

CAPITAL RESERVE STUDY

Prepared for:

Sample Association

Date of Report:

March 26th, 2015

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Disclosure and Limitations

Forward Looking Statements:

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters. Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan.

Future Updates:

Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections.

It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually. We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association’s representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Limited Scope:

Component quantities indicated in this Report were developed by Capital Reserves unless otherwise noted in our “Site Inspection Notes” comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.

Report Guide

This report is a budgeting tool designed to help you navigate the uncertain future and contains findings of the current Reserve Fund Status and a recommendation for an appropriate Reserve contribution rate in order to adequately plan for ongoing major maintenance, repair and replacement of common area elements. Our recommendations are just that, recommendations and do not include all possible funding scenarios. This report is divided into the following sections:

- **Project and Financial Overview:** this section provides an overview of the project and outlines our findings and recommendations. This section of the report should be used as a quick reference in helping the reader to understand the parameters and results of the study.
- **Introduction and Methodology:** Details the framework, methods, and materials used in developing this report.
- **Financial Analysis:** This section contains the current reserve fund strength and our recommended funding plan.
- **Data Tables Appendix:** This section includes detailed tables outlining projected expenses, funding requirements and reserve balance calculations.
- **Physical Evaluation/Maintenance Recommendations:** This section includes detailed tables outlining projected expenses, funding requirements and reserve balance calculations. Provides in-depth, detailed condition assessments along with maintenance recommendations.

If you have questions about this Reserve Study, please contact us. We look forward to doing business with you in the future.

Thank you,
Capital Reserve Analysts,

Prepared by:

Casey Arnett



Project Overview

Association Name Sample Association	Project Description Condominiums	Number of Units 20
Location Anywhere, Arizona	Scope of Work Level I – Full	Date Prepared March 26, 2015
Year Constructed 1972	Funding Strategy Recommended Full Funding	Next Study 2016



Project Summary

Report Period	1/1/2015 – 12/31/2044	
Inflation Rate (30 Yr. Avg.)	3.00%	
Interest Rate (30 Yr. Avg.)	0.15%	
Projected Starting Reserve Balance	*\$63,002	Current projected Reserve balance as of 1/1/2015
Fully Funded Balance	\$77,596	100% Funded level
Percent Funded	81%	

*Projected starting Reserve Balance provided by client. This figure is not audited.

Financial Overview

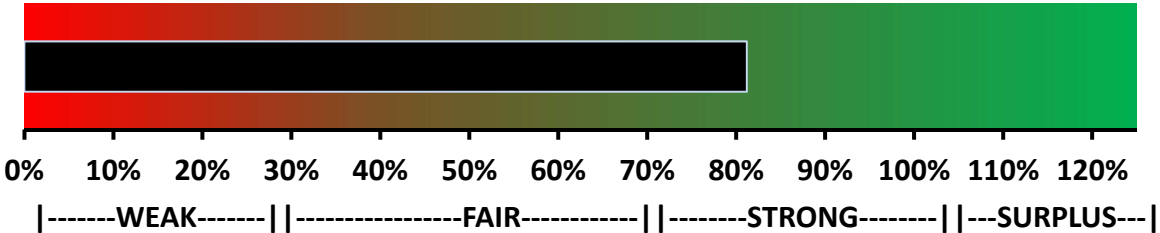
This section is made up of a finding of the client’s current *Reserve Fund Status* (measured in cash and Percent Funded) and a recommendation for an appropriate Reserve contribution rate (*Funding Plan*) in order to adequately plan for the ongoing major maintenance, repair and replacement of common area elements.

Reserve Fund Status

The adequacy of current reserves is determined by comparing what you have (current reserves) to the ideal amount of reserves (the Fully Funded Balance). This is done by dividing current reserves by the Fully Funded Balance (what you should have) and expressing as a percentage. The Percent Funded Level is a metric developed by the CAI (Community Association Institute) to determine a Reserve Fund's strength.

- **Your Reserve Fund is 81% Funded, this represents a STRONG financial position.**

For comparison, clients with a percent funded level of 70% and above have a low risk for special assessments conversely, clients with a percent funded level of 30% and below have a high risk of special assessments and deferred maintenance.



Recommended Funding

Regular annual increases to reserve contributions are needed to help offset inflation. (See Inflation & Interest assumptions herein)

- **Based on your starting reserve balance and projected reserve expenses, we recommend annual reserve contributions of \$17,880.**

	Annual	Monthly	Per Unit Per Month
Regular Assessments	\$42,840	\$2,142	\$178.5
Current Reserve Contributions	\$15,600	\$1,300	\$65
Recommended Reserve Contributions	\$17,880	\$1,490	\$75
Baseline Reserve Contributions	\$15,600	\$1,300	\$65

5-Year Cash Flow Summary

The table below identifies systems or components which are expected to have a remaining useful life of less than five (5) years, which are found to be in need of attention, which must be modified, repaired or replaced in order to maintain or preserve the useful life of the asset, or which are otherwise in a state of deferred maintenance.

Fiscal Year	2015	2016	2017	2018	2019
Starting Reserve Balance	\$63,002	\$39,534	\$41,995	\$54,172	\$73,806
Annual Reserve Contribution	\$17,880	\$18,416	\$18,969	\$19,538	\$20,124
Special Assessment	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$77	\$61	\$72	\$96	\$121
Total Income	\$80,959	\$58,011	\$61,036	\$73,806	\$94,051
Total Expenses	\$41,425	\$16,017	\$6,864	\$0	\$6,303
Ending Reserve Balance:	\$39,534	\$41,995	\$54,172	\$73,806	\$87,748

Reserve Asset	2015	2016	2017	2018	2019
COMMON AREA					
Landscape Granite - Replenish	\$0	\$0	\$4,084	\$0	\$0
Chain Link Fence - Replace	\$7,425	\$0	\$0	\$0	\$0
Pool Deck - Recoat/Repair	\$0	\$0	\$1,719	\$0	\$0
Pool Furniture - Replace	\$0	\$0	\$0	\$0	\$4,277
Spa Pump - Replace (2007)	\$0	\$0	\$1,061	\$0	\$0
Pool Filter - Replace (1995)	\$1,000	\$0	\$0	\$0	\$0
Spa Heater - Replace	\$0	\$0	\$0	\$0	\$2,026
Ramada - Rebuild	\$10,000	\$0	\$0	\$0	\$0
Foam Roofs - Recoat (North & South)	\$0	\$16,017	\$0	\$0	\$0
Foam Roofs - Repair (Allowance)	\$2,000	\$0	\$0	\$0	\$0
Unit Exteriors - Repaint	\$21,000	\$0	\$0	\$0	\$0
Total Expenses	\$41,425	\$16,017	\$6,864	\$0	\$6,303
Ending Reserve Balance:	\$39,534	\$41,995	\$54,172	\$73,806	\$87,748

Introduction and Methodology

Introduction and Purpose

Every property owner can benefit from a Reserve Study. A Reserve Study specifically benefits projects owned or maintained by Common Interest Associations. The Board of Directors or governing body of common interest entities has a fiduciary responsibility to maintain and preserve the value of assets belonging to the community. As part of this fiduciary duty, board members are responsible for the long-term planning and funding of large-scale maintenance or renovation projects such as; building remodeling, retrofit of the fire alarm system and resurfacing of private streets.

A **Reserve Study** prepared by an independent, certified consultant will provide specific recommendations regarding the appropriate amount of Reserve Contributions to ensure that funds for major repairs and replacements will be available when needed.

Key benefits include:

- Protect and preserve property values by maintaining physical assets with timely repair/replacement of common elements.
- Fairness: With the help of a Reserve Study, dues/assessments can be set to ensure both current and future owners pay for the use and enjoyment of amenities.
- Reduce the probability of large or sudden assessments.

A **Reserve Study** is made up of two parts:

- 1) The **Physical Evaluation/Assessment** is the information about the physical status and repair/replacement cost of the major common area components. This section is comprised of the Component Inventory, Condition Assessment, and Life and Valuation Estimates. Condition Assessments and Life and Valuation Estimates will change as time elapses; therefore, these should be updated on an annual basis.
- 2) **The Financial Analysis** is the evaluation and analysis of the Reserve balance, income, and expenses. The Financial Analysis is made up of a finding of the client's current Reserve Fund Status (measured in cash or as Percent Funded) and a recommendation for an appropriate Reserve contribution rate (Funding Plan). A Reserve Funding Plan typically takes the form of a budget recommendation for a monthly Reserve contribution rate."

Physical Evaluation/Assessment

The Physical Analysis is the first and most important step in developing a Reserve Study because the data and assessments gathered during this phase forms the baseline or foundation of this report. The Physical Analysis contains the following estimates/projections:

Site Inspection:

This phase begins with a project engineer performing the property inspection to record, measure and assess the current condition of each common element/component. As part of the on-site inspection, the project engineer takes photos to document the condition of the common elements."

Reserve Component Criteria:

Reserve Components should be major, predictable expenses. It is incorrect to include "lifetime" components, unpredictable expenses (such as insurance related losses), and expenses more appropriately handled from the operational budget. Capital Reserve Analysts utilizes CAI's national-standard four-part test as a guideline to determine reserve components.

- ✓ **Part 1:** Item must be a common area maintenance responsibility per the accepted governing documents.
- ✓ **Part 2:** the component must have a predictable useful life. Typically, items that do not have a predictable useful life include: Electrical Wiring, Underground Utilities and Building Structures.
- ✓ **Part 3:** the item's life expectancy falls within the projection period. Components with a life expectancy beyond the report time frame (typically 30-years) will not be included under normal circumstances.
- ✓ **Part 4:** the repair or replacement cost must be above a minimum threshold cost. Minor repairs usually under \$1,000 should be funded with Operating funds in order to minimize clutter in the Reserve Component list.

Assumptions/Notes:

It should be noted that the projections made in this study are just that, projections and do not predict with 100% surety the future. We do however, use well defined methodologies and extensive research is done in preparation of each Reserve Study.

Component Useful Life (UL):

Component Useful Life is the estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed and maintained. Useful Life is a prediction based on accurate historical records if provided, exposure to the elements, initial quality and installation, extent of use, and the amount of preventative maintenance exercised. In addition to the above listed factors, the following sources are used to determine Reserve Component Useful Life:

- 1) Visual Inspection (observed wear and age)
- 2) Proprietary Cost Database of experience and similar projects
- 3) Historical component data (client maintenance records)
- 4) Vendor/Manufacturers' Expertise and Recommendations

Remaining Useful Life (RUL):

The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year of this report have “zero” Remaining Useful Life. Intuitively, the RUL of a component should equal the UL (Useful Life) less its chronological age. However, this is not the "real world" reality. To accurately estimate the remaining useful life of a component, the following factors should to be considered:

- Chronological age (number of years in service)
- Observed physical condition at the time of inspection
- Extent of utilization compared to design specifications
- Historical and current levels of preventative maintenance
- Exposure to elements
- Quality and design of materials
- Installation method compared to manufacturer's specifications

Assumptions/Notes:

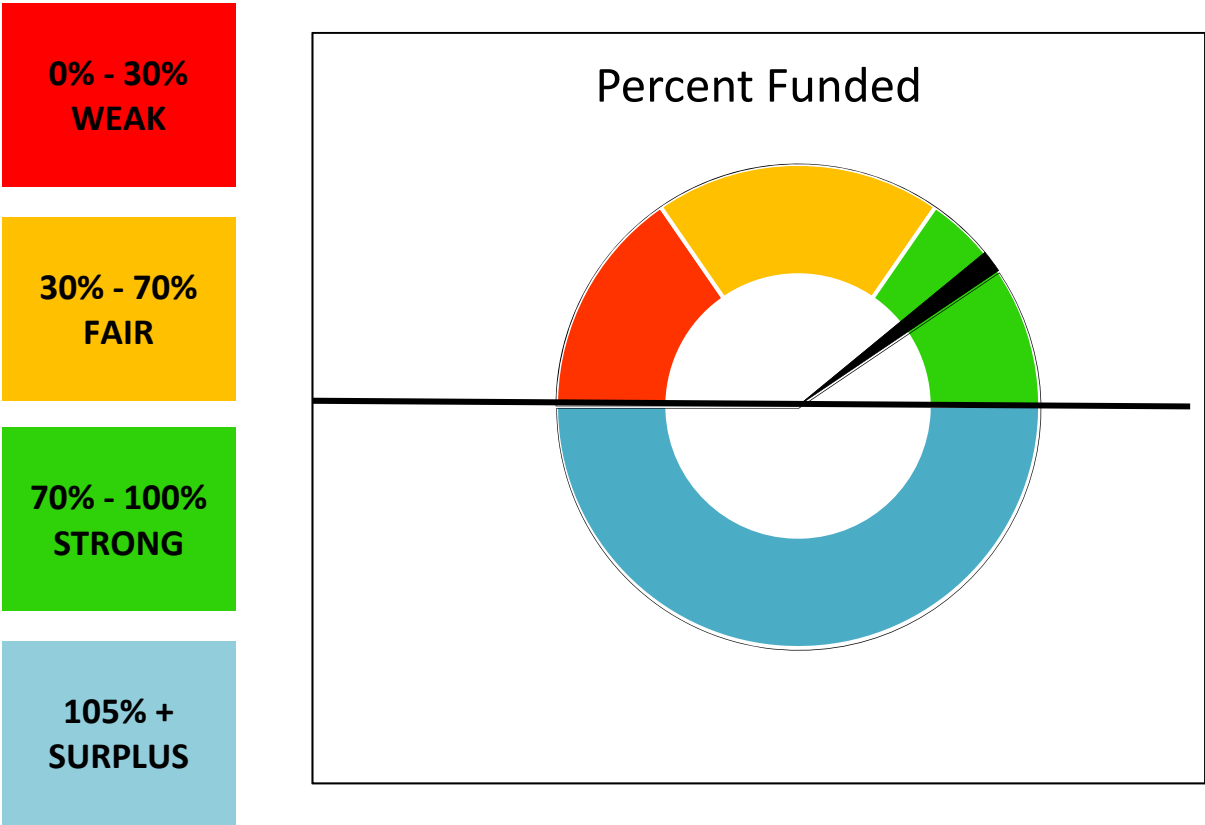
It is important to note that we may recommend future replacement-based factors other than normal wear and tear. For example, interior finishes and fixtures may have a functional Useful Life of 30-40 years, however remodeling or updating interior elements will most likely take place at the 15-20-year mark for aesthetic purposes. Another example of recommended replacement before the end of a component's UL would be technology components. Obsolescence and advancements in technology could accelerate the need for replacement of computers, security equipment, electrical components etc.

Financial Analysis

The data compiled during the physical analysis is the baseline for the Financial Analysis and resulting recommendations. This is because the physical analysis details what you are reserving for and when future expenditures can be expected. The Financial Analysis contains the following key results:

1) Reserve Fund Strength or Percent Funded Level:

The adequacy of current reserves is determined by comparing what you have (current reserves) to the ideal amount of reserves (the Fully Funded Balance). This is done by dividing current reserves by the Fully Funded Balance (what you should have) and expressing as a percentage. The Percent Funded Level is a metric developed by the CAI (Community Association Institute) to determine a Reserve Fund's strength.



2) Fully Funded Balance (FFB):

This concept is best illustrated by the following example: Assume XYZ Association has (2) reserve items: a 1-year old roof and a 5-year old pool. Assume a useful life of 20 years for the roof and a current replacement cost estimate of \$50,000. For the pool, assume a useful life of 10 years for resurfacing at a current cost estimate of \$20,000.

The roof has “used up” (1) year of the 20-year useful life or 1/20th of \$50,000 = \$2,500. The pool has “used up” (5) years of the 10-year useful life or 5/10ths of \$20,000 = \$10,000. XYZ's Fully Funded Balance is the total deterioration since the last time the roof was replaced and the last time the pool was resurfaced. The FFB is calculated as \$2,500 + \$10,000 = \$12,500.

3) Reserve Component Cost Estimates:

We determine cost estimates in the following order:

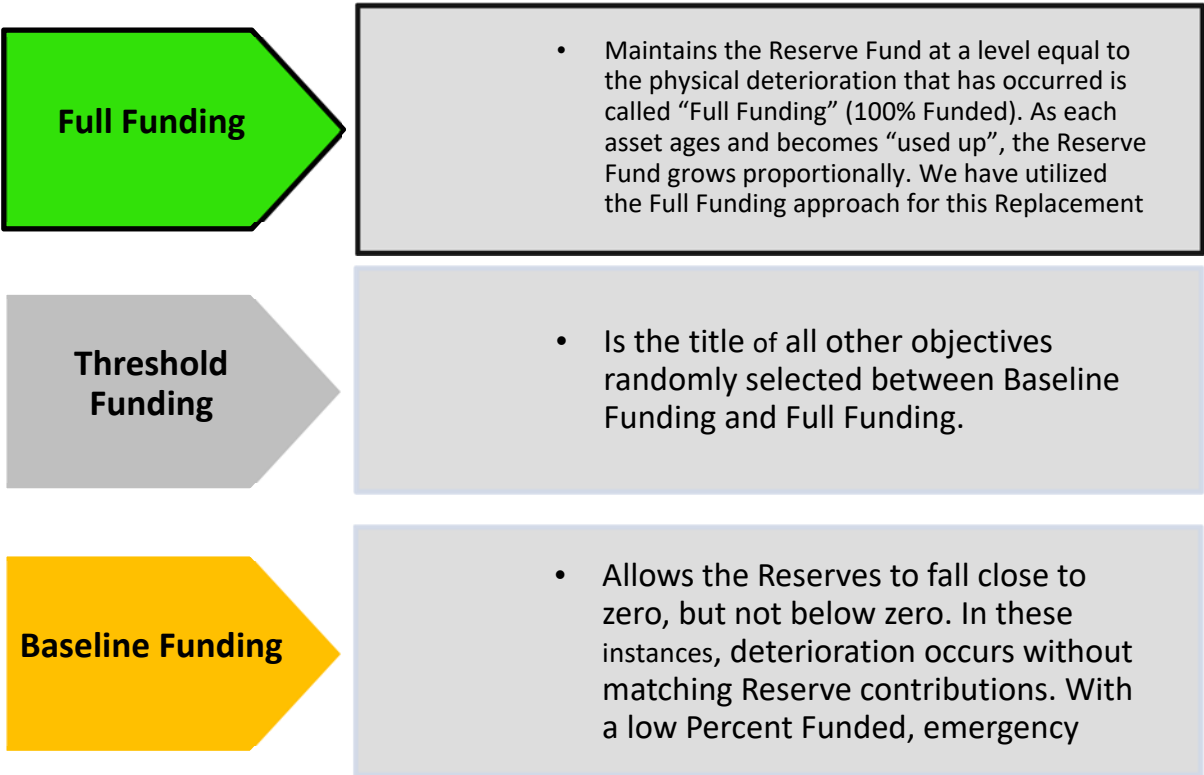
- Actual client historical records
- Internal database of similar projects
- Local vendor/contractor recommendations
- National cost estimating databases (R S Means, Marshall Swift etc.)

4) Recommended Reserve Contribution or Funding Plan:

The recommended funding plan is designed to provide sufficient reserves to fund future expenses in a timely manner.

We utilize four funding principles in establishing our recommended Reserve Contributions:

1. Ensuring that the client has sufficient funds to perform current reserve projects on time.
2. Put in place a stable contribution rate over the 30-years.
3. Evenly distributed contributions over the years. (Prepare now with manageable monthly contributions rather than face unmanageable expenses in the future)
4. Assist board members and officials in doing their fiduciary duty to guide the entity’s future.



Financial Analysis

Economic Assumptions:

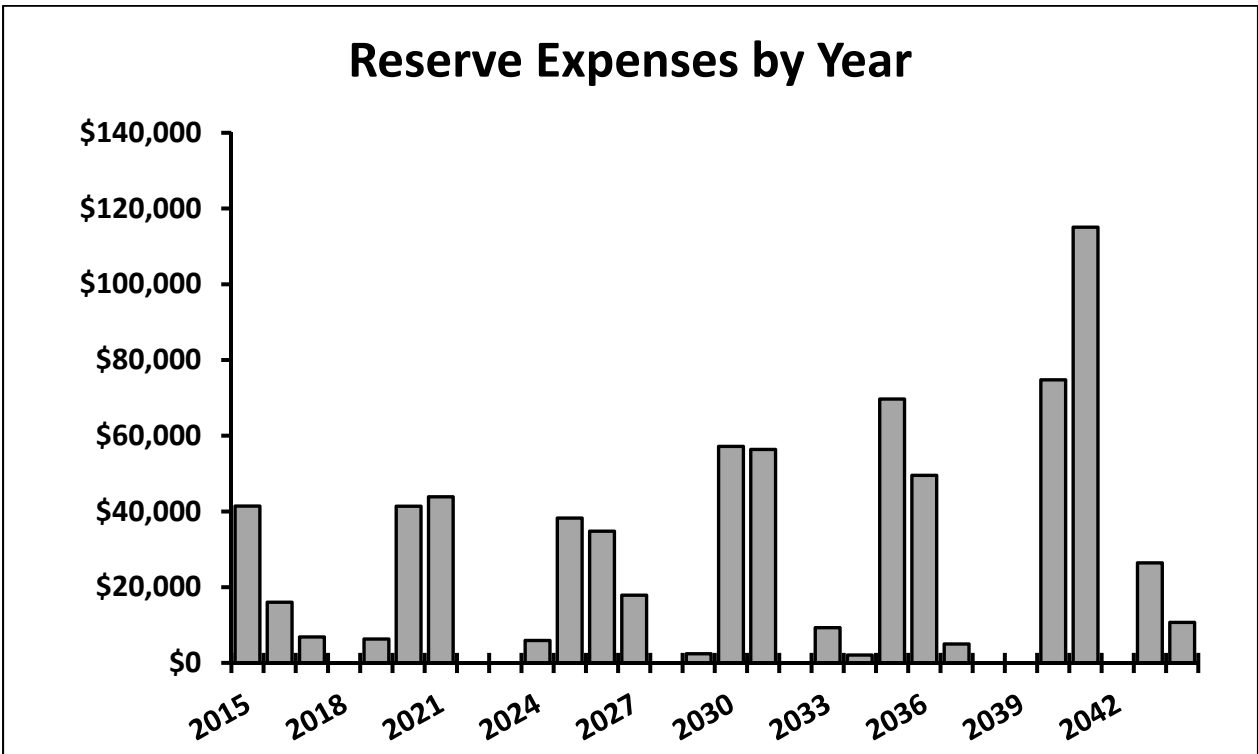
Future expense projections are calculated by applying an inflation factor to current cost estimates for each component. Inflation factors are applied to reserve components in 5-year increments. Future reserve fund balances include interest earnings based on the table below.

*Inflation Assumptions		Interest Earnings (Net after tax)	
Inflation (Yrs. 1-5)	3.00%	Interest (Yrs. 1-5)	0.15%
Inflation (Yrs. 6-10)	3.00%	Interest (Yrs. 6-10)	0.15%
Inflation (Yrs. 11-15)	3.00%	Interest (Yrs. 11-15)	0.15%
Inflation (Yrs. 16-20)	3.00%	Interest (Yrs. 16-20)	0.15%
Inflation (Yrs. 21-25)	3.00%	Interest (Yrs. 21-25)	0.15%
Inflation (Yrs. 26-30)	3.00%	Interest (Yrs. 26-30)	0.15%

*Inflation rates are based on the average increase of the Consumer Price Index (CPI) over the last 30-years as published by the Bureau of Labor Statistics (www.labor.gov)

Projected Reserve Expenses:

This analysis is based on a 30-year time horizon. Although we use well defined methodologies to project into the future, it is impossible to predict with 100% certainty future conditions. Focus should be on near-term projections (Years 1-5) in this report. Annual updates to this report are recommended to account for changes in association plans, cost estimates and economic conditions.



Reserve Fund Status:

How much should we have in Reserves? The answer to this question depends on several factors; age, size and quantity are just a few of these factors. CAI and NRSS measure Reserve Fund strength by the ratio of current funds to the "Ideal" amount of funds or FFB.

$$\begin{array}{r}
 \text{Percent Funded} = \frac{\text{Starting Reserve Balance}}{\text{Fully Funded Balance}} \\
 \\
 {}^3\mathbf{28\%} = \frac{{}^1\mathbf{\$63,002}}{{}^2\mathbf{\$77,596}}
 \end{array}$$

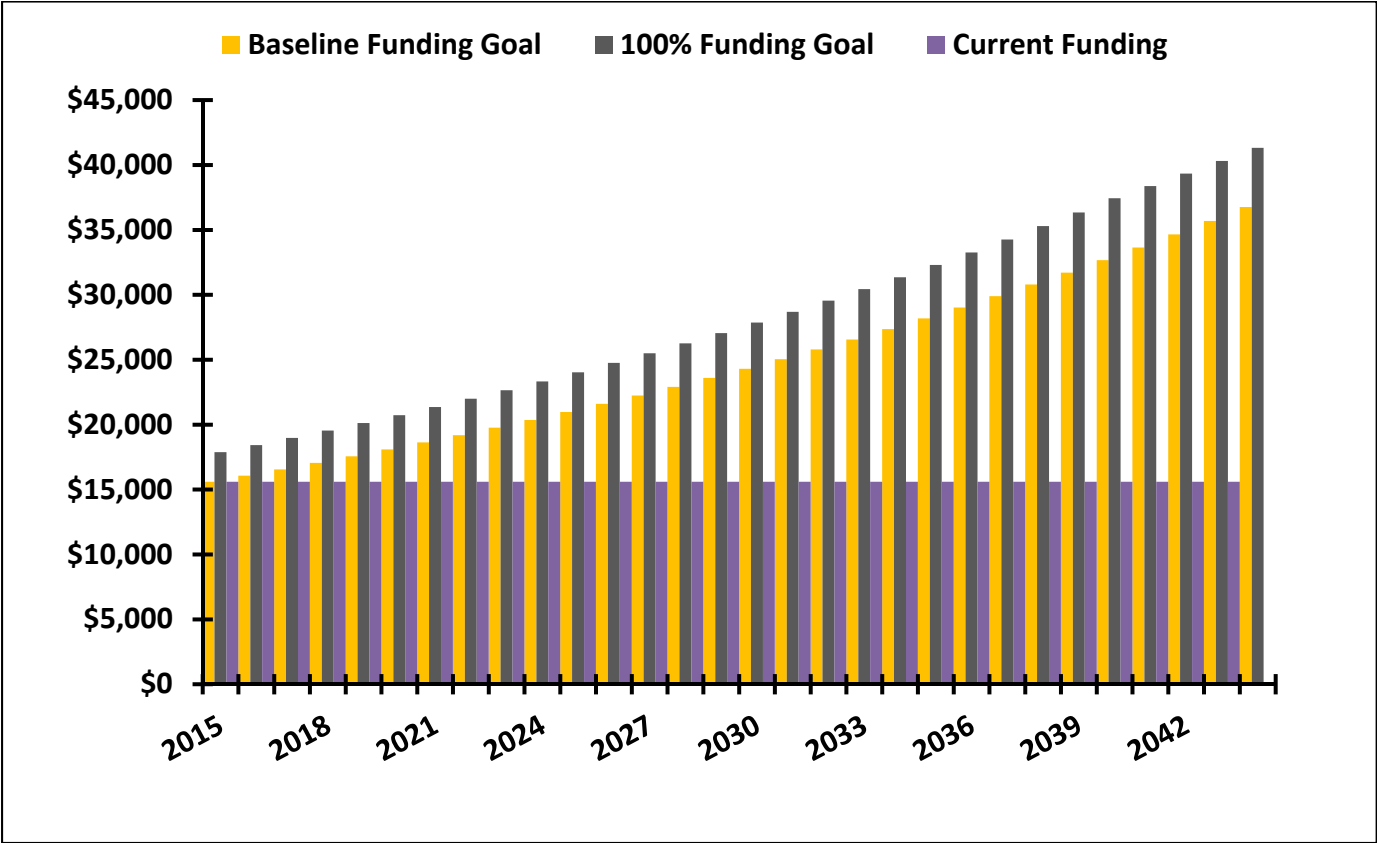
1. The starting reserve balance is as of the beginning date of this analysis and is provided by the client. This figure is not audited.
2. Your Fully Funded Balance is the sum of all the individual components' FFB (see TABLE #5). The FFB number is as of the start of this analysis.
3. Based on your starting reserve balance and the calculated fully funded balance your reserves are 81% funded.

Funding Alternatives:

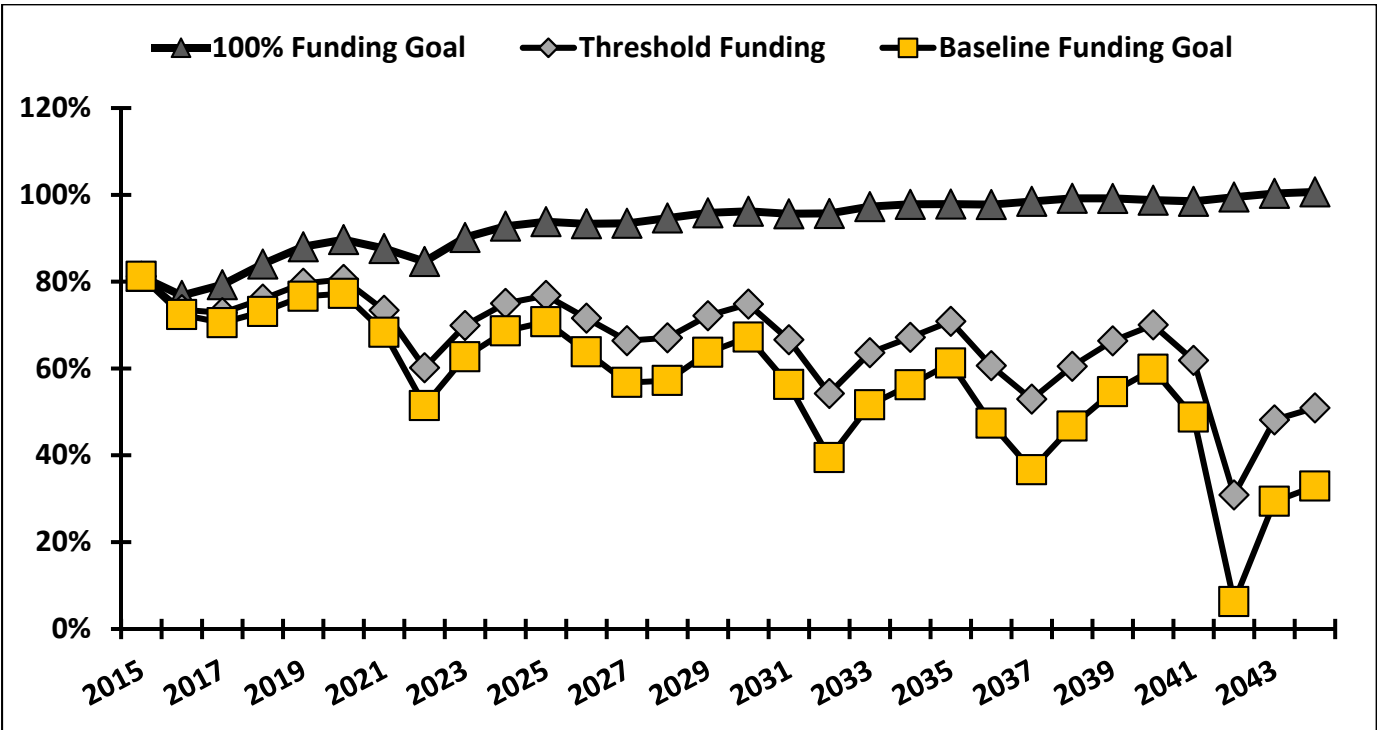
Reserve contributions should be set at a stable level in order to match annual deterioration and keep up with inflation; this level generally falls around 3-5% annual increases.

	Annual	Monthly	Per Unit Per Month
■ Current Reserve Contributions	\$15,600	\$1,300	\$65
■ Full Funding (Recommended)	\$17,880	\$1,490	\$75
■ Threshold Funding	\$16,200	\$1,350	\$67.50
■ Baseline Funding	\$15,600	\$1,300	\$65

Reserve Contributions:



Percent Funded:



Data Tables Appendix

- **TABLE 1** is a 30-year income/expense summary showing percent funding levels based with a "Full Funding" objective.
- **TABLE 2** is a 30-year income/expense summary showing percent funding levels based with a "Threshold Funding" objective.
- **TABLE 3** is a 30-year income/expense summary showing percent funding levels based with a "Baseline Funding" objective.
- **TABLE 4** is a detailed listing of your Reserve Components. This table is the baseline and driver of our recommendations.
- **TABLE 5** shows the significance or impact each component has on the Fully Funded Balance and ultimately the Reserve contribution rate.
- **TABLES 6-8** show detailed annual expense projections for each component for all 30 years.

Table 1 – 30-Year Summary “Full Funding”

100% Funding Goal									
Year	Starting Balance	Fully Funded Balance	Percent Funded	Reserve Status	Reserve Contribution	Special Assessment	Interest	Expenses	Ending Balance
2015	\$63,002	\$77,596	81%	Strong	\$17,880	\$0	\$77	\$41,425	\$39,534
2016	\$39,534	\$51,468	77%	Strong	\$18,416	\$0	\$61	\$16,017	\$41,995
2017	\$41,995	\$52,976	79%	Strong	\$18,969	\$0	\$72	\$6,864	\$54,172
2018	\$54,172	\$64,450	84%	Strong	\$19,538	\$0	\$96	\$0	\$73,806
2019	\$73,806	\$83,847	88%	Strong	\$20,124	\$0	\$121	\$6,303	\$87,748
2020	\$87,748	\$97,858	90%	Strong	\$20,728	\$0	\$116	\$41,386	\$67,206
2021	\$67,206	\$76,693	88%	Strong	\$21,350	\$0	\$84	\$43,893	\$44,746
2022	\$44,746	\$52,867	85%	Strong	\$21,990	\$0	\$84	\$0	\$66,820
2023	\$66,820	\$74,108	90%	Strong	\$22,650	\$0	\$117	\$0	\$89,587
2024	\$89,587	\$96,577	93%	Strong	\$23,329	\$0	\$148	\$5,937	\$107,128
2025	\$107,128	\$114,212	94%	Strong	\$24,029	\$0	\$150	\$38,261	\$93,046
2026	\$93,046	\$99,707	93%	Strong	\$24,750	\$0	\$132	\$34,800	\$83,128
2027	\$83,128	\$88,977	93%	Strong	\$25,493	\$0	\$130	\$17,893	\$90,858
2028	\$90,858	\$96,002	95%	Strong	\$26,257	\$0	\$156	\$0	\$117,271
2029	\$117,271	\$122,351	96%	Strong	\$27,045	\$0	\$194	\$2,450	\$142,061
2030	\$142,061	\$147,671	96%	Strong	\$27,856	\$0	\$191	\$57,177	\$112,931
2031	\$112,931	\$118,108	96%	Strong	\$28,692	\$0	\$149	\$56,389	\$85,382
2032	\$85,382	\$89,216	96%	Strong	\$29,553	\$0	\$150	\$0	\$115,086
2033	\$115,086	\$118,307	97%	Strong	\$30,440	\$0	\$189	\$9,312	\$136,401
2034	\$136,401	\$139,472	98%	Strong	\$31,353	\$0	\$227	\$2,104	\$165,877
2035	\$165,877	\$169,513	98%	Strong	\$32,293	\$0	\$221	\$69,716	\$128,675
2036	\$128,675	\$131,656	98%	Strong	\$33,262	\$0	\$181	\$49,558	\$112,560
2037	\$112,560	\$114,291	98%	Strong	\$34,260	\$0	\$191	\$5,020	\$141,990
2038	\$141,990	\$143,171	99%	Strong	\$35,288	\$0	\$240	\$0	\$177,518
2039	\$177,518	\$179,008	99%	Strong	\$36,346	\$0	\$294	\$0	\$214,158
2040	\$214,158	\$216,865	99%	Strong	\$37,437	\$0	\$293	\$74,748	\$177,140
2041	\$177,140	\$179,843	98%	Strong	\$38,373	\$0	\$208	\$115,076	\$100,645
2042	\$100,645	\$101,176	99%	Strong	\$39,332	\$0	\$181	\$0	\$140,158
2043	\$140,158	\$139,711	100%	Strong	\$40,315	\$0	\$221	\$26,426	\$154,268
2044	\$154,268	\$153,249	101%	Strong	\$41,323	\$0	\$255	\$10,722	\$185,124

Table 2 – 30-Year Summary “Threshold Funding”

Threshold Funding									
Year	Starting Balance	Fully Funded Balance	Percent Funded	Reserve Status	Reserve Contribution	Special Assessment	Interest	Expenses	Ending Balance
2015	\$63,002	\$77,596	81%	Strong	\$16,200	\$0	\$76	\$41,425	\$37,853
2016	\$37,853	\$51,468	74%	Strong	\$16,686	\$0	\$57	\$16,017	\$38,579
2017	\$38,579	\$52,976	73%	Strong	\$17,187	\$0	\$66	\$6,864	\$48,968
2018	\$48,968	\$64,450	76%	Strong	\$17,702	\$0	\$87	\$0	\$66,757
2019	\$66,757	\$83,847	80%	Strong	\$18,233	\$0	\$109	\$6,303	\$78,796
2020	\$78,796	\$97,858	81%	Strong	\$18,780	\$0	\$101	\$41,386	\$56,292
2021	\$56,292	\$76,693	73%	Strong	\$19,344	\$0	\$66	\$43,893	\$31,808
2022	\$31,808	\$52,867	60%	Fair	\$19,924	\$0	\$63	\$0	\$51,795
2023	\$51,795	\$74,108	70%	Fair	\$20,522	\$0	\$93	\$0	\$72,409
2024	\$72,409	\$96,577	75%	Strong	\$21,137	\$0	\$120	\$5,937	\$87,730
2025	\$87,730	\$114,212	77%	Strong	\$21,771	\$0	\$119	\$38,261	\$71,360
2026	\$71,360	\$99,707	72%	Strong	\$22,425	\$0	\$98	\$34,800	\$59,082
2027	\$59,082	\$88,977	66%	Fair	\$23,097	\$0	\$93	\$17,893	\$64,379
2028	\$64,379	\$96,002	67%	Fair	\$23,790	\$0	\$114	\$0	\$88,284
2029	\$88,284	\$122,351	72%	Strong	\$24,504	\$0	\$149	\$2,450	\$110,486
2030	\$110,486	\$147,671	75%	Strong	\$25,239	\$0	\$142	\$57,177	\$78,690
2031	\$78,690	\$118,108	67%	Fair	\$25,996	\$0	\$95	\$56,389	\$48,392
2032	\$48,392	\$89,216	54%	Fair	\$26,776	\$0	\$93	\$0	\$75,261
2033	\$75,261	\$118,307	64%	Fair	\$27,579	\$0	\$127	\$9,312	\$93,655
2034	\$93,655	\$139,472	67%	Fair	\$28,407	\$0	\$160	\$2,104	\$120,118
2035	\$120,118	\$169,513	71%	Strong	\$29,259	\$0	\$150	\$69,716	\$79,811
2036	\$79,811	\$131,656	61%	Fair	\$30,137	\$0	\$105	\$49,558	\$60,494
2037	\$60,494	\$114,291	53%	Fair	\$31,041	\$0	\$110	\$5,020	\$86,625
2038	\$86,625	\$143,171	61%	Fair	\$31,972	\$0	\$154	\$0	\$118,752
2039	\$118,752	\$179,008	66%	Fair	\$32,931	\$0	\$203	\$0	\$151,886
2040	\$151,886	\$216,865	70%	Strong	\$33,919	\$0	\$197	\$74,748	\$111,255
2041	\$111,255	\$179,843	62%	Fair	\$34,937	\$0	\$107	\$115,076	\$31,222
2042	\$31,222	\$101,176	31%	Fair	\$35,985	\$0	\$74	\$0	\$67,281
2043	\$67,281	\$139,711	48%	Fair	\$37,064	\$0	\$109	\$26,426	\$78,029
2044	\$78,029	\$153,249	51%	Fair	\$38,176	\$0	\$138	\$10,722	\$105,621

Table 3 – 30-Year Summary “Baseline Funding”

Baseline Funding Goal									
Year	Starting Balance	Fully Funded Balance	Percent Funded	Reserve Status	Reserve Contribution	Special Assessment	Interest	Expenses	Ending Balance
2015	\$63,002	\$77,596	81%	Strong	\$15,600	\$0	\$75	\$41,425	\$37,252
2016	\$37,252	\$51,468	72%	Strong	\$16,068	\$0	\$56	\$16,017	\$37,360
2017	\$37,360	\$52,976	71%	Strong	\$16,550	\$0	\$63	\$6,864	\$47,109
2018	\$47,109	\$64,450	73%	Strong	\$17,047	\$0	\$84	\$0	\$64,239
2019	\$64,239	\$83,847	77%	Strong	\$17,558	\$0	\$105	\$6,303	\$75,599
2020	\$75,599	\$97,858	77%	Strong	\$18,085	\$0	\$96	\$41,386	\$52,394
2021	\$52,394	\$76,693	68%	Fair	\$18,627	\$0	\$60	\$43,893	\$27,187
2022	\$27,187	\$52,867	51%	Fair	\$19,186	\$0	\$55	\$0	\$46,428
2023	\$46,428	\$74,108	63%	Fair	\$19,762	\$0	\$85	\$0	\$66,275
2024	\$66,275	\$96,577	69%	Fair	\$20,354	\$0	\$110	\$5,937	\$80,803
2025	\$80,803	\$114,212	71%	Strong	\$20,965	\$0	\$108	\$38,261	\$63,615
2026	\$63,615	\$99,707	64%	Fair	\$21,594	\$0	\$86	\$34,800	\$50,495
2027	\$50,495	\$88,977	57%	Fair	\$22,242	\$0	\$79	\$17,893	\$54,922
2028	\$54,922	\$96,002	57%	Fair	\$22,909	\$0	\$100	\$0	\$77,931
2029	\$77,931	\$122,351	64%	Fair	\$23,596	\$0	\$133	\$2,450	\$99,210
2030	\$99,210	\$147,671	67%	Fair	\$24,304	\$0	\$124	\$57,177	\$66,461
2031	\$66,461	\$118,108	56%	Fair	\$25,033	\$0	\$76	\$56,389	\$35,181
2032	\$35,181	\$89,216	39%	Fair	\$25,784	\$0	\$72	\$0	\$61,038
2033	\$61,038	\$118,307	52%	Fair	\$26,558	\$0	\$105	\$9,312	\$78,388
2034	\$78,388	\$139,472	56%	Fair	\$27,355	\$0	\$137	\$2,104	\$103,775
2035	\$103,775	\$169,513	61%	Fair	\$28,175	\$0	\$125	\$69,716	\$62,359
2036	\$62,359	\$131,656	47%	Fair	\$29,021	\$0	\$78	\$49,558	\$41,900
2037	\$41,900	\$114,291	37%	Fair	\$29,891	\$0	\$82	\$5,020	\$66,852
2038	\$66,852	\$143,171	47%	Fair	\$30,788	\$0	\$123	\$0	\$97,764
2039	\$97,764	\$179,008	55%	Fair	\$31,712	\$0	\$171	\$0	\$129,646
2040	\$129,646	\$216,865	60%	Fair	\$32,663	\$0	\$163	\$74,748	\$87,724
2041	\$87,724	\$179,843	49%	Fair	\$33,643	\$0	\$71	\$115,076	\$6,362
2042	\$6,362	\$101,176	6%	Weak	\$34,652	\$0	\$36	\$0	\$41,049
2043	\$41,049	\$139,711	29%	Weak	\$35,692	\$0	\$69	\$26,426	\$50,384
2044	\$50,384	\$153,249	33%	Fair	\$36,762	\$0	\$95	\$10,722	\$76,519

Table 4 – Reserve Component List

ITEM #	LOCATION	RESERVE ASSET DESCRIPTION	QTY	UOM	EL	RUL	CURRENT COST	\$/UNIT	IN-SVC YR	REPL YR	FUTURE COST
COMMON AREA											
1	Clubhouse	Landscape Granite - Replenish	70	Tons	8	2	\$3,850	\$55	2009	2017	\$4,084
2	Clubhouse	Mailboxes - Replace	2	CBUs	20	9	\$3,350	\$1,675	2004	2024	\$4,371
3	Clubhouse	Concrete - Repairs	1,370	GSF	10	5	\$1,500	\$1	2010	2020	\$1,739
4	Clubhouse	Chain Link Fence - Replace	165	LF	30	0	\$7,425	\$45	1985	2015	\$18,022
5	Clubhouse	Pool Deck - Resurface	1,082	GSF	16	12	\$5,950	\$5	2011	2027	\$8,483
6	Clubhouse	Pool Deck - Recoat/Repair	1,082	GSF	4	2	\$1,620	\$1	2013	2017	\$1,719
7	Clubhouse	Pool/Spa - Resurface	110	LF	10	6	\$11,000	\$100	2011	2021	\$13,135
8	Clubhouse	Pool Fence - Replace	220	LF	30	26	\$10,450	\$48	2011	2041	\$22,536
9	Clubhouse	Pool Furniture - Replace	15	Pieces	8	4	\$3,800	\$253	2011	2019	\$4,277
10	Clubhouse	Spa Pump - Replace (2007)	1	Unit	10	2	\$1,000	\$1,000	2007	2017	\$1,061
11	Clubhouse	Pool Pump - Replace (2010)	1	Unit	10	5	\$1,200	\$1,200	2010	2020	\$1,391
12	Clubhouse	Pool Pump - Replace (2014)	1	Unit	10	9	\$1,200	\$1,200	2014	2024	\$1,566
13	Clubhouse	Pool Filter - Replace (1995)	1	Unit	15	0	\$1,000	\$1,000	2000	2015	\$1,558
14	Clubhouse	Spa Filter - Replace (2011)	1	Unit	15	11	\$1,000	\$1,000	2011	2026	\$1,384
15	Clubhouse	Spa Heater - Replace	1	Unit	8	4	\$1,800	\$1,800	2011	2019	\$2,026
16	Clubhouse	Ramada - Rebuild	1	Structure	20	0	\$10,000	\$10,000	1995	2015	\$18,061
17	Caretaker House	Propane Tank - Replace	500	Gallon	30	26	\$1,300	\$3	2011	2041	\$2,804
18	Caretaker House	Foam Roofs - Recoat (North & South)	15,550	GSF	5	1	\$15,550	\$1.00	2011	2016	\$16,017
19	Caretaker House	Foam Roofs - Recoat (East)	8,590	GSF	5	6	\$8,590	\$1.00	2016	2021	\$10,257
20	Caretaker House	Foam Roofs - Repair (Allowance)	1	GSF	5	0	\$2,000	\$2,000	2010	2015	\$2,319
21	Taxi/Parking Area	Skylights - Replace	16	Unit	25	21	\$2,500	\$156	2011	2036	\$4,651
22	Access Doors	Unit Exteriors - Repaint	20	Units	5	0	\$21,000	\$1,050	2010	2015	\$24,345
23	Taxi/Parking Area	Wood Trim - Repair/Replace	20	Units	10	5	\$10,000	\$25,518	2010	2020	\$11,593

23


Line items with  have a remaining life of zero and are scheduled for replacement (2015) **

Table 5 – Fully Funded Balance Calculations

ITEM #	RESERVE ASSET DESCRIPTION	EL	RL	COST	FFB	FFB CUMULATE
COMMON AREA						
1	Landscape Granite - Replenish	8	2	\$3,850	\$2,888	\$2,888
2	Mailboxes - Replace	20	9	\$3,350	\$1,843	\$4,730
3	Concrete - Repairs	10	5	\$1,500	\$750	\$5,480
4	Chain Link Fence - Replace	30	0	\$7,425	\$7,425	\$12,905
5	Pool Deck - Resurface	16	12	\$5,950	\$1,488	\$14,393
6	Pool Deck - Recoat/Repair	4	2	\$1,620	\$810	\$15,203
7	Pool/Spa - Resurface	10	6	\$11,000	\$4,400	\$19,603
8	Pool Fence - Replace	30	26	\$10,450	\$1,393	\$20,996
9	Pool Furniture - Replace	8	4	\$3,800	\$1,900	\$22,896
10	Spa Pump - Replace (2007)	10	2	\$1,000	\$800	\$23,696
11	Pool Pump - Replace (2010)	10	5	\$1,200	\$600	\$24,296
12	Pool Pump - Replace (2014)	10	9	\$1,200	\$120	\$24,416
13	Pool Filter - Replace (1995)	15	0	\$1,000	\$1,000	\$25,416
14	Spa Filter - Replace (2011)	15	11	\$1,000	\$267	\$25,683
15	Spa Heater - Replace	8	4	\$1,800	\$900	\$26,583
16	Ramada - Rebuild	20	0	\$10,000	\$10,000	\$36,583
17	Propane Tank - Replace	30	26	\$1,300	\$173	\$36,756
18	Foam Roofs - Recoat (North & South)	5	1	\$15,550	\$12,440	\$49,196
19	Foam Roofs - Recoat (East)	5	6	\$8,590	\$0	\$49,196
20	Foam Roofs - Repair (Allowance)	5	0	\$2,000	\$2,000	\$51,196
21	Skylights - Replace	25	21	\$2,500	\$400	\$51,596
22	Unit Exteriors - Repaint	5	0	\$21,000	\$21,000	\$72,596
23	Wood Trim - Repair/Replace	10	5	\$10,000	\$5,000	\$77,596
23	Total Components			\$127,085	\$77,596	

Table 6 - Projected Reserve Expenses (2015-2024)

Reserve Asset	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
COMMON AREA										
Landscape Granite - Replenish	\$0	\$0	\$4,084	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,371
Concrete - Repairs	\$0	\$0	\$0	\$0	\$0	\$1,739	\$0	\$0	\$0	\$0
Chain Link Fence - Replace	\$7,425	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Deck - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Deck - Recoat/Repair	\$0	\$0	\$1,719	\$0	\$0	\$0	\$1,934	\$0	\$0	\$0
Pool/Spa - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$13,135	\$0	\$0	\$0
Pool Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Furniture - Replace	\$0	\$0	\$0	\$0	\$4,277	\$0	\$0	\$0	\$0	\$0
Spa Pump - Replace (2007)	\$0	\$0	\$1,061	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Pump - Replace (2010)	\$0	\$0	\$0	\$0	\$0	\$1,391	\$0	\$0	\$0	\$0
Pool Pump - Replace (2014)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,566
Pool Filter - Replace (1995)	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Spa Filter - Replace (2011)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Spa Heater - Replace	\$0	\$0	\$0	\$0	\$2,026	\$0	\$0	\$0	\$0	\$0
Ramada - Rebuild	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Propane Tank - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Foam Roofs - Recoat (North & South)	\$0	\$16,017	\$0	\$0	\$0	\$0	\$18,568	\$0	\$0	\$0
Foam Roofs - Recoat (East)	\$0	\$0	\$0	\$0	\$0	\$0	\$10,257	\$0	\$0	\$0
Foam Roofs - Repair (Allowance)	\$2,000	\$0	\$0	\$0	\$0	\$2,319	\$0	\$0	\$0	\$0
Skylights - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unit Exteriors - Repaint	\$21,000	\$0	\$0	\$0	\$0	\$24,345	\$0	\$0	\$0	\$0
Wood Trim - Repair/Replace	\$0	\$0	\$0	\$0	\$0	\$11,593	\$0	\$0	\$0	\$0
Total Expenses	\$41,425	\$16,017	\$6,864	\$0	\$6,303	\$41,386	\$43,893	\$0	\$0	\$5,937

Table 7 - Projected Reserve Expenses (2025-2034)

Reserve Asset	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
COMMON AREA										
Landscape Granite - Replenish	\$5,174	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,554	\$0
Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Concrete - Repairs	\$0	\$0	\$0	\$0	\$0	\$2,337	\$0	\$0	\$0	\$0
Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Deck - Resurface	\$0	\$0	\$8,483	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Deck - Recoat/Repair	\$2,177	\$0	\$0	\$0	\$2,450	\$0	\$0	\$0	\$2,758	\$0
Pool/Spa - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$17,652	\$0	\$0	\$0
Pool Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Furniture - Replace	\$0	\$0	\$5,418	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Spa Pump - Replace (2007)	\$0	\$0	\$1,426	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Pump - Replace (2010)	\$0	\$0	\$0	\$0	\$0	\$1,870	\$0	\$0	\$0	\$0
Pool Pump - Replace (2014)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,104
Pool Filter - Replace (1995)	\$0	\$0	\$0	\$0	\$0	\$1,558	\$0	\$0	\$0	\$0
Spa Filter - Replace (2011)	\$0	\$1,384	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Spa Heater - Replace	\$0	\$0	\$2,566	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ramada - Rebuild	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Propane Tank - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Foam Roofs - Recoat (North & South)	\$0	\$21,525	\$0	\$0	\$0	\$0	\$24,953	\$0	\$0	\$0
Foam Roofs - Recoat (East)	\$0	\$11,891	\$0	\$0	\$0	\$0	\$13,784	\$0	\$0	\$0
Foam Roofs - Repair (Allowance)	\$2,688	\$0	\$0	\$0	\$0	\$3,116	\$0	\$0	\$0	\$0
Skylights - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unit Exteriors - Repaint	\$28,222	\$0	\$0	\$0	\$0	\$32,717	\$0	\$0	\$0	\$0
Wood Trim - Repair/Replace	\$0	\$0	\$0	\$0	\$0	\$15,580	\$0	\$0	\$0	\$0
Total Expenses	\$38,261	\$34,800	\$17,893	\$0	\$2,450	\$57,177	\$56,389	\$0	\$9,312	\$2,104

Table 8 - Projected Reserve Expenses (2035-2044)

Reserve Asset	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
COMMON AREA										
Landscape Granite - Replenish	\$0	\$0	\$0	\$0	\$0	\$0	\$8,303	\$0	\$0	\$0
Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,894
Concrete - Repairs	\$0	\$0	\$0	\$0	\$0	\$3,141	\$0	\$0	\$0	\$0
Chain Link Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Deck - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,613	\$0
Pool Deck - Recoat/Repair	\$0	\$0	\$3,104	\$0	\$0	\$0	\$3,494	\$0	\$0	\$0
Pool/Spa - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$23,723	\$0	\$0	\$0
Pool Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$22,536	\$0	\$0	\$0
Pool Furniture - Replace	\$6,863	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,694	\$0
Spa Pump - Replace (2007)	\$0	\$0	\$1,916	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Pump - Replace (2010)	\$0	\$0	\$0	\$0	\$0	\$2,513	\$0	\$0	\$0	\$0
Pool Pump - Replace (2014)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,828
Pool Filter - Replace (1995)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Spa Filter - Replace (2011)	\$0	\$0	\$0	\$0	\$0	\$0	\$2,157	\$0	\$0	\$0
Spa Heater - Replace	\$3,251	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,118	\$0
Ramada - Rebuild	\$18,061	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Propane Tank - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$2,804	\$0	\$0	\$0
Foam Roofs - Recoat (North & South)	\$0	\$28,928	\$0	\$0	\$0	\$0	\$33,535	\$0	\$0	\$0
Foam Roofs - Recoat (East)	\$0	\$15,980	\$0	\$0	\$0	\$0	\$18,525	\$0	\$0	\$0
Foam Roofs - Repair (Allowance)	\$3,612	\$0	\$0	\$0	\$0	\$4,188	\$0	\$0	\$0	\$0
Skylights - Replace	\$0	\$4,651	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unit Exteriors - Repaint	\$37,928	\$0	\$0	\$0	\$0	\$43,969	\$0	\$0	\$0	\$0
Wood Trim - Repair/Replace	\$0	\$0	\$0	\$0	\$0	\$20,938	\$0	\$0	\$0	\$0
Total Expenses	\$69,716	\$49,558	\$5,020	\$0	\$0	\$74,748	\$115,076	\$0	\$26,426	\$10,722

Supplemental Disclosures

General:

CRA has no other involvement(s) with Sample Association which could result in actual or perceived conflicts of interest.

Physical Analysis:

Capital Reserve Analysts did conduct a physical inspection.

Completeness:

CRA has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

Reliance on Client Data:

Information provided by the official representative of the client regarding financial, physical, quantity, or historical issues will be deemed reliable by CRA.

Scope:

This Reserve Study is a reflection of information provided to CRA and assembled for the client's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

Reserve Balance:

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

Reserve Projects:

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.

Definitions

CASH FLOW METHOD: A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

COMPONENT: The individual line items in the Reserve Study developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the association or cooperative.

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See “Cash Flow Method.”

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See “Replacement Cost.”

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulae can be utilized, depending

on the provider’s sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$$\text{FFB} = \text{Current Cost X Effective Age / Useful Life}$$

Or

$$\text{FFB} = (\text{Current Cost X Effective Age / Useful Life}) + [(\text{Current Cost X Effective Age / Useful Life}) / (1 + \text{Interest Rate}) ^ \text{Remaining Life}] - [(\text{Current Cost X Effective Age / Useful Life}) / (1 + \text{Inflation Rate}) ^ \text{Remaining Life}]$$

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

Baseline Funding: Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

Full Funding: Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

Statutory Funding: Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than “Fully Funding.”

FUNDING PLAN: An association’s plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

Funding Principles:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

PERCENT FUNDED: The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual (or projected)* Reserve Balance to the *Fully Funded Balance*, expressed as a percentage.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts

of the Reserve Study.

REMAINING USEFUL LIFE (RUL): Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have “zero” Remaining Useful Life.

REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A long-term capital budget planning tool which identifies the current status of the reserve fund and a stable and equitable funding plan to offset ongoing deterioration, resulting in sufficient funds when those anticipated major common area expenditures actually occur

Sample Property Reserve Component Inventory
Analysis Date – January 20, 2015

Reserve Asset Photographic Inventory

Sample Property Reserve Component Inventory

Analysis Date – January 20, 2015

Item Parameters - Full Detail

Landscape Granite - Replenish

Item Number	1	Measurement Basis	Tons
Type	Landscape Granite	Estimated Useful Life	8:00
Category	Common Area	Basis Cost	\$55.00/Ton
Tracking	Logistical		
Method	Fixed		

Code Description	Service Date	Replace Date	Rem Life	Est. Life	Quantity	Replacement Cost	
						Current	Future
910-000-0002	n/a	2017	2:00	8:00	70 Tons	\$3,850	\$4,084

Comments



Over time, with rains, irrigation, silting, and being tread upon, granite is ground into smaller pieces and loses its fullness. To avoid exposed patches of dirt, we recommend periodic top dressing of the landscape rock. There is approximately 8,400 square feet of landscape rock located throughout the property. This component budgets to replenish 100% of the total square footage with ¾" rock at 2" deep which converts to approximately 70 tons of rock. Recommend replenishment at roughly the timing and costs above. See image above for areas currently covered with Landscape Granite. **Note:** We are only budgeting to replenish the areas highlighted in green above.

Sample Property Reserve Component Inventory

Analysis Date – January 20, 2015

Item Parameters - Full Detail

Concrete - Repairs

Item Number	3	Measurement Basis	Sq. Ft
Type	Concrete Sidewalks	Estimated Useful Life	10:00
Category	Common Area	Basis Cost	\$12.00/Sq. Ft
Tracking	Logistical		
Method	Fixed		

Code Description	Service Date	Replace Date	Rem Life	Est. Life	Quantity	Replacement Cost	
						Current	Future
910-000-0004	N/A	2020	5:00	10:00	1,370 GSF	\$1,500	\$1,739

Comments



The association maintains approximately 1,370 square feet of concrete sidewalks and surface area throughout the property. These sidewalks are in overall good condition. Some signs of minor deterioration and cracking noted, however nothing major. Concrete surfaces typically have a useful life of up to 65 years although partial failures and deterioration is common. Weather conditions, installation methods and finishing techniques can result in premature deterioration such as cracks, chips and spalls. Various conditions like these result in the need to plan for periodic partial replacements over the next 30 years. We estimate approximately 10% of the concrete surfaces will require replacement on a 10 year cycle.

Sample Property Reserve Component Inventory

Analysis Date – January 20, 2015

Item Parameters - Full Detail

Chain Link Fence – Replace

Item Number	4	Measurement Basis	LF
Type	Chain Link Fence	Estimated Useful Life	30:00
Category	Common Area	Basis Cost	\$45.00/LF
Tracking	Logistical		
Method	Fixed		

Code Description	Service Date	Replace Date	Rem Life	Est. Life	Quantity	Replacement Cost	
						Current	Future
910-000-0004	N/A	2015	0:00	30:00	165 LF	\$7,425	\$18,022

Comments



There is approximately 165 linear feet of 5' high chain link fencing located along the West perimeter of the property. This fence appears original from the 1970's. The association plans to replace this fencing with new wrought iron fencing to match the rest of the property fencing. Metal fencing has a long useful life, but is not maintenance free. Periodic maintenance should include periodic applications of protective paint finish. We anticipate a useful life of up to 30 years for this fence.

Sample Property Reserve Component Inventory

Analysis Date – January 20, 2015

Item Parameters - Full Detail

Pool Fence - Replace

Item Number	8	Measurement Basis	LF
Type	Metal Fence	Estimated Useful Life	30:00
Category	Common Area	Basis Cost	\$47.50/LF
Tracking	Logistical		
Method	Fixed		

Code Description	Service Date	Replace Date	Rem Life	Est. Life	Quantity	Replacement Cost	
						Current	Future
910-000-0004	2011	2041	26:00	30:00	220 LF	\$10,450	\$22,536

Comments



This component includes 190 linear feet of metal pool fence and 30 linear feet of fencing and gates located on the north and south side of the property. Repainting should be handled as an Operating expense; therefore no Reserve Funding is required. Metal components and structural connections are prone to rusting if not thoroughly maintained.

Sample Property Reserve Component Inventory

Analysis Date – January 20, 2015

Item Parameters - Full Detail

Pool Furniture - Replace

Item Number	9	Measurement Basis	Unit
Type	Furniture	Estimated Useful Life	8:00
Category	Common Area	Basis Cost	\$3,800
Tracking	Logistical		
Method	Fixed		

Code Description	Service Date	Replace Date	Rem Life	Est. Life	Quantity	Replacement Cost	
						Current	Future
910-000-0004	2011	2019	4:00	8:00	(15) Pieces	\$3,800	\$4,277

Comments



Furniture installed during 2011. This component includes (6) chaise lounges, (2) trash receptacles, (5) table chairs, and (2) fabric umbrellas. We are not funding to replace the (3) concrete tables as these should last the lifetime of the property. See the table below for unit costs and quantities.

Item	Quantity	\$/Unit	Total
Chaise Lounges	6	\$ 275.00	\$ 1,650.00
Trash Receptacles	2	\$ 100.00	\$ 200.00
Table Chairs	5	\$ 150.00	\$ 750.00
Fabric Umbrellas	2	\$ 600.00	\$ 1,200.00
			\$ 3,800.00

Sample Property Reserve Component Inventory
Analysis Date – January 20, 2015

Item Parameters - Full Detail

Foam Roofs – Recoat (North & South)

Item Number	18	Measurement Basis	Sq. Ft
Type	SPF Roofing	Estimated Useful Life	5:00
Category	Common area	Basis Cost	\$1.00/Sq. Ft.
Tracking	Logistical		
Method	Fixed		

Code Description	Service Date	Replace Date	Rem Life	Est. Life	Quantity	Replacement Cost	
						Current	Future
910-000-0007	2011	2016	1:00	5:00	15,550 GSF	\$15,550	\$16,017

Comments



The North and South foam roofs were recoated during 2011. During our inspection, we noted signs of ponding and some areas of minor damage. Recommend inspecting regularly and removing debris. If water sits on the surface for more than 48 hours, it is called ponding. Ponding breaks down the acrylic coating and reduces the service life of your roof. Per **Sprayfoam Southwest**, foam roofs should be recoated 10 years after installation and every 5 years thereafter. If properly maintained, these roofs will last the lifetime of the community. Recommend annual inspections and repairs when needed.

Sample Property Reserve Component Inventory
 Analysis Date – January 20, 2015

Item Parameters - Full Detail

Foam Roofs – Recoat (East)

Item Number	19	Measurement Basis	Sq. Ft
Type	SPF Roofing	Estimated Useful Life	5:00
Category	Common area	Basis Cost	\$1.00/Sq. Ft.
Tracking	Logistical		
Method	Fixed		

Code Description	Service Date	Replace Date	Rem Life	Est. Life	Quantity	Replacement Cost	
						Current	Future
910-000-0007	2011	2021	6:00	5:00	8,590 GSF	\$8,590	\$10,257

Comments



The East foam roof was replaced during 2011. During our inspection, we noted signs of ponding and several “Blisters”. When moisture gets trapped while foam is being applied, it can cause high spots, or “blisters” in the foam. If the blister is sound enough structurally and is not broken, it is a cosmetic issue, unless it is creating severe ponding. If it is creating severe ponding, the acrylic can lift or separate from the foam, which will require maintenance more often than the rest of the roof. If the blister is broken, it can cause seepage into and below it. If “Blisters” get broken, they need to be cut it out and foam and acrylic coating need to be re-applied. Recommend inspecting regularly and removing and debris. Per **Sprayfoam Southwest**, foam roofs should be recoated 10 years after installation and every 5 years thereafter. If properly maintained, these roofs will last the lifetime of the community. Recommend annual inspections and repairs when needed. The remaining useful life of 6 years represents the 10 year initial warranty.