



MASON & MASON
CAPITAL RESERVE ANALYSTS, INC.



Condition Assessment
and
Reserve Fund Plan
2006
for
Fern Pond
Burke, Virginia



Prepared for:
The Board of Trustees



MASON & MASON
CAPITAL RESERVE ANALYSTS, INC.



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June 1, 2006

Ms. Karen Rae Frank, Finance Administrator
The Burke Centre Conservancy
6060 Burke Centre Parkway
Burke, Virginia 22015-3702

RE: **CONDITION ASSESSMENT AND RESERVE FUND PLAN 2006**
Fern Pond
Burke, Virginia
Project No. 5983-18

Dear Ms. Frank:

Mason & Mason Capital Reserve Analysts, Inc. has completed the report for the above community.

As outlined in our proposal, the report is being submitted to you and the Board of Trustees for review and comment. A review of Section 1.0 and 2.0 will provide you with our findings and financial analyses.

We genuinely appreciate the opportunity to work with you and the community.

Sincerely,

Mason & Mason Capital Reserve Analysts, Inc.

James G. Mason, R. S.
Principal

N. K. Mason, R. S.
Principal



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RESERVE FUND PLAN

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FOREWORD

One of the most important assets held by a common-property owner's association is its replacement reserve fund. The goal of the fund is to protect property values, not only for common areas, but also the individual properties within the community whose values depend upon the condition of the common assets. Reserve fund plans protect property by providing a methodology for replacement of deteriorating capital assets. The end result of a successfully implemented reserve fund plan is an increased quality of life for community residents.

1.0 INTRODUCTION

1.1 Background: Fern Pond Cluster is comprised of 78 townhomes within fourteen buildings located on Fern Pool Court, Pond Lily Court, and Calico Pool Lane off Marshall Pond Road in Burke, Virginia. The cluster was constructed in 1978. The street layout includes concrete sidewalks, curbs and gutters, and sixteen parking bays providing 161 spaces. Site features include a storm water drainage system.

James G. Mason, R. S., and N. K. Mason, R. S. conducted the field evaluation for this report on May 30, 2006. The weather was clear and the temperature was approximately 95 degrees F. Precipitation had not occurred for several days prior to the site visit. Pavements, walkways, and grounds were generally dry and clean of debris.

1.2 Principal Findings: The common assets appear to be in overall good condition. The community has now passed its twenty-five-year benchmark in terms of replacement of major systems. We understand that the first full asphalt pavement restoration project was completed in approximately 1997, and the pavement appears to be in good condition with older seal coat and minor crack-filling maintenance. Concrete sidewalks and curbs and gutters have received periodic replacements, but currently the sidewalks require additional significant repair effort. In order to maintain the physical attributes that preserve property values and provide a safe environment for occupants and guests, a series of capital expenditures should be anticipated. Consequently, we have scheduled near-, mid-, and late-term restoration and replacement projects based on anticipated need from our experience with similar properties.

The net effect of these changes to the reserve fund plan is that there is a required minor increase to \$5.85 per unit per month for the 2007 reserve contribution to properly fund at levels consistent with the Component Method. **Anything less than a Component Method level is deficit funding** and will eventually result in a shortage of funds possibly requiring large increases, bank loans, or special assessments, all of which should be avoided. Please see the Financial Overview, Section 2 below, for specific information, and a Cash Flow Alternative Funding Plan.

Generally, our approach is to group appropriately related component replacement items into projects. This creates a more realistic model and allows a grouping time line that is more convenient to schedule and logical to accomplish. Please see the Table 1 Discussion, Column 18, and the Asphalt Pavement Supplemental Report in Section 7, for specific information.

2.0 FINANCIAL OVERVIEW

2.1 Calculation Basics: The Association is on a calendar fiscal year. Management reported that the reserve fund balance, including cash and securities, as of December 31, 2005, was \$55,819. We have used the **DMB projected, five-year average 4.00% annual interest income factor** and the **3.50% inflation factor** in our model. The total expenditures for the twenty-year study period for both the **Cash Flow Method and Component Method** are projected to be **\$154,453**.

2.2 Current Funding Analysis, Cash Flow Method (Table 3 & Graph): The current annual contribution to reserves is \$5,419. At this level, the total for all annual contributions for the twenty-year study period would be \$108,380, and the total interest income is projected to be \$42,768. **Continued funding at this level results in positive balances somewhat lower than Component Method levels.**

2.3 Alternative Funding Analysis, Cash Flow Method (Table 3.1 and Graph): This alternative provides the annual contributions necessary to maintain balances more consistent with the **Component Method funding**. **By applying an annual contribution percentage increase of 1.10% to the current (2006) contribution no additional increase is necessary. This alternative allows for a gradual increase over time and addresses generational**

equity issues. The total for all annual contributions for the twenty-year study period would be **\$120,489**, and the total interest income is projected to be **\$46,581**. The reserve fund balance in the last year of the study (2025) is **\$68,436**, or a **14%** balance to asset base ratio.

2.4 Funding Analysis, Component Method (Table 4 & Graph): This method of funding would require annual contributions ranging from a low of **\$2,301** to a high of **\$10,103** for an average annual contribution throughout the twenty-year study period of **\$6,459**. The total for all annual contributions for the twenty-year study period would be **\$129,180**, and the total interest income is projected to be **\$37,330**. The **Fully Funded** ending balance in 2025 is **\$67,877**. The Component Method model considers the current reserve fund balance in computing individual component contributions for current cycles. **The Component Method model distributes the current reserve fund balance proportionally to all components prior to calculating the individual component contributions for each component cycle.**

2.5 Reserve Funding Philosophy: The condition assessment and reserve fund plan is intended to be a working tool for Management and the Board for planning over the long term in order to help them understand the complex issues before them and make informed decisions. The Board of Directors, in consultation with Management and accounting professionals, should decide which of the two reserve funding methods is appropriate for the community. **We believe that funding using the Cash Flow Method based on levels determined by the Component Method is the most appropriate and manageable approach.**

3.0 VISUAL EVALUATION METHODOLOGY

The condition assessment forming the basis for this report was visual and non-invasive. We did not perform any destructive testing to uncover or expose hidden conditions. No operational testing of mechanical, electrical, plumbing, fire protection, or other internal systems was performed. No spaces were entered that were inaccessible or potentially hazardous. Code compliance, capacities and equipment adequacy for current loads were not addressed. Mason & Mason makes no warranty that every defect is disclosed. Our scope of work does not include an evaluation of moisture penetration, mold, indoor air quality, or other environmental issues. While we may identify safety hazards observed during the course of the field evaluation, this report should not be considered to be a full safety evaluation of components.

Repair and replacement costs are based upon commonly accepted references and our experience with similar components installed in similar circumstances. Our opinions of costs are based on published construction cost data, experience with similar projects, information provided by local contractors and management personnel. Actual construction costs can vary significantly due to seasonal considerations, material availability, labor, economy of scale, and other factors beyond our control. Projected useful service lives presume a normal level of past, present and future maintenance. No warranties or guarantees of component service life expectancies are expressed or implied and none should be inferred by this report. Actual experience in replacing components may differ significantly from the projections in the Reserve Fund Plan, because of conditions beyond our control or that were not visually apparent at the time of the evaluation. This report is not a mandate, but is intended to be a guide for future planning.

4.0 ACCOUNTING METHODS

4.1 Cash Flow Method of Funding (Tables 3, 3.1 etc.): The balance of the reserve fund and corresponding annual contribution is determined by setting a level above a pre-determined minimum balance computed after the yearly expenditures. The minimum balance is typically expressed as a percentage, or ratio, of the total reserve fund balance to the asset base. The appropriate level is determined by a variety of factors including condition, age, and complexity of the community. This method is becoming widely accepted in part because of advanced computer modeling but also

because it can be a more efficient use of capital. **The goal should be to set the first year contribution at a level requiring only small annual inflationary increases, to fully fund the reserves long-term. This addresses generational equity issues, as the first year contribution will be equal to the last year in terms of the cost of money. We have determined through many years of experience that funding under the Cash Flow Method at levels determined by the Component Method will produce the best results. The combination of the two systems is the most manageable.** This method is depicted on Table 3, Current Funding Analysis Cash Flow Method, and Alternatives, if appropriate.

4.2 Component Method of Funding (Table 4): Each component is fully funded at 100% of its replacement value on a ratio directly proportionate to its remaining life cycle years. Each component is also allotted a percentage of the fund's total reserves (balance on hand) as part of this complex calculation prior to determining the actual annual contribution. **Fully funded** means the fund is on target, including time considerations. Funds set aside for replacement of individual components are not normally used for the replacement of other components. In rare cases where a reserve fund is actually overfunded, \$0 will be displayed on the component tables, indicating that the component is fully funded for that cycle. The Component Method usually results in annual contribution fluctuations and fund balances, but is considered to be the most conservative method for accruing reserve funds. This method is depicted on **Table 4, Funding Analysis Component Method.**

4.3 Interest Income on Reserve Funds: In order to replicate approximate financial conditions, interest income on reserve funds should be recognized. The financial tables have been programmed to calculate interest income based on a pre-determined rate. This rate can be set at any level, including zero, for those desiring to not recognize interest. **Typically, the rate used reflects OMB's (Office of Management and Budget) projection for T-Note rates during the 2005 through 2015 time period.** The rate should reflect, as accurately as possible, the actual combined rate of return on all securities and other instruments of investment.

Interest calculations are segregated into three individual asset components, and the results are summed to generate the yearly interest accumulations. Interest accrued by the reserve fund assets are compartmentalized and calculated according to the following three categories; beginning reserve fund balance, interest accumulated upon the reserve fund contributions, and interest lost by the capital expenditures.

Interest earned on the yearly beginning reserve fund balance is calculated by compounding the beginning reserve fund balance on a monthly period by the interest rate. Interest earned for the reserve fund contributions are calculated by assuming that twelve equal installments are deposited, and interest is accrued and compounded monthly upon the accumulating balance. Likewise, the interest lost on the capital expenditures is calculated on the assumption that expenditures are deducted from the reserve balance on a monthly basis, and the interest that is lost is calculated upon the aggregate monthly balance. The interest income displayed on Table 3 and Table 4 is the summation of the beginning reserve fund interest accrual and the interest earned on the contributions minus the interest lost by withdrawing the capital expenditures. This method of calculation, while not exact, approximates the averages of the three principal components of a reserve fund for each twelve-month period.

4.4 Future Replacement Costs (Inflation): In order to replicate actual financial conditions, inflation on replacement costs should be recognized. The financial tables have been programmed to calculate inflation based upon a pre-determined rate. This rate can be set at any level, including zero. Typically, the rate used reflects **OMB's average annual Consumer Price Index (urban) for the period of 2005 through 2015.**

4.5 Simultaneous Funding: This is a method of calculating funding for multiple replacement cycles of a single component over a period of time from the same starting date. Example: Funding for a re-roofing project, while, at the same time, funding for a second re-roofing project. This method often results in higher annual contribution

requirements and leads to generational equity issues. Mason & Mason employs this method only in special circumstances.

4.6 Sequential Funding: This is a method of calculating funding for multiple replacement cycles of a single component over a period of time where each funding cycle begins when the previous cycle ends. Example: Funding for the second re-roofing project begins after the completion of the initial re-roofing project. This method of funding appears to be fundamentally equitable. This method is the standard by which Mason & Mason calculates funding.

5.0 REPLACEMENT METHODS

5.1 Normal Replacement: Components are scheduled for complete replacement at the end of their useful service lives. Example: An entrance sign is generally replaced all at once.

5.2 Cyclic Replacement: Components are replaced in stages over a period of time. Example: Sidewalks are typically replaced in sections rather than as complete units.

5.3 Minor Components: A minimum component value should be established for inclusion in the reserve fund. Components of insignificant value in relation to the scale of the community should not be included and should be deferred to the maintenance budget. A small community might exclude components with aggregate values less than \$1,000, while a large community might exclude components with aggregate values of less than \$5,000.

5.4 Long Life Components: Almost all communities have some components with useful service lives typically ranging between thirty and sixty years. Traditionally, this type of component has been ignored completely or included at full replacement value far beyond the twenty-year study period. Example: Storm water drainage systems have a useful service life of approximately forty to sixty years. However, they typically require expensive repairs sometime during their service life. Mason & Mason programming addresses these issues by calculating partial funding over a period of time to provide for anticipated localized repairs.

5.5 Projected Useful Service Life: Useful service lives of components are established using construction industry standards as a guideline. Useful service lives can vary greatly due to initial quality and installation, inappropriate materials, maintenance practices, environment and obsolescence. By visual observation, the projected useful service life may be shortened or extended due to the present condition. The projected useful service life is not a mandate, but a guideline, for anticipating replacements and for accumulating reserve funds.

6.0 UPDATING THE RESERVE FUND PLAN

In order for a reserve fund plan to remain a viable planning tool, it should be periodically updated. Changing financial conditions and widely varying aging patterns of components dictate that revisions should be undertaken every three to five years, depending upon the complexity of the common assets and the age of the community. Weather, which is unpredictable, plays a large part in the aging process. Full Updates typically involve a site visit to observe current conditions, adjusting fund balances and contributions, and recalculating the financial tables. This updating process insures the integrity of the reserve fund plan and contributes to the financial health of the community. Mason & Mason encourages certain types of communities to perform Administrative Updates on complex properties that are undergoing several costly projects simultaneously. These updates include adjustments to the replacement schedules, annual contributions, balances, replacement costs, and interest income. The Administrative Update does not require a site visit and can be a cost-effective way of keeping the Reserve Fund Plan current between Full Update cycles. Updates are particularly important for those communities employing the Cash Flow Method because it maintains the twenty-year

window. The Cash Flow Method does not consider expenditures beyond the study period. Those expenditures are brought into the study as it is periodically updated.

7.0 ASPHALT PAVEMENT SUPPLEMENTAL REPORT*

Street Name	Total SY Asphalt Pavement	SY Full- Depth Repairs (A)	Linear Footage Cracks (B)	Parking Spaces	Parking Bays
Fern Pool Court	1,165	0	120	30	3
Pond Lily Court	1,880	0	400	46	4
Calico Pool Lane	2,295	106	400	85	9
TOTALS	5,340	106	920	161	16

* All quantities approximate (A) Quantity of deflected pavement that will require full-depth repairs near-term (B) Cracks that will require crack-filling maintenance near-term

COMPONENT DATA AND ASSET REPLACEMENT SCHEDULE TABLE 1 EXPLANATION

This table lists the common assets included in the reserve fund plan and provides details of the replacement schedules. A narrative discussion is provided adjacent to each component. Photo references and maintenance protocol reference numbers are also provided. An explanation of each column in the table follows:

- Column 1 **Component No.** is consistent throughout all tables.
- Column 2 **Component** is a brief description of the component.
- Column 3 **Quantity** of the component studied, which may be an exact number, a rough estimate, or simply a (1) if the expenditure forecast is a lump sum allowance for replacement of an unquantified component.
- Column 4 **Unit of Measurement** used to quantify the component: SY = Square Yards
SF = Square Feet
LF = Linear Feet
EA = Each
LS = Lump Sum
PR = Pair
CY = Cubic Yards
- Column 5 **Unit Cost** used to calculate the required expenditure. This unit cost includes removal of existing components and installation of new components, including materials, labor, and overhead and profit for the contractor.
- Column 6 **Total Asset Base** is the total value of common assets included in the study in current dollars. In addition to capital assets, this figure includes one cycle of maintenance liability.
- Column 7 **Typical Service Life (Yrs) or Cycle** is the typical life expectancy of similar components in average conditions or the length of years between replacement cycles, and does not necessarily reflect the conditions observed during the field evaluation. This number is furnished for reference and is not necessarily computed in the system.
- Column 8 **1st Cycle Year** is the scheduled year of the first projected replacement or repair.
- Column 9 **Percentage of Replacement** is the percentage of component value to be replaced in the first replacement cycle.
- Column 10 **Cost for 1st Cycle** is the future cost (with inflation) of the replacement. It is the product of Column 6 times Column 9 in future dollars.
- Column 11 **2nd Cycle Year** is the scheduled year of the second projected replacement or repair. If a second cycle is not listed, it is because the first cycle is beyond the end of the study.
- Column 12 **Percentage of Replacement** is the percentage of component value to be replaced in the second replacement cycle. This can vary from the percentage of the first cycle for various reasons, such as the increased age of a component may require a larger amount of repair.
- Columns 13 **Cycles, Percentage, and Cost** repeat as itemized above. Although not shown on the tables, Through 16 the cycles continue throughout the study period and beyond.
- Column 18 **Discussion** is the description and observed condition of the component and the methodology employed in the decision-making process. Includes the photo reference, (**Photo #1, #2, etc.**) and Maintenance Protocol reference numbers (**7.1, 7.2 etc.**) if applicable.

Reserve Fund Plan for
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Burke, Virginia

COMPONENT DATA AND
ASSET REPLACEMENT SCHEDULE
TABLE 1
2006 Through 2025

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	18
Component No.	Component	Quantity	Unit of Measurement	Unit Cost	Total Asset Base	Typical Service Life (Yrs)	1st Cycle Year	Percentage of Replacement	Cost F or 1st Cycle	2nd Cycle Year	Percentage of Replacement	Cost F or 2nd Cycle	3rd Cycle Year	Percentage of Replacement	Cost F or 3rd Cycle	DISCUSSION
1. ASPHALT COMPONENTS																
1.1	Asphalt Restoration Project	5,340	SY	\$8.00	\$42,720	18	2015	100%	\$58,511	2033	100%	\$109,760				The asphalt pavement throughout the cluster appears to be a second-cycle overlay accomplished in approximately 1997, in generally fair to good condition, reaching the end of its service life at approximately 2015. We observed wide-area, unfilled cracking and significant deflection indicative of sub-base damage in one location. The cost is based on edgemilling and a 1-1/2" compacted overlay. A full useful service life is dependent on preventative maintenance being performed as scheduled in Items 1.2 and 1.3 below. See the Asphalt Pavement Supplemental Report, Section 7, for additional details.
1.2	Asphalt Seal Coat	5,340	SY	\$1.00	\$5,340	6	2009	100%	\$5,930	2021	100%	\$9,020	2027	100%	\$11,125	The pavement appears to have been seal coated in the past. In order to help extend the useful service life of the pavement and improve curb appeal after repairs are performed, we have scheduled additional seal coating projects every six years, except in the year of the pavement restoration project.
1.3	Asphalt Full-Depth Repair & Crack Fill Allowance	1	LS	\$6,000.00	\$6,000	6	2009	75%	\$4,997	2015	100%	\$8,218	2021	25%	\$2,534	Beginning deflected pavement (approximately 106 square yards), indicative of sub-base damage, was observed in Calico Pool Lane. Additional unfilled random longitudinal and transverse cracking (approximately 920 linear feet) were observed. Repairs are essential in order to achieve the projected remaining useful service life of the pavement. Full-depth repairs and crack filling are scheduled progressively approximately every six years throughout the study period, including the year of the asphalt restoration project. See the Asphalt Pavement Supplemental Report, Section 7, for additional details.
2. CONCRETE COMPONENTS																
2.1	Concrete Sidewalks	11,006	SF	\$8.00	\$88,048	5	2007	18%	\$16,412	2012	3%	\$3,258	2017	3%	\$3,880	Concrete sidewalks throughout the community are generally 4' or 6' wide. We measured approximately 2,252 linear feet of sidewalks. The thickness of the concrete could not be visually determined. Sidewalk condition ranges from new to poor. Although there are many newly installed sections of sidewalks, we observed an additional approximately 2,024 square feet of deficient concrete. Many sidewalk sections have settlement between sections or at curbs, causing tripping hazards. As sidewalks age, scaled surfaces, cracking, and settlement should be anticipated. Replacement of some of the more severely scaled sections should be addressed with each replacement cycle as they will tend to deteriorate more quickly over time. Cyclic repairs are scheduled as full replacement at one time is not appropriate or anticipated. Concrete repairs are scheduled to coincide with other concrete components to promote cost efficiencies.
2.2	Concrete Curbs & Gutters	3,614	LF	\$30.00	\$108,420	5	2012	2%	\$2,674	2017	2%	\$3,185	2022	2%	\$3,793	The driveways and parking bays are lined with standard-profile, cast-in-place, concrete curbs. The curbs are generally in good condition with just three deficiencies observed, which are not currently problematic. Curb paint is new. As curbs age, cracks, vehicle impact damage, and settlement should be anticipated. Cyclic repairs are scheduled as full replacement at one time is not appropriate or anticipated. Concrete repairs are scheduled to coincide with other concrete components to promote cost efficiencies.
3. SITE FEATURES																
3.1	Storm Water Drainage System Allowance	1	LS	\$4,500.00	\$4,500	5	2010	100%	\$5,175	2015	100%	\$6,163	2020	100%	\$7,340	Storm water drainage is provided by curb drop inlets and underground structures. All observable components appear to be in good condition. Though storm water drainage systems are a long life component and catastrophic failure is not anticipated, it is prudent to plan for localized repairs and repairs to ancillary damage as the system ages. This category may also be used to address localized erosion and drainage issues. We observed significant areas of evidence of ponding water at improperly contoured parking bays, which should be addressed.

CALENDAR OF EXPENDITURES TABLE 2 EXPLANATION

This table is a yearly plan of action of replacements and costs. A description of the columns in the table follows:

- Column 1 **Year** is the year of the projected replacement and expenditure.
- Column 2 **Component No.** itemizes the components and is consistent throughout the tables.
- Column 3 **Component** is a brief description of the component.
- Column 4 **Present Cost** is the cost for the cycle in today's dollars.
- Column 5 **Future Cost (Inflated)** is the cost for the cycle in future dollars.
- Column 6 **Total Annual Expenditures** gives the total expenditures by year .
- Column 7 **Action** is an area provided for the Board to make notations as to action taken on each component.

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CALENDAR OF EXPENDITURES
TABLE 2
2006 Through 2025



YEAR	COMPONENT NO.	COMPONENT	PRESENT COST 2006	FUTURE COST (INFLATED)	TOTAL ANNUAL EXPENDITURES	ACTION
1	2	3	4	5	6	7
2006					2006 NO EXPENDITURES	
2007	2.1	Concrete Sidewalks	\$15,849	\$16,412	2007 TOTAL EXPENDITURES \$16,412	
2008					2008 NO EXPENDITURES	
2009	1.2	Asphalt Seal Coat	\$5,340	\$5,930	2009 TOTAL EXPENDITURES	
	1.3	Asphalt Full-Depth Repair & Crack Fill Allowance	\$4,500	\$4,997	\$10,928	
2010	3.1	Storm Water Drainage System Allowance	\$4,500	\$5,175	2010 TOTAL EXPENDITURES \$5,175	
2011					2011 NO EXPENDITURES	
2012	2.1	Concrete Sidewalks	\$2,641	\$3,258	2012 TOTAL EXPENDITURES	
	2.2	Concrete Curbs & Gutters	\$2,168	\$2,674	\$5,932	
2013					2013 NO EXPENDITURES	
2014					2014 NO EXPENDITURES	
2015	1.1	Asphalt Restoration Project	\$42,720	\$58,511	2015 TOTAL EXPENDITURES	
	1.3	Asphalt Full-Depth Repair & Crack Fill Allowance	\$6,000	\$8,218		
	3.1	Storm Water Drainage System Allowance	\$4,500	\$6,163	\$72,892	
2016					2016 NO EXPENDITURES	
2017	2.1	Concrete Sidewalks	\$2,641	\$3,880	2017 TOTAL EXPENDITURES	
	2.2	Concrete Curbs & Gutters	\$2,168	\$3,185	\$7,065	
2018					2018 NO EXPENDITURES	
2019					2019 NO EXPENDITURES	
2020	3.1	Storm Water Drainage System Allowance	\$4,500	\$7,340	2020 TOTAL EXPENDITURES \$7,340	
2021	1.2	Asphalt Seal Coat	\$5,340	\$9,020	2021 TOTAL EXPENDITURES	
	1.3	Asphalt Full-Depth Repair & Crack Fill Allowance	\$1,500	\$2,534	\$11,554	
2022	2.1	Concrete Sidewalks	\$2,641	\$4,621	2022 TOTAL EXPENDITURES	
	2.2	Concrete Curbs & Gutters	\$2,168	\$3,793	\$8,414	
2023					2023 NO EXPENDITURES	
2024					2024 NO EXPENDITURES	
2025	3.1	Storm Water Drainage System Allowance	\$4,500	\$8,742	2025 TOTAL EXPENDITURES	

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CALENDAR OF EXPENDITURES
TABLE 2
 2006 Through 2025



YEAR	COMPONENT NO.	COMPONENT	PRESENT COST 2006	FUTURE COST (INFLATED)	TOTAL ANNUAL EXPENDITURES	ACTION
1	2	3	4	5	6	7
					\$8,742	

CURRENT FUNDING ANALYSIS CASH FLOW METHOD TABLE 3.0 EXPLANATION

and, if applicable,

ALTERNATIVE FUNDING ANALYSIS CASH FLOW METHOD TABLE 3.1, 3.2, 3.3 (etc.) EXPLANATION

Table 3.0 shows the financial picture over the twenty-year study period, using the current annual contribution and the reserve fund balance reported at the beginning of the study year. If the results of the study indicate a need to increase the annual contribution to maintain adequate balances throughout the study period, Table 3.1, and possibly, 3.2 will be provided for consideration. Alternatives might also be provided if a community is over-funded and desires to adjust the annual contribution downward.

Alternative funding may be achieved by increasing the annual contribution to a fixed yearly amount or by applying an annual escalation factor to increase contributions over time, or a combination of both methods. An inflation factor and interest income factor may be included in the calculations on this page.

A description of the columns in the table follows:

- Column 1 **Year**
- Column 2 **Total Asset Base** of all common capital assets included in the reserve fund with costs adjusted for inflation.
- Column 3 **Beginning Reserve Fund Balance** is the reserve fund balance after all activity in the prior year is completed.
- Column 4 **Annual Contribution**, on Table 3, is the amount contributed annually to the reserve fund as reported by the Board of Directors. On the Alternative Funding Analysis tables (3.1, 3.2, etc.), the annual contribution is projected to maintain positive balances throughout the study period.
- Column 5 **Interest Income**, which is indicated in the heading of the table, is applied to the reserve fund balance and is accrued monthly throughout each year after the yearly expenditures are deducted. The interest income percentage may be varied to reflect actual experience of the community investments.
- Column 6 **Capital Expenditures** are annual totals of expenditures for each year of the study period adjusted by the inflation percentage listed in the heading of the table.
- Column 7 **Ending Reserve Fund Balance** is the result of the beginning reserve fund balance plus the annual contribution, plus interest income, less capital expenditures for the year.
- Column 8 **Balance to Asset Base Ratio**, expressed as a percentage, is the ratio between the ending reserve fund balance and the total asset base for that year. The ratio is useful to the analysts in understanding general financial condition, but there is no standard ratio as each community's condition and complexity varies.



Reserve Fund Plan for
18. FERN POND CLUSTER
 Burke, Virginia

**CURRENT FUNDING
 ANALYSIS**
CASH FLOW METHOD
TABLE 3



MASON & MASON

Reston, Virginia

reserves@shentel.net 800-776-6980
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Beginning Reserve Fund Balance: **\$55,819** Annual Contribution To Reserves: **\$5,419** Contribution Percentage Increase: **0.00%** Annual Inflation Factor: **3.50%** Annual Interest Income Factor: **4.00%**

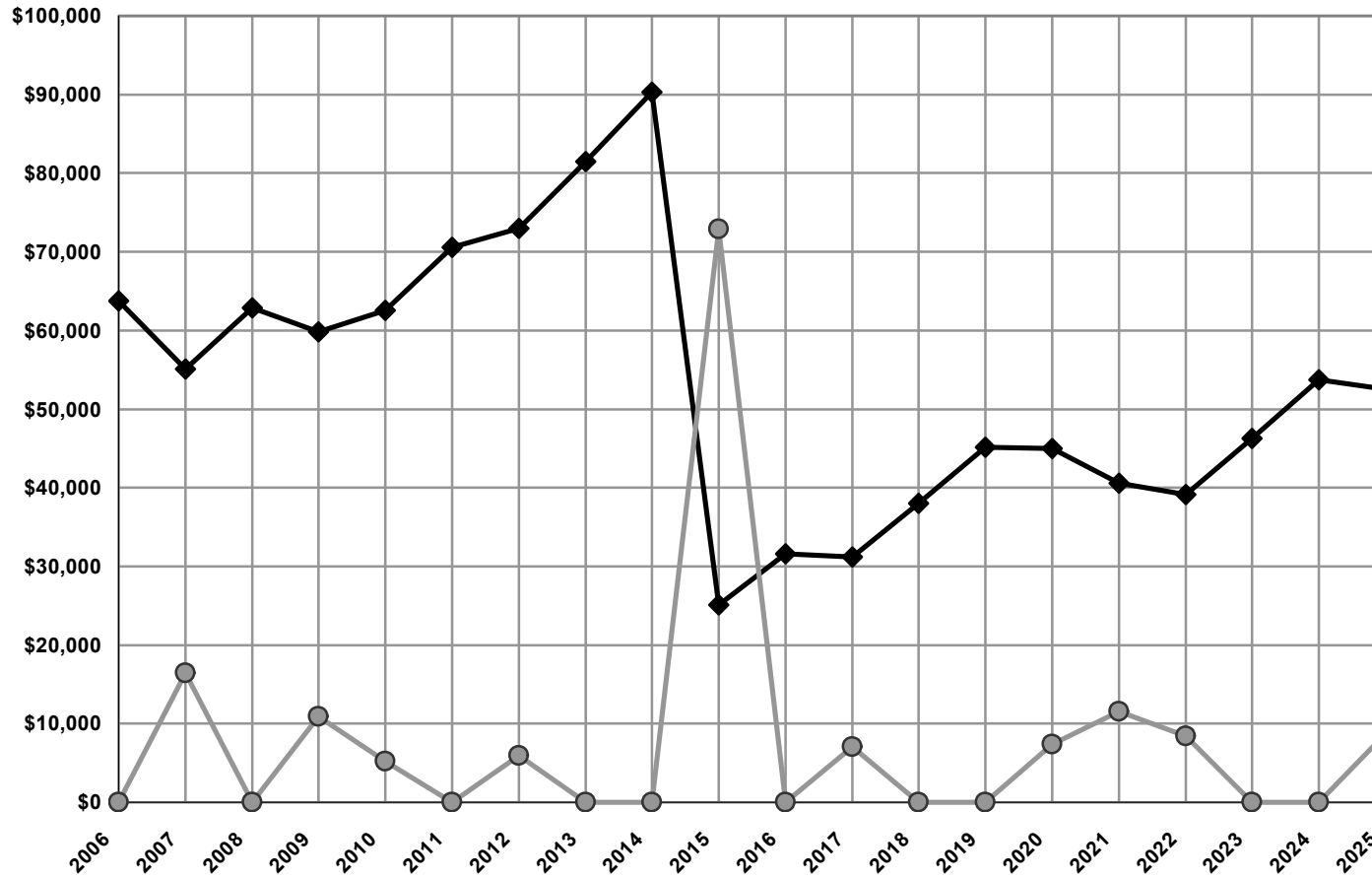
YEAR	TOTAL ASSET BASE	BEGINNING RESERVE FUND BALANCE	ANNUAL CONTRIBUTION	INTEREST INCOME	CAPITAL EXPENDITURES	ENDING RESERVE FUND BALANCE	BALANCE TO ASSET BASE RATIO
1	2	3	4	5	6	7	8
2006	\$255,028	\$55,819	\$5,419	\$2,512	\$0	\$63,750	25%
2007	\$263,954	\$63,750	\$5,419	\$2,358	\$16,412	\$55,115	21%
2008	\$273,192	\$55,115	\$5,419	\$2,364	\$0	\$62,898	23%
2009	\$282,754	\$62,898	\$5,419	\$2,443	\$10,928	\$59,833	21%
2010	\$292,650	\$59,833	\$5,419	\$2,444	\$5,175	\$62,520	21%
2011	\$302,893	\$62,520	\$5,419	\$2,666	\$0	\$70,605	23%
2012	\$313,495	\$70,605	\$5,419	\$2,866	\$5,932	\$72,958	23%
2013	\$324,467	\$72,958	\$5,419	\$3,091	\$0	\$81,469	25%
2014	\$335,823	\$81,469	\$5,419	\$3,438	\$0	\$90,326	27%
2015	\$347,577	\$90,326	\$5,419	\$2,210	\$72,892	\$25,063	7%
2016	\$359,742	\$25,063	\$5,419	\$1,140	\$0	\$31,622	9%
2017	\$372,333	\$31,622	\$5,419	\$1,253	\$7,065	\$31,229	8%
2018	\$385,365	\$31,229	\$5,419	\$1,391	\$0	\$38,040	10%
2019	\$398,853	\$38,040	\$5,419	\$1,669	\$0	\$45,127	11%
2020	\$412,812	\$45,127	\$5,419	\$1,797	\$7,340	\$45,003	11%
2021	\$427,261	\$45,003	\$5,419	\$1,701	\$11,554	\$40,569	9%
2022	\$442,215	\$40,569	\$5,419	\$1,588	\$8,414	\$39,163	9%
2023	\$457,693	\$39,163	\$5,419	\$1,714	\$0	\$46,296	10%
2024	\$473,712	\$46,296	\$5,419	\$2,005	\$0	\$53,720	11%
2025	\$490,292	\$53,720	\$5,419	\$2,117	\$8,742	\$52,514	11%

STUDY PERIOD TOTALS

\$108,380 \$42,768 \$154,453

**CURRENT FUNDING ANALYSIS
CASH FLOW METHOD
TABLE 3**

◆ ENDING RESERVE FUND BALANCE
○ CAPITAL EXPENDITURES



Reserve Fund Plan for
18. FERN POND CLUSTER
Burke, Virginia

ALTERNATIVE FUNDING
ANALYSIS
CASH FLOW METHOD
TABLE 3.1



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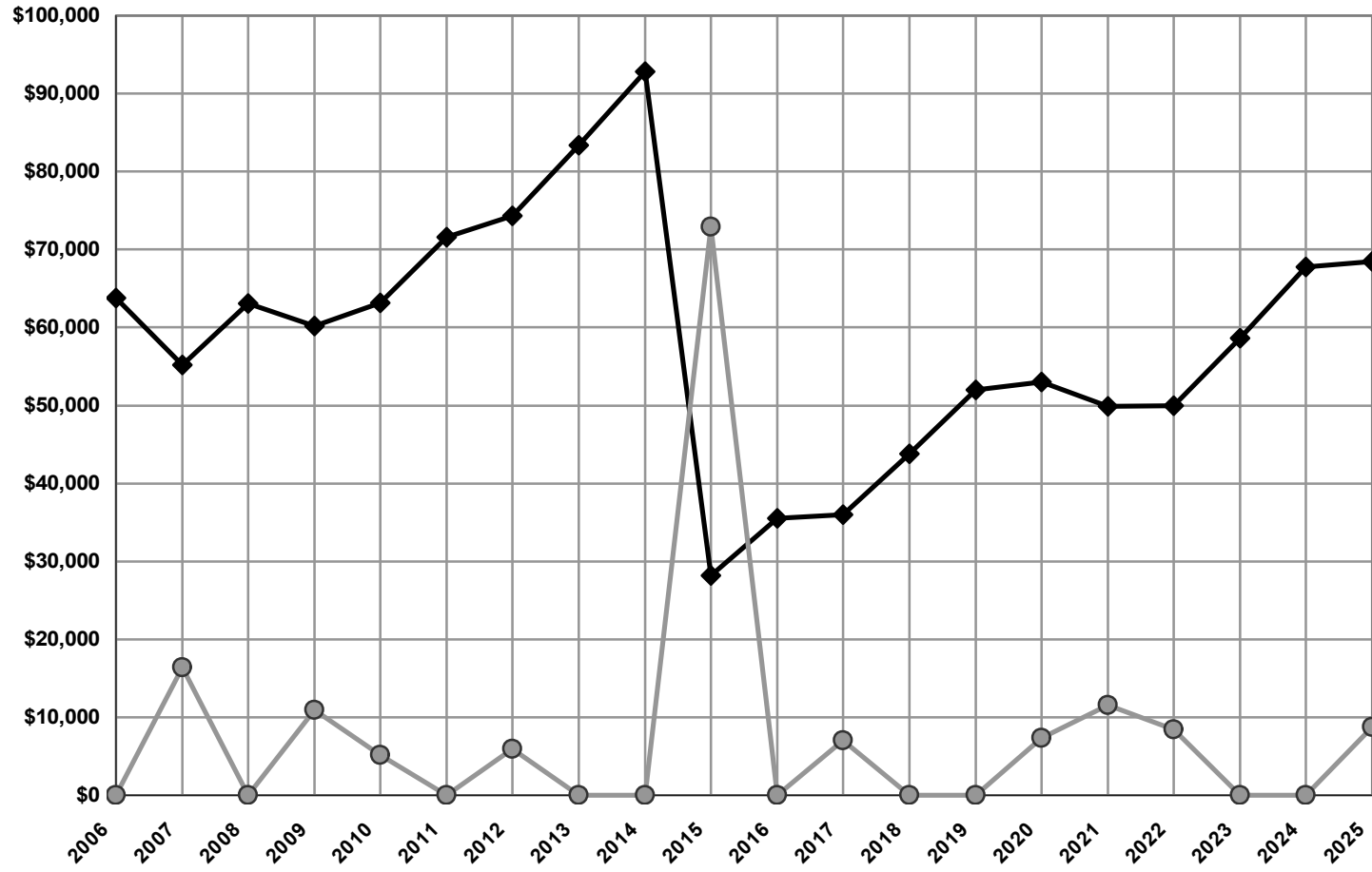
Reston, Virginia reserves@shentel.net 800-776-6980
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Beginning Reserve Fund Balance: \$55,819 Annual Contribution To Reserves: \$5,419 Contribution Percentage Increase: 1.10% Annual Inflation Factor: 3.50% Annual Interest Income Factor: 4.00%

YEAR	TOTAL ASSET BASE	BEGINNING RESERVE FUND BALANCE	ANNUAL CONTRIBUTION	INTEREST INCOME	CAPITAL EXPENDITURES	ENDING RESERVE FUND BALANCE	BALANCE TO ASSET BASE RATIO
1	2	3	4	5	6	7	8
2006	\$255,028	\$55,819	\$5,419	\$2,512	\$0	\$63,750	25%
2007	\$263,954	\$63,750	\$5,479	\$2,360	\$16,412	\$55,176	21%
2008	\$273,192	\$55,176	\$5,539	\$2,369	\$0	\$63,084	23%
2009	\$282,754	\$63,084	\$5,600	\$2,455	\$10,928	\$60,211	21%
2010	\$292,650	\$60,211	\$5,661	\$2,464	\$5,175	\$63,162	22%
2011	\$302,893	\$63,162	\$5,724	\$2,699	\$0	\$71,584	24%
2012	\$313,495	\$71,584	\$5,787	\$2,914	\$5,932	\$74,353	24%
2013	\$324,467	\$74,353	\$5,850	\$3,158	\$0	\$83,361	26%
2014	\$335,823	\$83,361	\$5,915	\$3,526	\$0	\$92,801	28%
2015	\$347,577	\$92,801	\$5,980	\$2,323	\$72,892	\$28,212	8%
2016	\$359,742	\$28,212	\$6,045	\$1,282	\$0	\$35,540	10%
2017	\$372,333	\$35,540	\$6,112	\$1,428	\$7,065	\$36,015	10%
2018	\$385,365	\$36,015	\$6,179	\$1,603	\$0	\$43,797	11%
2019	\$398,853	\$43,797	\$6,247	\$1,921	\$0	\$51,966	13%
2020	\$412,812	\$51,966	\$6,316	\$2,096	\$7,340	\$53,037	13%
2021	\$427,261	\$53,037	\$6,385	\$2,049	\$11,554	\$49,918	12%
2022	\$442,215	\$49,918	\$6,456	\$1,992	\$8,414	\$49,952	11%
2023	\$457,693	\$49,952	\$6,527	\$2,178	\$0	\$58,656	13%
2024	\$473,712	\$58,656	\$6,598	\$2,534	\$0	\$67,789	14%
2025	\$490,292	\$67,789	\$6,671	\$2,718	\$8,742	\$68,436	14%
STUDY PERIOD TOTALS			\$120,489	\$46,581	\$154,453		

ALTERNATIVE FUNDING ANALYSIS
CASH FLOW METHOD
TABLE 3.1

◆ ENDING RESERVE FUND BALANCE
● CAPITAL EXPENDITURES



FUNDING ANALYSIS COMPONENT METHOD TABLE 4 EXPLANATION

Table 4 is a yearly list of annual contributions toward each component, which must be made to achieve 100% funding. The reserve fund balance is the balance at the beginning of the study year. The beginning reserve fund balance is applied, proportionately, to each component prior to calculating the yearly contribution for each component. Future costs (inflation) are factored into the replacement cycles. The annual contribution for each year is calculated in the bottom row of the study labeled **Annual Component Contribution Totals**. Interest and inflation are calculated at the same annual rates as the Cash Flow Method (Table 3).

- Column 1 **Component Number** is consistent throughout the tables.
- Column 2 **Component** is a brief description of the component.
- Columns 3 -22 **Years** lists the annual contribution amount toward each component throughout the twenty-year study period, which is totaled at the bottom of the component table.

COMPONENT METHOD SUMMARY

The component method summary computes the beginning reserve fund balance, the annual component contribution, the annual expenditures, and interest income. It then provides the ending reserve fund balance for each year of the study.

Reserve Fund Plan for
18. FERN POND CLUSTER
Burke, Virginia

FUNDING ANALYSIS
COMPONENT METHOD
TABLE 4



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Beginning Reserve Fund Balance:
\$55,819

Component Number	COMPONENT	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1.1	Asphalt Restoration Project	\$879	\$879	\$879	\$879	\$879	\$879	\$879	\$879	\$879	\$879	\$4,160	\$4,160	\$4,160	\$4,160	\$4,160	\$4,160	\$4,160	\$4,160	\$4,160
1.2	Asphalt Seal Coat	\$248	\$248	\$248	\$248	\$585	\$585	\$585	\$585	\$585	\$585	\$585	\$585	\$585	\$585	\$585	\$585	\$1,638	\$1,638	\$1,638
1.3	Asphalt Full-Depth Repair & Crack Fill Allow	\$200	\$200	\$200	\$200	\$1,210	\$1,210	\$1,210	\$1,210	\$1,210	\$1,210	\$373	\$373	\$373	\$373	\$373	\$373	\$920	\$920	\$920
2.1	Concrete Sidewalks	\$2,847	\$2,847	\$588	\$588	\$588	\$588	\$588	\$700	\$700	\$700	\$700	\$700	\$834	\$834	\$834	\$834	\$834	\$993	\$993
2.2	Concrete Curbs & Gutters	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$575	\$575	\$575	\$575	\$575	\$684	\$684	\$684	\$684	\$684	\$815	\$815
3.1	Storm Water Drainage System Allowance	\$266	\$266	\$266	\$266	\$266	\$1,112	\$1,112	\$1,112	\$1,112	\$1,112	\$1,324	\$1,324	\$1,324	\$1,324	\$1,324	\$1,577	\$1,577	\$1,577	\$1,577
ANNUAL COMPONENT CONTRIBUTION TOTALS		\$4,560	\$4,560	\$2,301	\$2,301	\$3,648	\$4,493	\$4,493	\$5,060	\$5,060	\$5,060	\$7,716	\$7,716	\$7,960	\$7,960	\$7,960	\$8,212	\$9,813	\$10,103	\$10,103

COMPONENT METHOD SUMMARY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
BEGINNING RESERVE FUND BALANCE	\$55,819	\$62,753	\$53,199	\$57,718	\$51,254	\$51,782	\$58,484	\$59,397	\$66,988	\$74,889	\$8,631	\$16,868	\$18,222	\$27,099	\$36,337	\$38,451	\$36,604	\$39,527	\$51,461
PLUS ANNUAL COMPONENT CONTRIBUTION	\$4,560	\$4,560	\$2,301	\$2,301	\$3,648	\$4,493	\$4,493	\$5,060	\$5,060	\$5,060	\$7,716	\$7,716	\$7,960	\$7,960	\$7,960	\$8,212	\$9,813	\$10,103	\$10,103
CAPITAL EXPENDITURES	\$0	\$16,412	\$0	\$10,928	\$5,175	\$0	\$5,932	\$0	\$0	\$72,892	\$0	\$7,065	\$0	\$0	\$7,340	\$11,554	\$8,414	\$0	\$0
SUBTOTAL	\$60,379	\$50,900	\$55,500	\$49,091	\$49,727	\$56,276	\$57,045	\$64,458	\$72,049	\$7,058	\$16,347	\$17,520	\$26,182	\$35,058	\$36,956	\$35,110	\$38,004	\$49,629	\$61,564
PLUS INTEREST INCOME @ 4.00%	\$2,374	\$2,299	\$2,218	\$2,164	\$2,055	\$2,208	\$2,352	\$2,531	\$2,840	\$1,573	\$521	\$702	\$917	\$1,279	\$1,495	\$1,495	\$1,523	\$1,832	\$2,318
ENDING RESERVE FUND BALANCE	\$62,753	\$53,199	\$57,718	\$51,254	\$51,782	\$58,484	\$59,397	\$66,988	\$74,889	\$8,631	\$16,868	\$18,222	\$27,099	\$36,337	\$38,451	\$36,604	\$39,527	\$51,461	\$63,882

STUDY PERIOD TOTAL CONTRIBUTIONS	\$129,180
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STUDY PERIOD INTEREST TOTAL	\$37,330
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AVERAGE ANNUAL CONTRIBUTION	\$6,459
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TOTAL EXPENDITURES	
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2025
\$4,160
\$1,638
\$920
\$993
\$815
\$1,577
\$10,103

2025
\$63,882
\$10,103
\$8,742
\$65,243
\$2,634
\$67,877

\$154,453

**FUNDING ANALYSIS
COMPONENT METHOD
TABLE 4**

◆ ENDING RESERVE FUND BALANCE
○ CAPITAL EXPENDITURES

