



MEMORANDUM

To: Jonathan Association Members

From: Stephen G. Wolff, President

Date: January 10, 2017

Subject: Annual Equitable Financial Report

The board of directors hired Reserve Advisors in 2013 to conduct a study that estimates the remaining useful lives for all of the components of common property within the association hereby known as the 2043 plan. The board and management team uses the 2043 plan as a both a planning tool and guide in the allocation of reserve funds deposited and expended. For the fiscal year ending 12/31/2016, the association had a reserves balance of \$410,045 compared to a recommended amount of \$102,691.

In 2016, the board approved capital expenditures of \$267,003. These expenses included silo refurbishment, mailbox replacement, improvement (overlay) of ~50,358 square feet of the Jonathan trail system, land improvements including erosion control in various areas, and building improvements to the Pavilion at Lake Grace. The 2043 plan indicated the following replacements may have been needed in 2016:

Location	Item	Anticipated cost	Status
Property site elements	Ash tree replacement (phased)	\$253,942	Deferred
Storage facility elements	Golf cart replacement	\$7,407	Deferred
Storage facility elements	Pick-up truck replacement	\$26,452	Deferred
		\$287,801	

The board evaluated these items individually based on condition and determined that deferred replacement was in the best interest of all association members. Ash tree replacement was due to the threat of a non-native insect, Emerald Ash Borer. According to the Minnesota Department of Natural Resources, Jonathan Association common property is not currently under quarantine and there has been no positive finds (<https://mnag.maps.arcgis.com/apps/webappviewer/index.html?id=63ebb977e2924d27b9ef0787ecedf6e9>). Research by the board is published on the Jonathan website and alternative treatment options are continually being evaluated. The golf cart was replaced with a utility vehicle in 2013 and has a useful life of up to ten years. The pick-up truck is model year 2006 and has approximately 75,300 miles and is generally in good repair. The event of deferring Ash tree replacement caused the board to accelerate asphalt overlayment and mailbox replacement.



An updated reserve study was conducted in late fall of 2016, hereby known as the 2047 plan. The board has six months to review and suggest changes to the 2047 plan prior to receiving the final work product. This plan will be published on the Association's website in 2017.

2016 Capital Expenditures

Capital Project	Locations	Details	Expense
Pavilion	Lake Grace	Iron River Construction - Phase I Construction, open sides, interior walls covered with T1-11	\$ 12,454.50
		Bill Mitchell Electric - Interior & exterior Lighting upgrade	\$ 4,815.00
		Brower Construction - Phase II Construction, exterior walls covered with T1-11, moved counter and replaced top with corian, installed built-in garbage receptables.	\$ 13,512.00
		Roell Paint - Interior & Exterior Painting and Jonathan logo.	\$ 7,010.00
		Permit fees	\$ 75.00
		Security Camera	\$ 53.85
		Barco Products - Picnic Tables	\$ 3,761.40
Silo	Neighborhood 4	Permit fees	\$ 75.00
		Bill Mithcell Electric - Lighting upgrade	\$ 1,774.00
		Roell Paint, Hanson Silo, 612 Signs	\$ 25,832.37
Trails	AW, Millpond, Karen House, N1, N4, N8, N9, N10	Overlaid ~50,358 square feet of trails	\$ 188,845.92
Mailbox System	N4	Installed new locked boxes	\$ 2,775.70
Erosion	N1	Dave's Excavating - Digging, Hauling & Rip Rap along trail system	\$ 6,017.77
Total			\$ 267,002.51

Respectfully,

Stephen G. Wolff
President, Jonathan Association