |
| Ending Reserve Balance: | \$2,269,487 | \$2,484,926 | \$2,691,166 | \$2,208,281 | \$2,461,101 |

Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)**14624-1**

| Fiscal Year | 2032 | 2033 | 2034 | 2035 | 2036 |
|--|--------------------|------------------|--------------------|--------------------|--------------------|
| Starting Reserve Balance | \$2,461,101 | \$635,093 | \$888,258 | \$1,123,839 | \$1,454,077 |
| Annual Reserve Contribution | \$313,620 | \$321,460 | \$329,497 | \$337,734 | \$346,178 |
| Planned Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$14,701 | \$7,233 | \$9,554 | \$12,240 | \$10,098 |
| Total Income | \$2,789,422 | \$963,786 | \$1,227,308 | \$1,473,813 | \$1,810,352 |
| # Component | | | | | |
| 201 Asphalt/Primary - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 1 - Mill/Overlay | \$1,725,197 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$276,460 |
| 201 Asphalt/Tertiary 1 - Mill/Overlay | \$273,445 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$777,340 |
| 202 Asphalt 1- Seal Coat | \$137,626 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 2- Seal Coat | \$0 | \$0 | \$84,309 | \$0 | \$0 |
| 202 Asphalt 3 - Seal Coat | \$0 | \$0 | \$0 | \$0 | \$58,544 |
| 202 Asphalt 4 - Seal Coat | \$0 | \$56,925 | \$0 | \$0 | \$0 |
| 203 Asphalt - Crack Filler/Sealant | \$9,031 | \$9,301 | \$9,581 | \$9,868 | \$10,164 |
| 1311 Culverts - Repair | \$9,031 | \$9,301 | \$9,581 | \$9,868 | \$10,164 |
| 1403 Monument Sign - Refurbish | \$0 | \$0 | \$0 | \$0 | \$5,082 |
| Total Expenses | \$2,154,329 | \$75,528 | \$103,470 | \$19,736 | \$1,137,755 |
| Ending Reserve Balance: | \$635,093 | \$888,258 | \$1,123,839 | \$1,454,077 | \$672,598 |

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

14624-1

| Fiscal Year | 2037 | 2038 | 2039 | 2040 | 2041 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Starting Reserve Balance | \$672,598 | \$854,195 | \$1,139,808 | \$1,404,736 | \$1,779,089 |
| Annual Reserve Contribution | \$354,832 | \$363,703 | \$372,795 | \$382,115 | \$391,668 |
| Planned Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$7,249 | \$9,468 | \$12,082 | \$15,117 | \$18,407 |
| Total Income | \$1,034,679 | \$1,227,366 | \$1,524,685 | \$1,801,968 | \$2,189,164 |
| # Component | | | | | |
| 201 Asphalt/Primary - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Secondary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 1 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 201 Asphalt/Tertiary 2 - Mill/Overlay | \$0 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 1- Seal Coat | \$159,546 | \$0 | \$0 | \$0 | \$0 |
| 202 Asphalt 2- Seal Coat | \$0 | \$0 | \$97,737 | \$0 | \$0 |
| 202 Asphalt 3 - Seal Coat | \$0 | \$0 | \$0 | \$0 | \$67,869 |
| 202 Asphalt 4 - Seal Coat | \$0 | \$65,992 | \$0 | \$0 | \$0 |
| 203 Asphalt - Crack Filler/Sealant | \$10,469 | \$10,783 | \$11,106 | \$11,440 | \$11,783 |
| 1311 Culverts - Repair | \$10,469 | \$10,783 | \$11,106 | \$11,440 | \$11,783 |
| 1403 Monument Sign - Refurbish | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$180,484 | \$87,558 | \$119,950 | \$22,879 | \$91,435 |
| Ending Reserve Balance: | \$854,195 | \$1,139,808 | \$1,404,736 | \$1,779,089 | \$2,097,730 |

Accuracy, Limitations, and Disclosures

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves, Inc., and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Carmine R. DeLisio, RS, company president, is a Colorado licensed General Contractor (Licensed #15126), and credentialed Reserve Specialist (#184). All work done by Association Reserves - Colorado is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association’s situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association’s representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our “Site Inspection Notes” comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.

Terms and Definitions

| | |
|------------|--|
| BTU | British Thermal Unit (a standard unit of energy) |
| DIA | Diameter |
| GSF | Gross Square Feet (area) |
| GSY | Gross Square Yards (area) |
| HP | Horsepower |
| LF | Linear Feet (length) |

Effective Age: The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

Fully Funded Balance (FFB): The Reserve Balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age}) / \text{Useful Life}$$

Inflation: Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

Interest: Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary, page ii.

Percent Funded: The ratio, at a particular point in time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life: The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

Useful Life: The estimated time, in years, that a common area component can be expected to serve its intended function.

Photographic Inventory Appendix

EXHIBIT E

AGREEMENT FOR PUBLIC HIGHWAY MAINTENANCE

AGREEMENT FOR PUBLIC HIGHWAY MAINTENANCE

THIS AGREEMENT made and entered into this ____ day of _____, 2012 by and between COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT, Archuleta County, Colorado, hereinafter referred to as the "District" and the BOARD OF COUNTY COMMISSIONERS OF ARCHULETA COUNTY, COLORADO, hereinafter referred to as the "County".

WITNESSETH:

WHEREAS, the District is a quasi municipal corporation organized and existing under the statutes of the State of Colorado, C.R.S. 32-1-101, *et seq.*; and

WHEREAS, one of the purposes for which the District was formed was to provide street improvement services within the authority to construct and maintain streets and highways within said District and to engage in road maintenance and improvements on a continual basis; and

WHEREAS, the District and County are political subdivisions, as defined under the Intergovernmental Relationships Act, C.R.S. § 29-1-201 *et seq.*, which Act permits, authorizes and encourages political subdivision of the State of Colorado to cooperate and contract with one another to provide any functions, services of facilities lawfully authorized to the cooperating or contracting political subdivision; and

WHEREAS, the roads within the District shown on the plats of Colorado's Timber Ridge, Phases 1-4, recorded under Reception Numbers 99008647, 2011528, 2011833 and 20212641 in the office of the Clerk and Recorder of Archuleta County, Colorado were dedicated to the use of the public, the public dedication was accepted by the County and such roads are "open, used and maintained public highways" as required by C.R.S. § 43-4-207(2)(b); and

WHEREAS, the District has the financial resources necessary to maintain the roads within the District; and

WHEREAS, the County may secure for the District, highway user tax funds pursuant to C.R.S. § 43-4-201 *et seq.*, to assist in maintenance of the roads within the District; and

WHEREAS, the parties to this agreement have considered and determined that it is in the best interest of the residents and citizens of the County of Archuleta, Colorado and the residents and citizens of Colorado's Timber Ridge Metropolitan District, County of Archuleta, Colorado to provide for the maintenance, repair and reconstruction of the dedicated roads within the District according to the terms of this agreement; and

WHEREAS, the County and District hereby find and determine that this agreement and the provisions hereof will make the most efficient and effective use of their powers and responsibilities.

NOW THEREFORE, it is agreed in consideration of the foregoing and mutual promises, covenants, agreements and obligations herein contained that:

Section 1. District agrees to provide all maintenance for the dedicated and constructed public roads located within the District, whether described as streets, roads, avenues, drives, or otherwise, it being the intent of this agreement that the District maintain all those roads shown on the official plats of Colorado's Timber Ridge, Phases 1-4, which are currently constructed. It is understood and agreed that District shall not be obligated to construct any additional roads.

Section 2. All public roads presently constructed within the District shall be legally open, used and maintained by the District on a continual basis.

Section 3. County shall, in consideration of the District's agreement to maintain said roads, pay to District a pro rata share of the funds received by the County from highway user tax funds to the extent such funds are derived from the adjusted lane mileage of open, used and maintained roads within the District. The percentage of HUTF funds to be paid to the District shall be calculated as follows:

$$\text{District adjusted lane miles} / \text{County adjusted lane miles}$$

The first payment shall commence with funds received by the County in the month of _____.

Section 4. District agrees to use all funds received from the County under this agreement only on maintenance of and for the benefit of approved roads within the District and for no other purpose. The term maintenance includes construction, engineering, reconstruction, maintenance, repair, equipment purchase and administration expenses incurred in connection with said roads. It is mutually acknowledged and agreed that the funds paid by the County to the District hereunder may not be adequate for all maintenance required and District agrees to expend such additional funds from other sources and in other amounts as it sees fit for maintenance of the roads.

Section 5. Notwithstanding the foregoing, this agreement shall in no way limit the right or ability of the County or District or impose any additional obligations upon the County or District to raise revenue or use such additional revenues as may be necessary or proper for the maintenance of roads within the District.

Section 6. This agreement may be terminated by either the County or the District upon giving written notice of termination to the other party at least ninety days prior to the first day of January of each succeeding year. Such termination shall be effective on July 1st of the following year.

Section 7. Each party shall be solely responsible for the performance of its obligations hereunder and each party shall indemnify and hold harmless the other party from all loss, cost and expense arising out of any liability or claim for injury or damages sustained or claimed to have been sustained by any one whomsoever by reason of the performance of said obligations or by any act or omission of said party or its officers, agents or employees. District further specifically agrees to indemnify County against any loss which may occur in the event funds received by the County and paid to the District under this agreement are later required to be returned to the State of Colorado.

Section 8. This agreement shall not operate as, or be construed to operate as, acceptance by County of maintenance responsibility for said roads.

Section 9. It is acknowledged by both County and District that said roads may not be presently constructed to meet County standards. This agreement does not alter or amend the County road standards. This agreement does not require District to construct or improve said roads to meet current County standards.

Section 10. Should a dispute arise regarding this Agreement or performance of the obligations herein, the Parties agree to make all reasonable efforts to reach an amicable resolution of such dispute. In an effort to resolve any conflicts that arise under this Agreement, the Parties agree that all disputes between them arising out of or relating to this Agreement shall be first submitted to non-binding mediation, unless the Parties mutually agree otherwise. Should no amicable resolution of a dispute be reached, the Parties hereto agree that jurisdiction and venue for any litigation shall be in the District Court of Archuleta County, Colorado. Should litigation be necessary to enforce any term or provision of this Agreement, the prevailing party shall be entitled to recover from the losing party all reasonable litigation expenses, witness fees and court costs, and attorney's fees.

Section 11. Any notices required or desired hereunder shall be in writing and delivered or sent postage prepaid by certified or registered mail, return receipt requested, to the President of the District or the Chairperson of the County at the addresses set forth below (or such other addresses as the parties may otherwise designate in writing). The date of delivery or mailing shall be deemed to constitute the date of any such notice.

Section 12. This Agreement has been approved by the appropriate governing authorities of each of the parties in compliance with all statutes and governing documents concerning open meetings and manner of acting. The parties will execute such further documents and assurances to fully perform their obligations hereunder and carry out the intent of this Agreement.

Section 13. This agreement shall be effective on the day and year first above written.

[signature page follows]

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their respective officers the day and year first above written.

**COLORADO'S TIMBER RIDGE
METROPOLITAN DISTRICT**

ATTEST:

Secretary

BY: _____
President

**BOARD OF COUNTY COMMISSIONERS
OF ARCHULETA COUNTY, COLORADO**

ATTEST:

Deputy Clerk to the Board

BY: _____
Chairman

EXHIBIT F
SAMPLE 2014 BUDGET

COLORADO'S TIMBER RIDGE METROPOLITAN DISTRICT

2014 BUDGET

SAMPLE

| | <u>Year Ending December 31</u> |
|---|------------------------------------|
| GENERAL FUND | |
| Revenues | |
| Property tax | 88,206 |
| Interest | 100 |
| SO tax | 6,250 |
| HUTF | <u>41,000</u> |
| Total General Fund Revenues | 135,556 |
| Expenditures | |
| Professional | |
| Accounting | 1,200 |
| Audit | 2,500 |
| Legal | 5,000 |
| Insurance | 1,500 |
| Office and Postage | 1,000 |
| Treasurer's fees | 1,764 |
| Road System | |
| Maintenance and repairs | 40,000 |
| Snowplowing | <u>12,000</u> |
| Total General Fund Expenditures | 64,964 |
| General Fund Income (Loss) | 70,592 |
| General Fund Balance - January 1 | - |
| General Fund Balance - December 31 | 70,592 |