

**HILLER HIGHLANDS I ASSOCIATION**

**FINANCIAL STATEMENTS  
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

**YEAR ENDED DECEMBER 31, 2019**

**LEVY, ERLANGER & COMPANY LLP  
Certified Public Accountants  
San Francisco, California**

**HILLER HIGHLANDS I ASSOCIATION**

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YEAR ENDED DECEMBER 31, 2019**

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**LEVY, ERLANGER & COMPANY LLP**  
Certified Public Accountants

290 King Street, Suite 12  
San Francisco, CA 94107

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

Board Of Directors  
**Hiller Highlands I Association**  
Oakland, California

We have reviewed the accompanying financial statements of **Hiller Highlands I Association** (the Association) which comprise the balance sheet as of December 31, 2019 and the related statements of revenues, expenses and changes in fund balances, and cash flows, for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Future Major Repairs and Replacements**

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed or compiled the required supplementary information, and we do not express an opinion, a conclusion, nor provide any assurance on it.

*Levy, Erlanger & Company LLP*

May 28, 2020

**HILLER HIGHLANDS I ASSOCIATION**

**BALANCE SHEET  
DECEMBER 31, 2019**

	<u>2019</u>		
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 10,124	\$ 165,078	\$ 175,202
Prepaid insurance	34,056		34,056
Total assets	<u>\$ 44,180</u>	<u>\$ 165,078</u>	<u>\$ 209,258</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,500	\$ -	\$ 2,500
Contract liabilities - replacement reserve assessments paid in advance (Notes 2 and 4)		165,078	165,078
Future major repairs and replacements (Note 3)			
Total liabilities	<u>2,500</u>	<u>165,078</u>	<u>167,578</u>
<b>COMMITMENTS (NOTE 5)</b>			
	-	-	-
<b>FUND BALANCE (DEFICIT)</b>			
	<u>41,680</u>	<u>-</u>	<u>41,680</u>
Total liabilities and fund balance	<u>\$ 44,180</u>	<u>\$ 165,078</u>	<u>\$ 209,258</u>

See independent accountant's review report and accompanying notes.

**HILLER HIGHLANDS I ASSOCIATION**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2019**

	2019		
	Operations Fund	Replacement Fund	Total Funds
<b>REVENUES</b>			
Assessments (Notes 2 and 4)	\$ 155,615	\$ 4,832	\$ 160,447
Interest income (Note 2)		148	148
Late charges and other income	1,850		1,850
Total revenues	<u>157,465</u>	<u>4,980</u>	<u>162,445</u>
<b>EXPENSES</b>			
<u>Administration</u>			
Insurance	70,557	-	70,557
Legal and accounting	3,405		3,405
Office, printing and postage	1,056		1,056
Reserve study	1,125		1,125
	<u>76,143</u>	<u>-</u>	<u>76,143</u>
<u>Maintenance and operations</u>			
Landscape maintenance	29,154	-	29,154
Tree maintenance	14,377		14,377
Other maintenance and operations	2,167		2,167
	<u>45,698</u>	<u>-</u>	<u>45,698</u>
<u>Utilities</u>			
Gas and electricity	3,187	-	3,187
Water and sewer	27,613		27,613
	<u>30,800</u>	<u>-</u>	<u>30,800</u>

See independent accountant's review report and accompanying notes.

**HILLER HIGHLANDS I ASSOCIATION**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2019**

	2019		
	Operations Fund	Replacement Fund	Total Funds
<b>EXPENSES (CONTINUED)</b>			
<u>Major repairs and replacements</u>			
Lighting and electrical systems	\$ -	\$ 2,627	\$ 2,627
Painting and waterproofing		1,811	1,811
Sewer and drainage		542	542
	-	4,980	4,980
Total expenses	152,641	4,980	157,621
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	4,824	-	4,824
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(15,612)	-	(15,612)
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR (NOTE 4)</b>	52,468	-	52,468
<b>FUND BALANCE (DEFICIT), END OF YEAR (NOTE 4)</b>	\$ 41,680	\$ -	\$ 41,680

See independent accountant's review report and accompanying notes.

**HILLER HIGHLANDS I ASSOCIATION**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019**

	2019		
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>OPERATING ACTIVITIES</b>			
Excess (deficiency) of revenues over expenses	\$ 4,824	\$ -	\$ 4,824
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
Decrease (increase) in assets:			
Prepaid insurance	3,445	-	3,445
Increase (decrease) in liabilities:			
Accounts payable	500		500
Contract liabilities - replacement reserve assessments paid in advance		50,780	50,780
Total adjustments	3,945	50,780	54,725
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>8,769</u>	<u>50,780</u>	<u>59,549</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,769	50,780	59,549
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(15,612)	-	(15,612)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>16,967</u>	<u>114,298</u>	<u>131,265</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 10,124</u>	<u>\$ 165,078</u>	<u>\$ 175,202</u>
<u>Supplemental Disclosures</u>			
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent accountant's review report and accompanying notes.



## **HILLER HIGHLANDS I ASSOCIATION**

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019**

#### **1. THE ASSOCIATION**

**Hiller Highlands I Association** (the Association) is a common interest development located in Oakland, California which consists of 34 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in May 1966 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Assessments.** Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

**Assessments receivable** at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The estimate of allowance for doubtful accounts, if any, is based, generally on amounts past due greater than 90 to 120 days.

**Basis of presentation.** The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

See independent accountant's review report.

**HILLER HIGHLANDS I ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and cash equivalents.** For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

**Concentrations of credit risk.** Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2019 totaled approximately \$-0-.

**Contract liabilities - replacement reserve assessments paid in advance.** The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability - replacement reserve assessments paid in advance is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

**Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

**Fund accounting.** The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

See independent accountant's review report.

**HILLER HIGHLANDS I ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income taxes** are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at a flat 21% rate on net nonmember income; in the latter case it is taxed at a flat 30% rate on net nonexempt function income (which is generally similar to net nonmember income). California income tax approximates 9% of net nonmember income.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

**Interest earned** on operations and replacement funds, net of related income taxes, is retained in said respective funds. With the implementation of FASB ASC 606 new accounting guidance, reported replacement reserve interest income may be less than earned.

**Membership** in the Association is mandatory by virtue of unit ownership.

**Real and personal common property** acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board Of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

See independent accountant's review report.

## **HILLER HIGHLANDS I ASSOCIATION**

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019**

#### **3. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material.

Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

See independent accountant's review report.

**HILLER HIGHLANDS I ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**4. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) has issued new guidance that created Accounting Standards Codification (ASC) Topic 606. This new guidance supercedes the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRAs), Revenue Recognition, and now requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services (i.e. the accumulation of unspent replacement reserve cash and investments from assessment payments over time which are eventually to be used for common area major repairs and replacements).

The Association has adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenues and contract liabilities - replacement reserve assessments paid in advance.

**Assessment Revenues Reconciliation**

	Operations <u>Fund</u>	Replacement <u>Fund</u>	<u>Total Funds</u>
Assessment revenues <b><u>per budget</u></b>	\$ 155,615	\$ 40,000	\$ 195,615
Effects of applying <b><u>new guidance</u></b>			
Reclassify <b><u>interfund transfers</u></b>	-	15,612	<b>15,612</b>
Adjust <b><u>revenues to equal expenses</u></b>	-	<u>(50,780)</u>	<u><b>(50,780)</b></u>
Total effects of new guidance	-	<u>(35,168)</u>	<u><b>(35,168)</b></u>
Assessment revenues <b><u>per financial statements</u></b>	<u>\$ 155,615</u>	<u>\$ 4,832</u>	<u><b>\$ 160,447</b></u>

See independent accountant's review report.

## HILLER HIGHLANDS I ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 4. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (CONTINUED)

The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance. The modified retrospective method of transition also requires disclosure of the effect of applying the new guidance on each item included in the 2019 financial statements. The adoption of the new revenue recognition guidance resulted in the following changes to financial statements:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects Of Applying New Guidance</u>	<u>As Reported</u>
<b><u>Balance Sheet</u></b>			
Contract liabilities - replacement reserve assessments paid in advance	\$ -	\$ 165,078	\$ 165,078
Total liabilities	\$ 2,500	\$ 165,078	\$ 167,578
Ending fund balances	\$ 206,758	\$ (165,078)	\$ 41,680
<b><u>Statement Of Revenues, Expenses And Changes In Fund Balances</u></b>			
<b><u>Revenues</u></b>			
Assessments	\$ 195,615	\$ (35,168)	\$ 160,447
Interest income (Note 2)	148	-	148
Other revenues	1,850	-	1,850
Total revenues	<u>197,613</u>	<u>(35,168)</u>	<u>162,445</u>
<b><u>Expenses</u></b>			
Operating expenses	152,641	-	152,641
Replacement reserve expenses	4,980	-	4,980
Total expenses	<u>157,621</u>	<u>-</u>	<u>157,621</u>
Excess (deficiency) of revenues over expenses	39,992	(35,168)	4,824
Interfund reclassifications and transfers	-	(15,612)	(15,612)
Beginning fund balances	166,766	(114,298)	52,468
Ending fund balances	<u>\$ 206,758</u>	<u>\$ (165,078)</u>	<u>\$ 41,680</u>
<b><u>Statement Of Cash Flows</u></b>			
Excess (deficiency) of revenues over expenses	\$ 39,992	\$ (35,168)	\$ 4,824
Change in contract liabilities - replacement reserve assessments paid in advance	\$ -	\$ 50,780	\$ 50,780

See independent accountant's review report.

**HILLER HIGHLANDS I ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**5. COMMITMENTS**

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

**6. COVID-19**

In December 2019 a novel strain of coronavirus surfaced and has spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization in January 2020. The effect of this virus on the financial position and/or results of operations of the Association is unknown at this time.

**7. DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 28, 2020, the date that the financial statements were available to be issued.

See independent accountant's review report.

## HILLER HIGHLANDS I ASSOCIATION

### SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2019 (UNAUDITED)

The following information on common area major components was compiled by Reserve Studies by Reserve Funding of Lake Oswego, Oregon as of **November 2019** and has served as the basis for the current estimates of replacement reserve funding:

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
<b>Asphalt</b>							
Asphalt: Overlay	117,635	25	22		0	246.01	7,855
Asphalt: Repairs	7,524	5	2		4,280	75.18	4,280
Asphalt: Seal Coat	<u>7,081</u>	5	2		<u>4,028</u>	<u>70.75</u>	<u>4,028</u>
Asphalt - Total	\$132,240				\$8,309	\$392	\$16,164
<b>Benches</b>							
Bench: Replace-Common Area	<u>11,847</u>	20	17		0	<u>32.14</u>	<u>1,130</u>
Benches - Total	\$11,847					\$32	\$1,130
<b>Concrete</b>							
Carport: Concrete Framing-Inspection	20,902	10	0	4	20,902	126.28	20,902
Concrete: Stairs-Pads-Parking-Drive-..	<u>4,500</u>	5	0	1	<u>4,500</u>	<u>47.71</u>	<u>4,500</u>
Concrete - Total	\$25,402				\$25,402	\$174	\$25,402
<b>Decks</b>							
Decks: Wood-Replace-Buildings D1 ..	<u>48,677</u>	20	17		0	<u>132.07</u>	<u>4,642</u>
Decks - Total	\$48,677					\$132	\$4,642
<b>Doors</b>							
Doors: Storage-Replace	<u>46,863</u>	30	16		0	<u>135.16</u>	<u>14,279</u>
Doors - Total	\$46,863					\$135	\$14,279
<b>Fencing</b>							
Fence: Wood-Replace	2,550	20	1		2,359	8.78	2,359
Wall/Bench: Wood, Spyglass Hill-Re..	2,402	20	0	6	2,402	9.43	2,402
Walls: Stucco-Repairs	<u>782</u>	15	0	11	<u>782</u>	<u>3.59</u>	<u>782</u>
Fencing - Total	\$5,734				\$5,543	\$22	\$5,543
<b>Grounds Components</b>							
Lateral Drain: Replace/Repairs	<u>1,453</u>	5	4		<u>261</u>	<u>13.82</u>	<u>261</u>
Grounds Components - Total	\$1,453				\$261	\$14	\$261
<b>Irrigation</b>							
Landscape: Irrigation-Valves-Replace	<i>unfunded</i>						
<b>Landscaping</b>							
Landscape: Back Flow Preventor-Rep..	14,221	30	4		11,079	35.95	11,079
Landscape: Improvements-Fire Suppr..	22,097	6	3		10,200	183.73	10,200
Landscape: Smart Controller System-A	27,243	25	22		0	56.97	1,819
Landscape: Smart Controller System-B	13,582	25	23		0	27.16	589
Landscape: Tree Renovation	26,932	10	9		2,119	127.58	2,119
Lighting: Exterior-Street Light Poles	30,593	40	14		13,695	55.12	13,695

See independent accountant's review report and accompanying notes.



## HILLER HIGHLANDS I ASSOCIATION

### SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2019 (UNAUDITED)

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
<i>Landscaping continued...</i>							
Lighting: Fixtures-Street Light Repair..	10,344	25	0	1	10,344	37.00	10,344
Landscaping - Total	\$145,012				\$47,437	\$524	\$49,844
<b>Lighting</b>							
Lighting: Exterior-Carports-Repair/R..	487	20	25	6	0	0.89	10
Lighting: Exterior-Entry Walls-Repla..	651	5	4	20	491	1.83	491
Lighting: Exterior-Entry-Replace	656	25	4		496	1.84	496
Lighting: Exterior-Landscape-Repair/..	4,361	5	4		784	41.48	784
Lighting - Total	\$6,155				\$1,771	\$46	\$1,781
<b>Mailboxes</b>							
Mailboxes: Replace	12,058	25	20		0	27.77	1,415
Mailboxes - Total	\$12,058					\$28	\$1,415
<b>Painting</b>							
Paint: Exterior-Stucco-Bldgs E1/E2	1,373	10	0	11	1,373	8.30	1,373
Paint: Exterior-Unit 42-Bldg C1	1,254	11	0		1,254	7.07	1,254
Paint: Exterior-Unit 48-Bldg C2	1,254	10	0	1	1,254	7.58	1,254
Paint: Exterior-Units 33 & 35-Bldg E1	1,200	10	0	1	1,200	7.25	1,200
Paint: Exterior-Units 51 & 53-Bldg E2	1,200	10	0	1	1,200	7.25	1,200
Paint: Interior-Garages-Bldgs C1-Uni..	2,935	10	0	11	2,935	17.73	2,935
Paint: Interior-Garages-Bldgs C2-Uni..	2,935	10	0	11	2,935	17.73	2,935
Paint: Metal Railings	1,529	5	3		564	14.90	564
Paint: Wood Deck-Bldgs D1 & D2/B..	5,251	7	4		2,023	37.37	2,023
Seal: Wood, Decks/Walkways, Bldgs..	2,250	5	0	10	2,250	23.86	2,250
Painting - Total	\$21,181				\$16,989	\$149	\$16,989
<b>Railings</b>							
Railing: Metal-Replace	32,181	30	11		15,204	70.69	15,204
Railing: Wood-Replace	7,515	20	2		6,412	25.32	6,412
Railings - Total	\$39,696				\$21,617	\$96	\$21,617
<b>Signs</b>							
Signs: Wood, Painted, Replace	1,849	20	1		1,710	6.36	1,710
Signs - Total	\$1,849				\$1,710	\$6	\$1,710
<b>Utilities</b>							
Utilities: Electrical-Replace	182,103	40	14		39,059	470.17	81,516
Utilities: Waste Product-Line-Replac..	359,834	35	31		0	531.64	18,006
Utilities: Water-Potable-Line-Replac..	225,392	45	19		0	546.62	78,498
Utilities - Total	\$767,329				\$39,059	\$1,548	\$178,021

See independent accountant's review report and accompanying notes.

**HILLER HIGHLANDS I ASSOCIATION**

**SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2019  
(UNAUDITED)**

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
<b>Walls</b>							
Walls: Block-Retaining-Repairs	11,853	25	0	28	11,853	42.40	11,853
Walls - Total	<u>\$11,853</u>				<u>\$11,853</u>	<u>\$42</u>	<u>\$11,853</u>
Grand Total:	<u>\$1,277,350</u>				<u>\$179,950</u>	<u>\$3,340</u>	<u>\$350,652</u>

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **after-tax interest rate** of **1/10%** on replacement fund cash balances and an annual **inflation rate** of **2-7/10%** on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2019 totaled **\$165,078**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$351,000**. The portion of **2020** regular **assessments** budgeted to be allocated to the replacement fund totals **\$40,000**.

See independent accountant's review report and accompanying notes.