

**HILLER HIGHLANDS I ASSOCIATION**

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

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

# **HILLER HIGHLANDS I ASSOCIATION**

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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 sheets as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in fund balances and cash flows, for the years then ended, and the related notes to the financial statements. 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 engagements 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 reviews, 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.

A handwritten signature in black ink that reads "Leay Eliezer Company LLP". The signature is written in a cursive, flowing style.

April 29, 2021

# **HILLER HIGHLANDS I ASSOCIATION**

## **BALANCE SHEETS DECEMBER 31, 2020 AND 2019**

	<u>2020</u>			<u>2019</u>
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 9,141	\$ 235,744	\$ 244,885	\$ 175,202
Prepaid insurance	<u>962</u>	<u></u>	<u>962</u>	<u>34,056</u>
Total assets	<u>\$ 10,103</u>	<u>\$ 235,744</u>	<u>\$ 245,847</u>	<u>\$ 209,258</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,000	\$ -	\$ 3,000	\$ 2,500
Contract liabilities - replacement reserve				
assessments paid in advance (Notes 2 and 4)		235,744	235,744	165,078
Future major repairs and replacements (Note 3)	<u></u>	<u></u>	<u></u>	<u></u>
Total liabilities	<u>3,000</u>	<u>235,744</u>	<u>238,744</u>	<u>167,578</u>
<b>COMMITMENTS (NOTE 5)</b>	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>	<u>7,103</u>	<u>-</u>	<u>7,103</u>	<u>41,680</u>
Total liabilities and fund balance	<u>\$ 10,103</u>	<u>\$ 235,744</u>	<u>\$ 245,847</u>	<u>\$ 209,258</u>

See independent accountant's review report and accompanying notes.

## **HILLER HIGHLANDS I ASSOCIATION**

### **STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES</b>				
Assessments (Notes 2 and 4)	\$ 161,924	\$ 10,385	\$ 172,309	\$ 160,447
Interest income (Note 2)		195	195	148
Late charges and other income	719		719	1,850
Total revenues	162,643	10,580	173,223	162,445
<b>EXPENSES</b>				
<u>Administration</u>				
Insurance	69,209	-	69,209	70,557
Legal and accounting	3,909		3,909	3,405
Office, printing and postage	925		925	1,056
Reserve study	1,125		1,125	1,125
	75,168	-	75,168	76,143
<u>Maintenance and operations</u>				
Landscape maintenance	28,463	-	28,463	29,154
Tree maintenance	9,373		9,373	14,377
Other maintenance and operations	5,436		5,436	2,167
	43,272	-	43,272	45,698
<u>Utilities</u>				
Gas and electricity	4,165	-	4,165	3,187
Water and sewer	33,564		33,564	27,613
	37,729	-	37,729	30,800

See independent accountant's review report and accompanying notes.

# **HILLER HIGHLANDS I ASSOCIATION**

## **STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>EXPENSES (CONTINUED)</b>				
<u>Major repairs and replacements</u>				
Landscaping, trees and irrigation	\$ -	\$ 10,580	\$ 10,580	\$ -
Lighting and electrical systems				2,627
Painting and waterproofing				1,811
Sewer and drainage				542
	-	10,580	10,580	4,980
Total expenses	156,169	10,580	166,749	157,621
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	6,474	-	6,474	4,824
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(41,051)	-	(41,051)	(15,612)
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR (NOTE 4)</b>	41,680	-	41,680	52,468
<b>FUND BALANCE (DEFICIT), END OF YEAR (NOTE 4)</b>	<u>\$ 7,103</u>	<u>\$ -</u>	<u>\$ 7,103</u>	<u>\$ 41,680</u>

See independent accountant's review report and accompanying notes.

# **HILLER HIGHLANDS I ASSOCIATION**

## **STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>		<u>2019</u>
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>OPERATING ACTIVITIES</b>			
Excess (deficiency) of revenues over expenses	<u>\$ 6,474</u>	<u>\$ -</u>	<u>\$ 6,474</u>
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
Decrease (increase) in assets:			
Prepaid insurance	33,094	-	33,094
Increase (decrease) in liabilities:			
Accounts payable	500		500
Contract liabilities - replacement reserve assessments paid in advance		70,666	70,666
Total adjustments	<u>33,594</u>	<u>70,666</u>	<u>104,260</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>40,068</u>	<u>70,666</u>	<u>110,734</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>40,068</u>	<u>70,666</u>	<u>110,734</u>
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	<u>(41,051)</u>	<u>-</u>	<u>(41,051)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>10,124</u>	<u>165,078</u>	<u>175,202</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 9,141</u></u>	<u><u>\$ 235,744</u></u>	<u><u>\$ 244,885</u></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 YEARS ENDED DECEMBER 31, 2020 AND 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 YEARS ENDED DECEMBER 31, 2020 AND 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, 2020 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 YEARS ENDED DECEMBER 31, 2020 AND 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 YEARS ENDED DECEMBER 31, 2020 AND 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 YEARS ENDED DECEMBER 31, 2020 AND 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 supersedes 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.

<b><u>2019 Assessment Revenues Reconciliation</u></b>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<b><u>Total Funds</u></b>
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	15,612
Adjust <b><u>revenues to equal expenses</u></b>	-	(50,780)	(50,780)
Total effects of new guidance	-	(35,168)	(35,168)
Assessment revenues <b><u>per financial statements</u></b>	<u>\$ 155,615</u>	<u>\$ 4,832</u>	<u>\$ 160,447</u>
<b><u>2020 Assessment Revenues Reconciliation</u></b>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<b><u>Total Funds</u></b>
Assessment revenues <b><u>per budget</u></b>	\$ 161,924	\$ 40,000	\$ 201,924
Effects of applying <b><u>new guidance</u></b>			
Reclassify <b><u>interfund transfers</u></b>	-	41,051	41,051
Adjust <b><u>revenues to equal expenses</u></b>	-	(70,666)	(70,666)
Total effects of new guidance	-	(29,615)	(29,615)
Assessment revenues <b><u>per financial statements</u></b>	<u>\$ 161,924</u>	<u>\$ 10,385</u>	<u>\$ 172,309</u>

See independent accountant's review report.

## **HILLER HIGHLANDS I ASSOCIATION**

### **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 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 2020 financial statements. The adoption of the new revenue recognition guidance resulted in the following changes to the 2019 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 YEARS ENDED DECEMBER 31, 2020 AND 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 April 29, 2021, 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, 2020 (UNAUDITED)

The following information on common area major components was compiled by Reserve Studies by Reserve Funding of Shingle Springs, California **as of December 2020** 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	275,065	25	9	-12	41,791	538.50	61,562
Asphalt: Repairs	11,686	5	1		9,024	55.43	9,024
Asphalt: Seal Coat	23,997	5	1		18,531	113.83	18,531
Asphalt - Total	\$310,748				\$69,345	\$708	\$89,116
<b>Benches</b>							
Bench: Replace-Common Area	14,284	20	16		0	18.51	1,622
Benches - Total	\$14,284					\$19	\$1,622
<b>Concrete</b>							
Carport: Concrete Framing-Inspection	<i>unfunded</i>						
Concrete: Stairs-Pads-Parking-Drive-..	5,760	5	4		1,000	24.80	1,000
Concrete - Total	\$5,760				\$1,000	\$25	\$1,000
<b>Decks</b>							
Decks: Wood-Replace-Buildings D1 ..	58,688	20	16		0	76.06	6,665
Decks - Total	\$58,688					\$76	\$6,665
<b>Doors</b>							
Doors: Storage-Replace	56,010	30	15		0	77.47	16,476
Doors - Total	\$56,010					\$77	\$16,476
<b>Fencing</b>							
Fence: Wood-Replace	2,770	20	1	1	2,547	4.62	2,547
Walls: Stucco-Repairs	317	15	0	12	317	0.75	317
Fencing - Total	\$3,088				\$2,864	\$5	\$2,864
<b>Grounds Components</b>							
Lateral Drain: Replace/Repairs	1,564	5	3		563	6.96	563
Grounds Components - Total	\$1,564				\$563	\$7	\$563
<b>Landscaping</b>							
Landscape: Back Flow Preventor-Rep..	15,307	30	3		12,389	20.04	12,389
Landscape: Improvements-Fire Suppr..	10,733	6	2		6,667	42.32	6,667
Landscape: Smart Controller System-A	34,310	25	21		0	33.80	2,612
Landscape: Smart Controller System-B	17,256	25	22		0	16.22	951
Landscape: Tree Renovation	13,270	10	8		2,000	29.29	2,000
Lighting: Exterior-Street Light Poles	35,933	40	13		0	57.40	15,315
Lighting: Fixtures-Street Light Repair..	2,228	25	0	2	2,228	4.45	2,228
Landscaping - Total	\$129,037				\$23,284	\$204	\$42,162

See independent accountant's review report and accompanying notes.



# HILLER HIGHLANDS I ASSOCIATION

## SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2020 (UNAUDITED)

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
<b>Lighting</b>							
Lighting: Exterior-Carports-Repair/R..	509	20	18		0	0.59	27
Lighting: Exterior-Entry Walls-Repla..	700	20	3	5	554	1.00	554
Lighting: Exterior-Entry-Replace	706	25	3		559	1.01	559
Lighting: Exterior-Landscape-Repair/..	4,694	5	3		1,689	20.87	1,689
Lighting - Total	\$6,610				\$2,802	\$23	\$2,829
<b>Mailboxes</b>							
Mailboxes: Replace	14,923	25	19		0	16.26	1,829
Mailboxes - Total	\$14,923					\$16	\$1,829
<b>Painting</b>							
Paint: Exterior-Stucco-Bldgs E1/E2	1,480	10	0	2	1,480	4.38	1,480
Paint: Exterior-Unit 42-Bldg C1	1,351	11	0	1	1,351	3.77	1,351
Paint: Exterior-Unit 48-Bldg C2	1,351	10	0	2	1,351	4.00	1,351
Paint: Exterior-Units 33 & 35-Bldg E1	1,292	10	0	2	1,292	3.83	1,292
Paint: Exterior-Units 51 & 53-Bldg E2	1,292	10	0	2	1,292	3.83	1,292
Paint: Interior-Garages-Bldgs C1-Uni..	3,155	10	0	2	3,155	9.35	3,155
Paint: Interior-Garages-Bldgs C2-Uni..	3,155	10	0	2	3,155	9.35	3,155
Paint: Metal Railings	<i>unfunded</i>						
Paint: Wood Deck-Bldgs D1 & D2/B..	5,642	7	3		2,899	19.02	2,899
Seal: Wood, Decks/Walkways, Bldgs..	2,429	5	0	10	2,429	12.09	2,429
Painting - Total	\$21,147				\$18,405	\$70	\$18,405
<b>Railings</b>							
Railing: Metal-Replace	<i>unfunded</i>						
Railing: Wood-Replace	<i>unfunded</i>						
<b>Signs</b>							
Signs: Wood, Painted, Replace	3,796	20	19		0	4.14	97
Signs - Total	\$3,796					\$4	\$97
<b>Utilities</b>							
Utilities: Electrical-Replace	213,885	40	13		0	341.69	91,161
Utilities: Waste Product-Line-Replac..	490,211	35	30		0	336.47	24,238
Utilities: Water-Potable-Line-Replace..	276,533	45	18		0	318.26	87,786
Utilities - Total	\$980,629					\$996	\$203,184
<b>Walls</b>							
Walls: Retaining-Repairs	112,837	50	0	4	112,837	269.64	112,837
Walls - Total	\$112,837				\$112,837	\$270	\$112,837
Grand Total:	\$1,719,120				\$231,100	\$2,500	\$499,650

See independent accountant's review report and accompanying notes.

## HILLER HIGHLANDS I ASSOCIATION

### **SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2020 (UNAUDITED)**

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 **3-3/5%** on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2020 totaled **\$235,744**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$500,000**. The portion of **2021** regular **assessments** budgeted to be allocated to the replacement fund totals **\$35,000**.

See independent accountant's review report and accompanying notes.