



RESERVE STUDY

Full Study

Sample for Northwest

Final

Published - October 31, 2011

Prepared for the 2012 Fiscal Year

Browning Reserve Group

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Sample for Northwest

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Member Distribution Materials

The following Reserve Study sections, located at the end of the report, should be provided to each member.

<i>Section</i>	<i>Report</i>	<i>Page</i>
<i>Idaho:</i>	Member Summary	
<i>Section III:</i>	30 Year Reserve Funding Plan	Cash Flow Method {c}

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Reserve Study Summary

A Reserve Study was conducted of Sample for Northwest (the "**Association**"). A **Full Study** includes an on-site review upon where the following tasks are performed:

- development of a reserve component inventory;
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan.

Sample for Northwest is a Planned Development with a total of 100 Lots.

Physical Inspection

Browning Reserve Group ("**BRG**") conducted a physical inspection of the Association. The inspection encompassed those major components that the Association is required to maintain. For this study components are determined to be major components if:

1. As of the date of the study, they have a remaining useful life of less than 30 years, and a value greater than \$1,000.
2. Such additional components, if any, determined by the Board of Directors.

During the inspection, BRG utilized the services of our own construction cost estimator. In addition, independent contractors were retained to render opinions on selected components as indicated in Section VI, Included Component Listing.

Supplemental information to the physical inspection may have been obtained from the following sources:

1. Project plans where available.
2. Maintenance records of the reserve components where available.
3. Association board members, management and staff.

Summary of Reserves

For the first year of the Reserve Study, the reserve contribution is based upon the existing budget unless otherwise noted in "*Section III, Reserve Funding Plan.*" In addition BRG relied on the Association to provide an accurate Beginning Reserve Balance.

The status of the Association's reserves, as reflected in the following Reserve Study, is as follows:

1. **The Expenditure Forecast of the following Reserve Study identifies the major components which the Association is obligated to repair, replace, restore or maintain, as determined in accordance with the criteria specified above, and specifies for each such component:**
 - a. **Its current estimated replacement cost;**
 - b. **Its estimated useful life; and**
 - c. **Its estimated remaining useful life.**
2. **It is estimated that the total cash reserves necessary to repair, replace, restore or maintain such major components (in the aggregate) during and at the end of their first remaining useful life is \$236,871.**
 - **[For purposes of this calculation, "necessary" is defined as the Fully Funded Balance (FFB) (Component Current Cost X Effective Age / Useful Life, including a provision for interest and inflation in future years.)]**
3. **The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain such major components as of the fiscal year ending December 31, 2012 is estimated to be \$182,476, constituting 77.0% of the total expenditures anticipated for all such major components through their first end of useful life replacement.**
4. **Based upon the schedule of annual reserve contributions necessary to defray the cost of repairing, replacing, restoring or maintaining such major components in the years such expenditures are estimated to be required, it is estimated that annual reserve contributions in the initial amount of \$48,115 [*\$40.10 per Lot per month (average)*] for the fiscal year ending December 31, 2012 (the first full fiscal year following first distribution of this report) will be necessary in order to meet all such reserve expenditures when they are projected to come due.**

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

Idaho statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

The Board of Directors anticipates no future special assessments will be necessary for reserve funding.

Percent Funded Status

Based on paragraphs 1 - 3 above, the Association is 77.0% funded. The following scale can be used as a measure to determine the association's financial picture whereas the lower the percentage, the higher the likelihood of the Association requiring a special assessment, or other large increases to the reserve contribution in the future.



Methodology

The above recommended reserve contribution for the next fiscal year (and future fiscal years as outlined in *Section III, Reserve Fund Balance Forecast*) was developed using the cash flow method. This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Funding Goals

The funding goal employed for Sample for Northwest is

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

Limitations

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Statutory Disclosures

Compliance

The Reserve Study complies with or exceeds all applicable statutes, if any.

Supplemental Disclosures

General:

BRG has no other involvement(s) with the Association which could result in actual or perceived conflicts of interest.

Personnel Credentials:

N. Anthony Dann graduated from Cal State Northridge with Bachelors & Master of Science degrees in Business Administration, Management and Finance.

Diane M. Dann has a Certified Property Manager designation from the Institute of Real Estate Management.

Completeness:

BRG has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

Reliance on Client Data:

Information provided by the official representative of the Association regarding financial, physical, quantity, or historical issues will be deemed reliable by BRG.

Scope:

This Reserve Study is a reflection of information provided to BRG and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

Reserve Balance:

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

Reserve Projects:

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.

Browning Reserve Group



Section II
 Sample for Northwest
30 Year Expense Forecast - Detailed
 Final
 Prepared for the 2012 Fiscal Year

Reserve Component	Current Replacement		Life Useful /		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
	Cost	Remaining																		
00010 - Grounds																				10
01000 - Paving																				
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking	9,950	5	1			10,199					11,539					13,055				
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%)	4,000	5	1			4,100					4,639					5,248				
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking	120,250	25	11													157,778				
800 - Striping Streets & Parking	900	5	1			923					1,044					1,181				
Total 01000 - Paving	135,100					15,221					17,221					177,263				
02000 - Concrete																				
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Ongoing Repairs (5%)	17,600	5	1			18,040					20,411					23,093				
Total 02000 - Concrete	17,600					18,040					20,411					23,093				
Total [Grounds] Expenditures Inflated @ 2.50%						33,261					37,632					200,356				
00020 - Buildings																				20
03000 - Painting: Exterior																				
100 - Surface Restoration 100 Units - Wood & Stucco	156,700	5	2				164,633					186,267					210,744			
Total 03000 - Painting: Exterior	156,700						164,633					186,267					210,744			
Total [Buildings] Expenditures Inflated @ 2.50%							164,633					186,267					210,744			
00030 - Other																				30
32000 - Undesignated																				
500 - Contingency Reserve Items	3,400	3	0		3,400			3,661			3,943			4,246			4,573			
Total 32000 - Undesignated	3,400				3,400			3,661			3,943			4,246			4,573			
Total [Other] Expenditures Inflated @ 2.50%					3,400			3,661			3,943			4,246			4,573			
Total Expenditures Inflated @ 2.50%					3,400	33,261	164,633	3,661	0	0	41,575	186,267	0	4,246	0	200,356	215,317	0	0	
Total Current Replacement Cost	312,800																			

Sample for Northwest
30 Year Expense Forecast - Detailed
Final

Prepared for the 2012 Fiscal Year

Reserve Component	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
00010 - Grounds															10
01000 - Paving															
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking		14,771					16,712					18,908			
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%)		5,938					6,718					7,601			
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking															
800 - Striping Streets & Parking		1,336					1,512					1,710			
Total 01000 - Paving		22,045					24,942					28,219			
02000 - Concrete															
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Ongoing Repairs (5%)		26,127					29,561					33,445			
Total 02000 - Concrete		26,127					29,561					33,445			
Total [Grounds] Expenditures Inflated @ 2.50%		48,172					54,502					61,664			
00020 - Buildings															20
03000 - Painting: Exterior															
100 - Surface Restoration 100 Units - Wood & Stucco			238,438					269,770					305,220		
Total 03000 - Painting: Exterior			238,438					269,770					305,220		
Total [Buildings] Expenditures Inflated @ 2.50%			238,438					269,770					305,220		
00030 - Other															30
32000 - Undesignated															
500 - Contingency Reserve Items	4,924			5,303			5,711			6,150			6,623		
Total 32000 - Undesignated	4,924			5,303			5,711			6,150			6,623		
Total [Other] Expenditures Inflated @ 2.50%	4,924			5,303			5,711			6,150			6,623		
Total Expenditures Inflated @ 2.50%	4,924	48,172	238,438	5,303	0	0	60,213	269,770	0	6,150	0	61,664	311,843	0	0

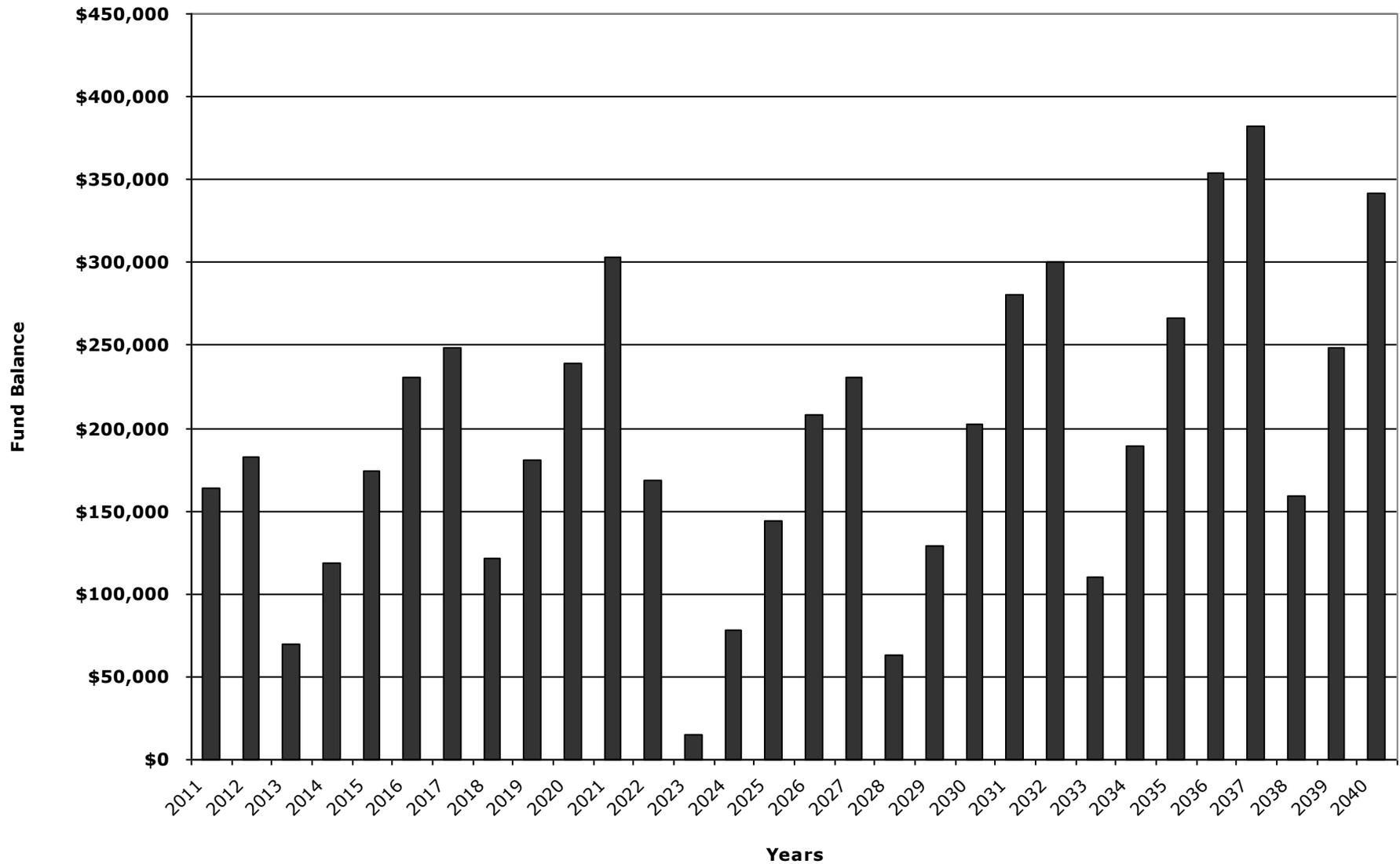
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Balance	116,177 ¹	163,353	182,476	70,086	118,915	173,738	231,020	248,751	121,560	180,944
Inflated Expenditures @ 2.5%	3,400	33,261	164,633	3,661	0	0	41,575	186,267	0	4,246
Reserve Contribution	47,125	48,115	49,125	50,157	51,210	52,285	53,383	54,504	55,649	56,818
<i>Lots/month @ 100</i>	39.27	40.10	40.94	41.80	42.68	43.57	44.49	45.42	46.37	47.35
<i>Percentage Increase</i>		2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	3,451	4,270	3,118	2,333	3,613	4,997	5,923	4,572	3,735	5,181
Ending Balance	163,353	182,476	70,086	118,915	173,738	231,020	248,751	121,560	180,944	238,696

1) Beginning balance per 2010 year end financial review.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Balance	238,696	303,400	168,094	15,517	78,420	144,208	207,996	230,959	63,250	128,824
Inflated Expenditures @ 2.5%	0	200,356	215,317	0	0	4,924	48,172	238,438	5,303	0
Reserve Contribution	58,011	59,229	60,473	61,743	63,040	64,364	65,716	67,096	68,505	69,944
<i>Lots/month @ 100</i>	48.34	49.36	50.39	51.45	52.53	53.64	54.76	55.91	57.09	58.29
<i>Percentage Increase</i>	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	6,693	5,821	2,267	1,160	2,749	4,348	5,419	3,632	2,371	4,095
Ending Balance	303,400	168,094	15,517	78,420	144,208	207,996	230,959	63,250	128,824	202,862

	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Beginning Balance	202,862	280,240	300,104	109,839	189,542	266,627	353,516	381,827	159,261	248,627
Inflated Expenditures @ 2.5%	0	60,213	269,770	0	6,150	0	61,664	311,843	0	0
Reserve Contribution	71,413	72,913	74,444	76,007	77,603	79,233	80,897	82,596	84,331	86,102
<i>Lots/month @ 100</i>	59.51	60.76	62.04	63.34	64.67	66.03	67.41	68.83	70.28	71.75
<i>Percentage Increase</i>	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	5,964	7,165	5,061	3,696	5,632	7,656	9,078	6,680	5,036	7,292
Ending Balance	280,240	300,104	109,839	189,542	266,627	353,516	381,827	159,261	248,627	342,021

30 Year Reserve Funding Plan Cash Flow Method - Ending Balances



30 Year Reserve Funding Plan Including Fully Funded Balance and % Funded

Final

Prepared for the 2012 Fiscal Year

Year	Beginning Balance	Fully Funded Balance	Percent Funded	Inflated Expenditures @ 2.50%	Reserve Contribution	Special Assessments & Other Contributions	Interest	Ending Balance
2011	116,177	190,720	85.7%	3,400	47,125	0	3,451	163,353
2012	163,353	236,871	77.0%	33,261	48,115	0	4,270	182,476
2013	182,476	254,689	27.5%	164,633	49,125	0	3,118	70,086
2014	70,086	139,447	85.3%	3,661	50,157	0	2,333	118,915
2015	118,915	187,497	92.7%	0	51,210	0	3,613	173,738
2016	173,738	241,710	95.6%	0	52,285	0	4,997	231,020
2017	231,020	298,517	83.3%	41,575	53,383	0	5,923	248,751
2018	248,751	315,398	38.5%	186,267	54,504	0	4,572	121,560
2019	121,560	185,693	97.4%	0	55,649	0	3,735	180,944
2020	180,944	245,002	97.4%	4,246	56,818	0	5,181	238,696
2021	238,696	302,808	100.2%	0	58,011	0	6,693	303,400
2022	303,400	367,813	45.7%	200,356	59,229	0	5,821	168,094
2023	168,094	230,514	6.7%	215,317	60,473	0	2,267	15,517
2024	15,517	75,919	103.3%	0	61,743	0	1,160	78,420
2025	78,420	139,668	103.3%	0	63,040	0	2,749	144,208
2026	144,208	206,556	100.7%	4,924	64,364	0	4,348	207,996
2027	207,996	271,655	85.0%	48,172	65,716	0	5,419	230,959
2028	230,959	295,676	21.4%	238,438	67,096	0	3,632	63,250
2029	63,250	126,941	101.5%	5,303	68,505	0	2,371	128,824
2030	128,824	194,657	104.2%	0	69,944	0	4,095	202,862
2031	202,862	271,251	103.3%	0	71,413	0	5,964	280,240
2032	280,240	351,553	85.4%	60,213	72,913	0	7,165	300,104
2033	300,104	373,983	29.4%	269,770	74,444	0	5,061	109,839
2034	109,839	184,061	103.0%	0	76,007	0	3,696	189,542
2035	189,542	267,836	99.5%	6,150	77,603	0	5,632	266,627
2036	266,627	349,382	101.2%	0	79,233	0	7,656	353,516
2037	353,516	441,299	86.5%	61,664	80,897	0	9,078	381,827
2038	381,827	474,387	33.6%	311,843	82,596	0	6,680	159,261
2039	159,261	254,001	97.9%	0	84,331	0	5,036	248,627
2040	248,627	349,929	97.7%	0	86,102	0	7,292	342,021



Section V

Sample for Northwest

Reserve Fund Balance Forecast Component Method

Final

Prepared for the 2012 Fiscal Year

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>Estimated Future Replacement Costs</i>	<i>Per Year</i>	<i>2011 Fully Funded Balance</i>	<i>2012 Fully Funded Balance</i>	<i>% Per Year Straight Line</i>	<i>2012 Line Item Contribution based on Cash Flow Method</i>
00010 - Grounds									
01000 - Paving									
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking	9,950	5	1	10,199	2,040	7,960	10,199	4.34%	2,087
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%)	4,000	5	1	4,100	820	3,200	4,100	1.74%	839
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking	120,250	25	11	157,778	6,311	67,340	73,954	13.42%	6,458
800 - Striping Streets & Parking	900	5	1	923	185	720	923	0.39%	189
Sub-total [01000 - Paving]	135,100			173,000	9,355	79,220	89,175	19.90%	9,573
02000 - Concrete									
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Ongoing Repairs (5%)	17,600	5	1	18,040	3,608	14,080	18,040	7.67%	3,692
Sub-total Grounds	152,700			191,040	12,963	93,300	107,215	27.57%	13,264
00020 - Buildings									
03000 - Painting: Exterior									
100 - Surface Restoration 100 Units - Wood & Stucco	156,700	5	2	164,633	32,927	94,020	128,494	70.02%	33,691
Sub-total Buildings	156,700			164,633	32,927	94,020	128,494	70.02%	33,691
00030 - Other									
32000 - Undesignated									
500 - Contingency Reserve Items	3,400	3	0	3,400	1,133	3,400	1,162	2.41%	1,160
Sub-total Other	3,400			3,400	1,133	3,400	1,162	2.41%	1,160

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>Estimated Future Replacement Costs</i>	<i>Per Year</i>	<i>2011 Fully Funded Balance</i>	<i>2012 Fully Funded Balance</i>	<i>% Per Year Straight Line</i>	<i>2012 Line Item Contribution based on Cash Flow Method</i>
Totals	312,800			359,073	47,023	190,720	236,871	100.00%	48,115
						[A]	[B]		
						[EndBal]	[EndBal]		
Percent Funded						85.65%	77.04%		
						[A]	[B]		

00010 - Grounds

01000 - Paving

100 - Asphalt: Sealing	Useful Life 5	Remaining Life 1
82,940 Sq. Ft. Streets & Parking	Quantity 82,940	Unit of Measure Square Feet
	Cost /SqFt \$0.120	
	% Included 100.00%	Total Cost/Study \$9,950
Summary	Replacement Year 2012	Future Cost \$10,199

This is to prepare the surface and apply an asphalt emulsion product such as Reed & Graham's Overkote. Sealing was last performed for \$9,234 in 2007.

Streets = 72,620 square feet
Parking = 10,320 square feet



Costing provided by Blackrock Paving, Inc.

Assn General Ledger # 5210

00010 - Grounds

01000 - Paving

200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%)	Useful Life 5 Remaining Life 1 Quantity 82,940 Cost /SqFt \$3.22 % Included 1.50%	Unit of Measure Square Feet Qty * \$/SqFt \$266,667 Total Cost/Study \$4,000 Replacement Year 2012 Future Cost \$4,100
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Summary

This is for miscellaneous repairs including crackfill, skin patching and minor dig out & fill. Approximately 1,244 square feet was removed and replaced for \$3,895 in 2007.

Streets = 72,620 square feet
 Parking = 10,320 square feet



Costing provided by Blackrock Paving, Inc.

Assn General Ledger # 5210

300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking	Useful Life 25 Remaining Life 11 Quantity 82,940 Cost /SqFt \$1.45 % Included 100.00%	Unit of Measure Square Feet Total Cost/Study \$120,250 Replacement Year 2022 Future Cost \$157,778
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Summary

This is to apply a Petromat overlay on top of the existing asphalt surface along with 1-1/2" of new hot asphalt. This includes edge grinding and 14 utility box extensions. Street construction was completed in 1997.

Streets = 72,620 square feet
 Parking = 10,320 square feet



Costing provided by Blackrock Paving, Inc.

Assn General Ledger # 5210

00010 - Grounds

01000 - Paving

800 - Striping	Useful Life 5	Remaining Life 1	
Streets & Parking	Quantity 1	Unit of Measure	Lump Sum
	Cost /LS \$900		
	% Included 100.00%	Total Cost/Study	\$900
Summary	Replacement Year 2012	Future Cost	\$923

This is to re-stripe roadway to match existing plan. Striping was last performed for \$827 in 2007.

- Parking stalls = 66
- Handicap parking = 6
- Stop bars and speed bumps = 4



Costing provided by J&S Asphalt

Assn General Ledger # 5230

02000 - Concrete

200 - Sidewalks, Curbs & Gutters	Useful Life 5	Remaining Life 1	
22,000 Sq. Ft. Ongoing Repairs (5%)	Quantity 22,000	Unit of Measure	Square Feet
	Cost /SqFt \$16.00	Qty * \$/SqFt	\$352,000
	% Included 5.00%	Total Cost/Study	\$17,600
Summary	Replacement Year 2012	Future Cost	\$18,040

This is to repair, replace or grind failed concrete sidewalks, curbs and gutters to remove trip hazards and maintain functionality. Since the core concrete useful life exceeds the scope of this thirty year study, this component provides for repair only and not full replacement. Minor repairs are performed by staff. Concrete repairs should be performed in conjunction with paving work when feasible. 130 linear feet of front entry area was replaced during 2007.



Costing provided by Williams, James E.

00010 - Grounds

02000 - Concrete

Assn General Ledger # 5250

00020 - Buildings

03000 - Painting: Exterior

100 - Surface Restoration	Useful Life 5	Remaining Life 2
100 Units - Wood & Stucco	Quantity 100	Unit of Measure Unit
	Cost /Ut \$1,567	
	% Included 100.00%	Total Cost/Study \$156,700
Summary	Replacement Year 2013	Future Cost \$164,633

This is to prepare, power wash, sand, scrape, caulk and paint the building exteriors and all surfaces except fencing with a 100% premium acrylic paint. Owners are responsible for repairs. Last painted for \$148,447 (\$1,485/unit) in 2008.



Costing provided by Progressive Painting

Assn General Ledger # 5400

00030 - Other

32000 - Undesignated

500 - Contingency	Useful Life 3	Remaining Life 0
Reserve Items	Quantity 1	Unit of Measure Lump Sum
	Cost /LS \$3,400	
	% Included 100.00%	Total Cost/Study \$3,400
Summary	Replacement Year 2011	Future Cost \$3,400

This is for major unanticipated reserve component repairs. \$3,400 was expended for pavement repairs due to a city water main failure in 2011.

Assn General Ledger # 5900



Section VII
 Sample for Northwest
Component Tabular Listing
 Final
 Prepared for the 2012 Fiscal Year
Included Components

<i>Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>Quantity</i>	<i>Cost/ U of M</i>	<i>Treatment</i>	<i>Location</i>	<i>Assn General Ledger #</i>
00010 - Grounds								
01000 - Paving								
100 - Asphalt: Sealing	\$9,950	5	1	82,940	\$.12/SqFt		Streets & Parking	5210
200 - Asphalt: Ongoing Repairs	\$4,000	5	1	82,940	\$3.22/SqFt (2%)		Streets & Parking	5210
300 - Asphalt: Petromat Overlay	\$120,250	25	11	82,940	\$1.45/SqFt		Streets & Parking	5210
800 - Striping	\$900	5	1	1	\$900/LS		Streets & Parking	5230
02000 - Concrete								
200 - Sidewalks, Curbs & Gutters	\$17,600	5	1	22,000	\$16.00/SqFt (5%)		Ongoing Repairs	5250
00020 - Buildings								
03000 - Painting: Exterior								
100 - Surface Restoration	\$156,700	5	2	100	\$1,567/Ut		Units - Wood & Stucco	5400
00030 - Other								
32000 - Undesignated								
500 - Contingency	\$3,400	3	0	1	\$3,400/LS		Reserve Items	5900

<i>Reserve Component</i>	<i>Life Useful</i>	<i>Current Replacement Cost</i>	<i>Forecast Inflated Cost @ 2.50%</i>
2011			
00030 - Other			
32000 - Undesignated			
500 - Contingency Reserve Items	3	3,400	
Total 2011:		3,400	
2012			
00010 - Grounds			
01000 - Paving			
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking	5	9,950	10,199
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%)	5	4,000	4,100
800 - Striping Streets & Parking	5	900	923
Total 01000 - Paving:		14,850	15,222
02000 - Concrete			
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Ongoing Repairs (5%)	5	17,600	18,040
Total 2012:		32,450	33,262
2013			
00020 - Buildings			
03000 - Painting: Exterior			
100 - Surface Restoration 100 Units - Wood & Stucco	5	156,700	164,633
Total 2013:		156,700	164,633



Section VII-b

Sample for Northwest

Component / Asset # Cross Reference

Final

Prepared for the 2012 Fiscal Year

Asset # - to - Reserve Components

<i>Level</i>		<i>Assn General Ledger #</i>
<i>Major</i>		
<i>Sub-Component</i>		
00010 - Grounds		
01000 - Paving		
100 - Asphalt: Sealing	<i>82,940 Sq. Ft. Streets & Parking</i>	5210
200 - Asphalt: Ongoing Repairs	<i>82,940 Sq. Ft. Streets & Parking (2%)</i>	5210
300 - Asphalt: Petromat Overlay	<i>82,940 Sq. Ft. Streets & Parking</i>	5210
800 - Striping	<i>Streets & Parking</i>	5230
02000 - Concrete		
200 - Sidewalks, Curbs & Gutters	<i>22,000 Sq. Ft. Ongoing Repairs (5%)</i>	5250
00020 - Buildings		
03000 - Painting: Exterior		
100 - Surface Restoration	<i>100 Units - Wood & Stucco</i>	5400
00030 - Other		
32000 - Undesignated		
500 - Contingency	<i>Reserve Items</i>	5900

Asset # - to - Reserve Components

<i>Assn General Ledger #</i>			<i>Level</i>
<i>Reserve Component</i>			
5210			
01000 - Paving	100 - Asphalt: Sealing	82,940 Sq. Ft. Streets & Parking	00010 - Grounds
01000 - Paving	200 - Asphalt: Ongoing Repairs	82,940 Sq. Ft. Streets & Parking (2%)	00010 - Grounds
01000 - Paving	300 - Asphalt: Petromat Overlay	82,940 Sq. Ft. Streets & Parking	00010 - Grounds
5230			
01000 - Paving	800 - Striping	Streets & Parking	00010 - Grounds
5250			
02000 - Concrete	200 - Sidewalks, Curbs & Gutters	22,000 Sq. Ft. Ongoing Repairs (5%)	00010 - Grounds
5400			
03000 - Painting: Exterior	100 - Surface Restoration	100 Units - Wood & Stucco	00020 - Buildings
5900			
32000 - Undesignated	500 - Contingency	Reserve Items	00030 - Other

00010 - Grounds

Blackrock Paving, Inc.

P.O. Box 322
Rocklin, CA 95677

Phone: (916) 368-6076

License #: 696040

01000 - Paving

- | | |
|---------------------------------|-------------------|
| 100 - Asphalt: Sealing | Streets & Parking |
| 200 - Asphalt: Ongoing Repairs | Streets & Parking |
| 300 - Asphalt: Petromat Overlay | Streets & Parking |

J&S Asphalt

4512 Yankee Hill Court
Rocklin, CA 95677

Phone: (916) 624-8855

License #: A-748-240

01000 - Paving

- | | |
|----------------|-------------------|
| 800 - Striping | Streets & Parking |
|----------------|-------------------|

Williams, James E.

205 Jefferson Street
Roseville, CA 95678

Phone: (916) 771-5931

License #:

02000 - Concrete

- | | |
|----------------------------------|-----------------|
| 200 - Sidewalks, Curbs & Gutters | Ongoing Repairs |
|----------------------------------|-----------------|

00020 - Buildings

Progressive Painting

P. O. Box 832
Rio Linda, CA 95673

Phone: (916) 991-2995

License #: 755367

03000 - Painting: Exterior

- | | |
|---------------------------|-----------------------|
| 100 - Surface Restoration | Units - Wood & Stucco |
|---------------------------|-----------------------|

This report is intended to assist the auditor while preparing the audit, review or compilation of Sample for Northwest's (the "Association") financial documents.

Browning Reserve Group ("BRG") prepared a reserve study for the Association during the 2011 fiscal year. This was done to help determine the Association's reserve contribution for the next fiscal year (2012) and future fiscal years. In addition, BRG prepared the proper statutory disclosures for distribution to the Association members.

This Reserve Study is a Full Study. A **Full Study** includes an on-site review upon where the following tasks are performed:

- development of a reserve component inventory;
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan. Please note, in order to complete these study tasks, one or more visits were conducted by BRG to Sample for Northwest.

For BRG reserve studies, the year in which the study is being conducted, is the first year of the study. For example, this study is being prepared during 2011 and is the Association's first year in the study. This enables BRG to use a starting point which ties to the last audited financial statement, December 31, 2010. You will notice in Section III, Reserve Fund Balance Forecast, a Beginning Reserve Balance of \$116,177 is being used which ties to the last completed audit or review of the Association's financial statements. BRG then re-builds the first year of the study, in this case 2011, and estimates an ending reserve fund balance. Again, see Section III and the 2011 ending reserve balance estimate of \$163,353.

"Re-building" the first year of the study as mentioned above simply means using the 2011 adopted budget for the 2011 reserve contribution. Finally, the 2011 reserve expenses both actual and projected are estimated.

We find by using the above method a more accurate reserve study is possible because the beginning reserve fund balance ties directly to the Association's audited financial statement or, in the absence of an audit or review, the year end balance sheet. There is no need to rely on others for determining mid year reserve balances or estimating current year ending reserve balances. This approach forces all involved, to look at the current year's reserve fund activities so a more accurate ending reserve fund balance can be estimated.

With respect to the reserve component information on the next page/s, here are the calculations:

$$\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$
$$\% \text{ Funded} = \text{First Year Estimated Ending Reserve Balance} / \text{FFB}$$

Please see Section V - Reserve Fund Balance Forecast.

Browning Reserve Group



Sample for Northwest
**Schedule of Supplementary Information for Auditor
 Component Method**
 Final
 Prepared for the 2012 Fiscal Year

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2011 Fully Funded Balance</i>	<i>2012 Fully Funded Balance</i>	<i>2012 Line Item Contribution based on Cash Flow Method</i>
00010 - Grounds						
01000 - Paving						
100 - Asphalt: Sealing 82,940 Sq. Ft. Streets & Parking	9,950	5	1	7,960	10,199	2,087
200 - Asphalt: Ongoing Repairs 82,940 Sq. Ft. Streets & Parking (2%)	4,000	5	1	3,200	4,100	839
300 - Asphalt: Petromat Overlay 82,940 Sq. Ft. Streets & Parking	120,250	25	11	67,340	73,954	6,458
800 - Striping Streets & Parking	900	5	1	720	923	189
02000 - Concrete						
200 - Sidewalks, Curbs & Gutters 22,000 Sq. Ft. Ongoing Repairs (5%)	17,600	5	1	14,080	18,040	3,692
Sub-total Grounds	152,700			93,300	107,215	13,264
00020 - Buildings						
03000 - Painting: Exterior						
100 - Surface Restoration 100 Units - Wood & Stucco	156,700	5	2	94,020	128,494	33,691
Sub-total Buildings	156,700			94,020	128,494	33,691
00030 - Other						
32000 - Undesignated						
500 - Contingency Reserve Items	3,400	3	0	3,400	1,162	1,160
Sub-total Other	3,400			3,400	1,162	1,160
				[A]	[B]	
Totals	312,800			190,720	236,871	48,115
				[EndBal]	[EndBal]	
				[A]	[B]	
Percent Funded				85.65%	77.04%	

Terms & Definitions CAI

CASH FLOW METHOD: A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate representative(s) of the association or cooperative.

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See "Cash Flow Method."

COMPONENT: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See "Replacement Cost."

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

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

or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + \\ [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate}) ^ \text{Remaining Life}] - \\ [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate}) ^ \text{Remaining Life}]$$

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

Baseline Funding: Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

Full Funding: Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

Statutory Funding: Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

FUNDING PLAN: An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

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

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

REMAINING USEFUL LIFE (RUL): Also referred to as "Remaining Life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" Remaining Useful Life.

REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts and Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis.

RESPONSIBLE CHARGE: A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit."

USEFUL LIFE (UL): Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

The above terms and definitions are from the Community Associations Institute (CAI) national standards.

Terms & Definitions BRG

Browning Reserve Group reserve studies use several terms that are unique to our reports. Our specialized systems have been developed to offer flexibility in many areas of our reporting. Please see below for definitions of abbreviations and symbols used in many of our reserve studies.

NR-1 (LIMITED RECURRENCE, 1 TIME): This signifies a major reserve component recurs for only a fixed number of cycles. Most often used to display a cost in a specific year only, NR-1 signifies the component only occurs one time. An NR-2 means the component will display for two cycles and so on. This makes it easy to enter one-time costs that pop up from time to time, or to display a cost that may be unique at one replacement date only.

SE-2 (SPREAD EVENLY OVER 2 YEARS): This signifies the major component, when replaced is spread evenly over 2 or more years. For example if a component will be replaced in year 8 of the study, and there is a SE-2, then the component will be replaced over 2 years, year 8 and year 9. Although the component is split over 2 or more years, each subsequent year will increase by the study's inflation factor. An SE-3 signifies the component is split over three years and so on.

NSE-2 (SPREAD NON-EVENLY OVER 2 YEARS): Similar to above, but the spread is not equal in each year. The spread is entered at a different amount for each year in the spread. The total of the spread will always equal 100% of the total replacement cost, excluding inflation.

% (PERCENT TO INCLUDE): This signifies that the component is being replaced at less than 100 percent of its replacement cost or quantity. Perhaps a component is replaced partially at each replacement year. Another example would be to do a small portion of the work at each replacement year. Oftentimes wood fencing is replaced over several cycles, and the study will display a percentage of the fence at each replacement cycle.

DELAYED START (REMAINING LIFE GREATER THAN USEFUL): In many instances a component's replacement cycle may not begin immediately, so the replacement cycle start is delayed. Delay is accomplished by setting the remaining life greater than the useful life.

ZERO REMAINING LIFE: Zero remaining life signifies that the component is replaced in the year which the study is prepared. All replacements are reflected in their replacement year, and the year in which the study is prepared is no different than any other year.



RESERVE STUDY
Member Distribution Materials

Sample for Northwest

Full Study

Final

Published - October 31, 2011

Prepared for the 2012 Fiscal Year

<i>Section</i>	<i>Report</i>	<i>Page</i>
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<i>Section III:</i>	<i>30 Year Reserve Funding Plan</i>	<i>Cash Flow Method {c}</i> 3

Professionally managed by

ABC Management
(916) 555-1234



Browning Reserve Group
www.BrowningRG.com

October 31, 2011

This is a summary of the Reserve Study that has been performed for Sample for Northwest, (the "Association"). This study was done in compliance with applicable professional standards and is being provided to you, as a member of the Association, as prescribed under these standards. A complete Reserve Study copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Full Study for the January 1, 2012 - December 31, 2012 fiscal year.

Sample for Northwest is a Planned Development with a total of 100 Lots.

At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.5% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% per year.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

Idaho statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

The Board of Directors anticipates no future special assessments will be necessary for reserve funding.

Sample for Northwest
Idaho Member Summary
Final
Prepared for the 2012 Fiscal Year

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2011 Fully Funded Balance</i>	<i>2012 Fully Funded Balance</i>	<i>2012 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	135,100	5-25	1-11	79,220	89,175	9,573
02000 - Concrete	17,600	5-5	1-1	14,080	18,040	3,692
03000 - Painting: Exterior	156,700	5-5	2-2	94,020	128,494	33,691
32000 - Undesignated	3,400	3-3	0-0	3,400	1,162	1,160
Totals	\$312,800			\$190,720	\$236,871	\$48,115
Estimated Ending Balance				\$163,353	\$182,476	\$40.10
Percent Funded				85.7%	77.0%	/Lot/month @ 100

30 Year Reserve Funding Plan Cash Flow Method

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Balance	116,177 ¹	163,353	182,476	70,086	118,915	173,738	231,020	248,751	121,560	180,944
Inflated Expenditures @ 2.5%	3,400	33,261	164,633	3,661	0	0	41,575	186,267	0	4,246
Reserve Contribution	47,125	48,115	49,125	50,157	51,210	52,285	53,383	54,504	55,649	56,818
<i>Lots/month @ 100</i>	39.27	40.10	40.94	41.80	42.68	43.57	44.49	45.42	46.37	47.35
<i>Percentage Increase</i>		2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	3,451	4,270	3,118	2,333	3,613	4,997	5,923	4,572	3,735	5,181
Ending Balance	163,353	182,476	70,086	118,915	173,738	231,020	248,751	121,560	180,944	238,696

1) Beginning balance per 2010 year end financial review.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Balance	238,696	303,400	168,094	15,517	78,420	144,208	207,996	230,959	63,250	128,824
Inflated Expenditures @ 2.5%	0	200,356	215,317	0	0	4,924	48,172	238,438	5,303	0
Reserve Contribution	58,011	59,229	60,473	61,743	63,040	64,364	65,716	67,096	68,505	69,944
<i>Lots/month @ 100</i>	48.34	49.36	50.39	51.45	52.53	53.64	54.76	55.91	57.09	58.29
<i>Percentage Increase</i>	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	6,693	5,821	2,267	1,160	2,749	4,348	5,419	3,632	2,371	4,095
Ending Balance	303,400	168,094	15,517	78,420	144,208	207,996	230,959	63,250	128,824	202,862

	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Beginning Balance	202,862	280,240	300,104	109,839	189,542	266,627	353,516	381,827	159,261	248,627
Inflated Expenditures @ 2.5%	0	60,213	269,770	0	6,150	0	61,664	311,843	0	0
Reserve Contribution	71,413	72,913	74,444	76,007	77,603	79,233	80,897	82,596	84,331	86,102
<i>Lots/month @ 100</i>	59.51	60.76	62.04	63.34	64.67	66.03	67.41	68.83	70.28	71.75
<i>Percentage Increase</i>	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	5,964	7,165	5,061	3,696	5,632	7,656	9,078	6,680	5,036	7,292
Ending Balance	280,240	300,104	109,839	189,542	266,627	353,516	381,827	159,261	248,627	342,021