

**MIDDLESEX BEACH ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED MARCH 31, 2025**

**MIDDLESEX BEACH ASSOCIATION  
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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors  
Middlesex Beach Association  
Bethany Beach, Delaware

Management is responsible for the accompanying financial statements of Middlesex Beach Association, which comprise the statement of assets, liabilities, and fund balances – modified cash basis as of March 31, 2025, and the related statements of revenues, expenses, and changes in fund balances – modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The supplementary information contained on pages 10 through 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

The supplementary information contained on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements; however, the Financial Accounting Standards Board, 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. This information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

**Atlantic Blue Advisors, LLC**  
**Certified Public Accountants**

**May 14, 2025**  
**Lewes, Delaware**

**MIDDLESEX BEACH ASSOCIATION**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - MODIFIED CASH BASIS**  
**MARCH 31, 2025**

	<u>Total</u>	<u>Operating Fund</u>	<u>Capital Improvements Fund</u>	<u>Beach Replenishment Fund</u>	<u>Legal Fund</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 591,027	\$ 256,960	\$ 166,589	\$ 167,478	\$ -
Certificates of deposit	<u>1,250,000</u>	<u>-</u>	<u>455,000</u>	<u>770,000</u>	<u>25,000</u>
<b>TOTAL CURRENT ASSETS</b>	1,841,027	256,960	621,589	937,478	25,000
<b>FIXED ASSETS</b>					
Land improvements	297,551	297,551	-	-	-
Buildings	102,754	102,754	-	-	-
Equipment	43,416	43,416	-	-	-
Less: accumulated depreciation	<u>186,557</u>	<u>186,557</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET FIXED ASSETS</b>	257,164	257,164	-	-	-
<b>OTHER ASSETS</b>					
Construction Escrows	<u>331,698</u>	<u>331,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,429,889</u>	<u>\$ 845,822</u>	<u>\$ 621,589</u>	<u>\$ 937,478</u>	<u>\$ 25,000</u>
<b>LIABILITIES</b>					
<b>TOTAL CURRENT LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>OTHER LIABILITIES</b>					
Construction escrows payable	<u>331,698</u>	<u>331,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	331,698	331,698	-	-	-
<b>FUND BALANCES</b>	<u>2,098,191</u>	<u>514,124</u>	<u>621,589</u>	<u>937,478</u>	<u>25,000</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,429,889</u>	<u>\$ 845,822</u>	<u>\$ 621,589</u>	<u>\$ 937,478</u>	<u>\$ 25,000</u>

See accompanying notes and independent accountant's report.

**MIDDLESEX BEACH ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED MARCH 31, 2025**

	Total	Operating Fund	Capital Improvements Fund	Beach Replenishment Fund	Legal Fund
<b>REVENUES</b>					
Assessments	\$ 829,121	\$ 583,926	\$ 141,955	\$ 103,240	\$ -
Beach activity shared expense	10,500	10,500	-	-	-
Building permits	15,378	15,378	-	-	-
Interest income	64,177	3,634	23,772	36,771	-
Late fees and fines	310	310	-	-	-
Other income	4,253	4,253	-	-	-
<b>TOTAL REVENUES</b>	923,739	618,001	165,727	140,011	-
<b>EXPENSES</b>					
Administrative and general	172,298	172,298	-	-	-
Operating expenses	81,549	68,954	12,595	-	-
Beach activities	144,926	144,926	-	-	-
Security and parking patrol	75,655	75,655	-	-	-
Utilities and telephone	77,175	77,175	-	-	-
Depreciation	15,245	15,245	-	-	-
<b>TOTAL EXPENSES</b>	566,848	554,253	12,595	-	-
<b>EXCESS OF REVENUES OVER EXPENSES</b>	356,891	63,748	153,132	140,011	-
<b>FUND BALANCES, BEGINNING</b>	1,741,300	504,294	530,499	681,507	25,000
<b>TRANSFERS BETWEEN FUNDS</b>	-	(53,918)	(62,042)	115,960	-
<b>FUND BALANCES, ENDING</b>	<u>\$ 2,098,191</u>	<u>\$ 514,124</u>	<u>\$ 621,589</u>	<u>\$ 937,478</u>	<u>\$ 25,000</u>

See accompanying notes and independent accountant's report.

**MIDDLESEX BEACH ASSOCIATION**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED MARCH 31, 2025**

	Total	Operating Fund	Capital Improvements Fund	Beach Replenishment Fund	Legal Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess of revenues over expenses	\$ 356,891	\$ 63,748	\$ 153,132	\$ 140,011	\$ -
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:					
Depreciation	15,245	15,245	-	-	-
Changes in operating assets and liabilities:					
Construction Escrows	(100,298)	(100,298)	-	-	-
Construction escrows payable	100,298	100,298	-	-	-
<b>Net cash flows from operating activities</b>	372,136	78,993	153,132	140,011	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of land improvements	(53,977)	(53,977)			
Redemption (purchase) of certificates of deposit	(92,000)	-	41,000	(133,000)	-
<b>Net cash flows from investing activities</b>	(145,977)	(53,977)	41,000	(133,000)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-	-	-	-
<b>INCREASE IN CASH</b>	226,159	25,016	194,132	7,011	-
<b>CASH AT BEGINNING OF YEAR</b>	364,868	285,862	34,499	44,507	-
<b>TRANSFERS BETWEEN FUNDS</b>	-	(53,918)	(62,042)	115,960	-
<b>CASH AT END OF YEAR</b>	<u>\$ 591,027</u>	<u>\$ 256,960</u>	<u>\$ 166,589</u>	<u>\$ 167,478</u>	<u>\$ -</u>

See accompanying notes and independent accountant's report.

**MIDDLESEX BEACH ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 1 – NATURE OF ORGANIZATION**

Middlesex Beach Association (the Association) is a non-stock corporation formed in April 1974 in the State of Delaware. The Association is the governing body and management entity for the common property within the Middlesex Beach Subdivision located south of Bethany Beach, Delaware. The Middlesex Beach Subdivision is comprised of 230 residential and 15 commercial lots on approximately 122 acres. The Association assesses dues from the homeowners to fulfill its responsibilities.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Association has not recognized accounts receivable from homeowners or accounts payable to vendors and their related effects on earnings in the accompanying financial statements. Modifications to the pure cash basis of accounting include recording construction escrows received as a payable until paid back to the corresponding homeowner. See NOTE 6.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure 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 the following funds established according to their nature and purpose:

Operating Fund – This fund provides working capital for operations, contingencies, and replacements where specific funds have not been designated. Annual assessments may be levied no more than once each calendar year and the amount thereof shall be determined from time to time according to the vote of a majority of the property owners in attendance at a regular meeting or a special meeting called for such purpose.

Capital Improvements Fund - This fund is used to accumulate financial resources designated for future major capital repairs and replacements. Additions to the fund shall be designated annually by the Board of Directors. For the fiscal year ended March 31, 2025, the capital improvements fund assessments were \$141,955. The Association spent \$66,573 on capital improvements for fencing and landscaping during the fiscal year ended March 31, 2025. The Board of Directors transferred \$141,900 from the operating fund to this fund during the fiscal year ended March 31, 2025.

**MIDDLESEX BEACH ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Beach Replenishment Fund – This fund is a reserve fund for beach replenishment. Additions to this reserve fund shall be designated annually by the Board of Directors. For the fiscal year ended March 31, 2025 the beach reserve fund assessments were \$103,240. The Association had no beach replenishment projects during the fiscal year ended March 31, 2025. The Board of Directors transferred \$219,240 from the operating fund to this fund during the fiscal year ended March 31, 2025.

Legal Fund - This fund is a reserve fund for legal expenses. Additions to this reserve fund shall be designated annually by the Board of Directors. For the fiscal year ended March 31, 2025 the legal reserve fund assessments were \$0. The Board of Directors transferred \$0 from the operating fund to this fund during the fiscal year ended March 31, 2025.

Common Elements

Middlesex Beach Association is considered the owner of the common elements of the subdivision's real property and improvements. The Association is responsible for maintaining the assets of the Association, including the common areas. Purchases and major improvements of existing assets are capitalized and depreciated using the straight-line method over periods ranging from seven to forty years. Assets recognized as common property include a guard house, golf cart, road improvements, and fencing. Depreciation expense for the year ended March 31, 2025 totaled \$15,245.

Use of Estimates

The preparation of financial statements 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Annual Budget

The annual budget and assessments of homeowners are determined by the Board of Directors based on an estimate of the total cost to service and maintain the common elements during the succeeding calendar year, along with an amount estimated by the Board of Directors for the reserves for major repairs and replacements of the common elements.

Membership Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The Association's annual budget is the basis for establishing the annual assessment required from each member to cover the Association's operating expenses, plus an allocation to the capital improvements, beach replenishment, and legal fund. Any excess assessments at year end are



**MIDDLESEX BEACH ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Membership Assessments (Continued)

retained by the Association for use in future years, including application to underfunding reserves. Assessment revenue is recognized as member assessments are collected. The performance obligation related to member assessments is the maintenance and management of the common area property, which is satisfied in a consistent and ongoing basis through weekly and monthly maintenance and repairs.

Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 14, 2025, the date that the financial statements were available to be issued.

**NOTE 3 – UNINSURED CASH BALANCES**

The Association maintains its cash balances at Fulton Bank, M&T Bank, and Morgan Stanley. Accounts at each institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and the investments are secured by the Securities Investor Protection Corporation up to \$500,000. The Association had \$182,931 of uninsured balances at March 31, 2025.

**NOTE 4 – CERTIFICATES OF DEPOSIT**

Certificates of deposit totaling \$1,250,000 are included in the accompanying financial statements and recorded at cost. The certificates bear interest ranging from 4.091% to 4.3% and have maturities ranging from eighteen months to three years, with no material penalties for early withdrawal.

**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Association's significant financial instruments are cash and liabilities, whose carrying values approximate fair value. Certificates of deposit are recorded at cost.

**NOTE 6 – CONSTRUCTION ESCROWS - RESTRICTED CASH**

The Association collects fees from homeowners who begin construction projects within the subdivision. The fees are refundable at the completion of the project. The amount of refundable construction escrows as of March 31, 2025 was \$331,698.

**MIDDLESEX BEACH ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 7 – INTER-FUND BALANCE**

The inter-fund balance represents expenses that were paid from the operating fund that are due from the capital improvement and beach replenishment funds. There were no inter-fund balances at March 31, 2025.

**NOTE 8 – INCOME TAXES**

The Association qualifies to be taxed as a homeowners' association under Internal Revenue Code Section 528 for the year ended March 31, 2025. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at a flat rate of 30% by the federal government. The Association paid \$22,235 in taxes for the year ended March 31, 2025. The Association's federal income tax returns for the years ended March 31, 2022 through 2025 are subject to examination by the IRS, generally for three years, after they were filed.

**NOTE 9 – FUTURE MAJOR REPAIRS AND MAINTENANCE**

The Association requires that funds be accumulated for future major repairs and replacements. Accumulated funds, which totaled \$621,589 at March 31, 2025, are held in a separate account and are not available for operating purposes. The use of these funds is at the discretion of the Board of Directors.

The Association engaged an independent engineer who conducted a forty-year site visit level 2 update reserve study in April 2024 to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The study indicated an annual reserve contribution requirement of \$110,559 for the year ended March 31, 2025, and increases three percent annually. When funds are required to meet future needs for major repairs and replacements, the Association may borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

**NOTE 10 – FUTURE BEACH REPLENISHMENT**

The Association requires that funds be accumulated for future beach replenishment efforts. Accumulated funds, which totaled \$937,478 at March 31, 2025, are held in a separate account and are not available for operating purposes. The use of these funds is at the discretion of the Board of Directors.

**MIDDLESEX BEACH ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 11 – LINE OF CREDIT**

The Association has a \$ 100,000 line of credit with Fulton Bank. The interest rate on this credit facility is prime plus one percent and will vary with the prime rate. At March 31, 2025, the current rate was 7.5%. There was no outstanding balance as of March 31, 2025 and no subsequent draws through the report date.

**NOTE 12 – ASSOCIATION’S MANAGEMENT AGREEMENT**

The Association entered into a management agreement on April 1, 2023, with Solutions Property Management, to manage the operations of the Association through March 31, 2025. The monthly fee is \$4,900 per month.

On March 15, 2025, the Association renewed their contract with Solutions Property Management through March 31, 2027. The fee is \$5,071.50 for the period April 1, 2025 through March 31, 2026 and then \$5,249 for the period April 1, 2026 through March 31, 2027.

## **SUPPLEMENTARY INFORMATION**

**MIDDLESEX BEACH ASSOCIATION**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND**  
**ACTUAL - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED MARCH 31, 2025**

	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>			
Assessments	\$ 580,500	\$ 583,926	\$ 3,426
Late fees	-	310	310
Reserve for capital improvements	141,955	141,955	-
Reserve for beach replenishment	103,200	103,240	40
Beach activity shared expense	10,500	10,500	-
Miscellaneous and building permits	8,000	19,631	11,631
Interest income	51,000	64,177	13,177
<b>TOTAL REVENUES</b>	895,155	923,739	28,584
<b>EXPENSES</b>			
Administrative and general	187,550	172,298	15,252
Operating expenses	105,900	68,954	36,946
Beach activities	146,500	144,926	1,574
Capital improvements	100,000	12,595	87,405
Security and parking patrol	79,200	75,655	3,545
Utilities and telephone	80,850	77,175	3,675
Depreciation	-	15,245	(15,245)
<b>TOTAL EXPENSES</b>	700,000	566,848	133,152
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 195,155</u>	<u>\$ 356,891</u>	<u>\$ 161,736</u>

See accompanying independent accountant's report.

**MIDDLESEX BEACH ASSOCIATION**  
**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED MARCH 31, 2025**

			Variance - Favorable (Unfavorable)
<b>ADMINISTRATIVE AND GENERAL</b>	<b>Budget</b>	<b>Actual</b>	
Accounting	\$ 5,750	\$ 6,000	\$ (250)
Bethany Beach VFC EMS fees	15,000	13,980	1,020
Clerical, printing and postage	4,500	6,252	(1,752)
Communications	2,000	2,348	(348)
Directory	7,500	6,473	1,027
Insurance	31,700	16,774	14,926
Legal	15,000	10,560	4,440
Management	58,800	58,800	-
Meetings	2,000	1,574	426
Organization and administrative	480	1,788	(1,308)
Payroll processing fees	1,650	2,506	(856)
Payroll taxes	19,500	19,572	(72)
Recruiting	1,000	-	1,000
Social and recreation	3,500	1,478	2,022
Storage	4,020	1,755	2,265
Taxes	15,150	22,438	(7,288)
<b>TOTAL ADMINISTRATIVE AND GENERAL</b>	<b>187,550</b>	<b>172,298</b>	<b>15,252</b>
<b>OPERATING EXPENSES - OPERATING FUND</b>			
Construction	1,200	1,800	(600)
Drainage	15,000	11,905	3,095
Guard house operations	2,500	412	2,088
Beach maintenance	5,000	153	4,847
Landscape maintenance and irrigation	39,000	35,471	3,529
Maintenance and repairs	15,000	5,083	9,917
Road maintenance	2,000	13	1,987
Snow removal	2,200	2,200	-
Spring and storm clean-ups	15,000	6,000	9,000
Traffic control signage	2,000	494	1,506
Vehicle maintenance	2,000	1,345	655
Walkway maintenance	5,000	4,078	922
<b>TOTAL OPERATING EXPENSES - OPERATING FUND</b>	<b>105,900</b>	<b>68,954</b>	<b>36,946</b>

See accompanying independent accountant's report.

**MIDDLESEX BEACH ASSOCIATION**  
**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED MARCH 31, 2025**

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
<b>OPERATING EXPENSES - CAPITAL IMPROVEMENTS FUND</b>			
Capital improvements	\$ 100,000	\$ 12,595	\$ 87,405
<b>BEACH ACTIVITIES</b>			
Lifeguards payroll	129,500	133,549	(4,049)
Certifications	4,000	2,945	1,055
Equipment	4,000	1,034	2,966
Uniforms	5,500	4,256	1,244
Other beach programs	3,500	3,142	358
<b>TOTAL BEACH ACTIVITIES</b>	<u>146,500</u>	<u>144,926</u>	<u>1,574</u>
<b>SECURITY AND PARKING PATROL</b>			
Security payroll	73,700	71,913	1,787
Training	500	509	(9)
Security equipment and supplies	2,700	843	1,857
Telephone	300	201	99
Uniforms	2,000	2,189	(189)
<b>TOTAL SECURITY AND PARKING PATROL</b>	<u>79,200</u>	<u>75,655</u>	<u>3,545</u>
<b>UTILITIES AND TELEPHONE</b>			
Trash rebate program	8,500	6,984	1,516
Trash service	65,000	63,835	1,165
Utilities - electric	5,500	5,124	376
Utilities - water and sewer	1,850	1,232	618
<b>TOTAL UTILITIES AND TELEPHONE</b>	<u>80,850</u>	<u>77,175</u>	<u>3,675</u>
<b>DEPRECIATION</b>	<u>-</u>	<u>15,245</u>	<u>(15,245)</u>
<b>TOTAL EXPENSES</b>	<u>\$ 700,000</u>	<u>\$ 566,848</u>	<u>\$ 133,152</u>

See accompanying independent accountant's report.

**MIDDLESEX BEACH ASSOCIATION**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS (UNAUDITED)**  
**MARCH 31, 2025**

The Association's board of directors conducted a forty-year site visit level 2 update reserve study April 2024 by Millerdodson Capital Reserve Consultants. The updated reserve study was to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study from 2024 and presents significant information about the components of common property under the threshold funding model projection:

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Replacement Cost Present Dollars</u>
Streets/Asphalt	1 to 30	\$ 3,136,220
Fencing/Security	1 to 10	295,776
Equipment/Guard House	15 to 49	109,934
Signs	11 to 19	<u>12,000</u>
Total		<u>\$ 3,553,930</u>

Under the recommended threshold funding model, the firm estimates the minimum annual funding of replacement reserves is \$110,559 with a three percent increase per year for the year ended March 31, 2025. The actual contribution totaled \$141,900.

See accompanying independent accountant's report.