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# Sample

## Sample Planned Development

### Reserve Study Report Reserve Study With Site Visit

**For 30-Year Projection Period Beginning 01/01/11**



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Report Reviewed by: Gary Porter, RS, PRA  
Report # 1239 V. 2010 - 1

# Sample

## Sample Planned Development

### Reserve Study

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The financial exhibits listed above provide a summary of the Association's reserves at the Category level. In addition, the Component list is also presented at the component level as required by National Reserve Study Standards.

Component level Schedules are presented separately, as those schedules support, but are not part of, the reserve study report.

Presenting the report in this manner facilitates understanding of the data. Category level reports allow the reader to grasp the high level picture because category level reports are always presented on a single page. Component level reports, depending upon the number of components, may consist of many pages. The purpose of component level reports is not to allow the reader to immediately grasp an overall understanding, but to confirm the accuracy of the summary, category level reports.

## Preparer's Report

Board of Directors  
Sample Planned Development  
Phoenix, Arizona

### Reserve Study With Site Visit

I have prepared the accompanying projected Replacement Program Funding Analysis of Sample Planned Development as of and for the thirty-year period beginning January 1, 2011.

This report presents, in the form of a projection, information that is the representation of management, and does not include evaluation of the support for the assumptions underlying the forecast. I do not express an opinion or any other form of assurance on the accompanying report or assumptions. Furthermore, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. I have no responsibility to update this report for events and circumstances occurring after the date of this report.

*Pierre del Rosario, PRA*

Pierre del Rosario, PRA

July 5, 2010

## Report Snapshot

Association Name:	Sample Planned Development		
Location:	Phoenix, Arizona		
# of Units:	72		
Initial Year Report Period:	January 1, 2011 through December 31, 2011		
30-Year Projection Period:	Years 2011 to 2040		
Projected Reserve Balance at 12/31/10		\$	24,894
Ideal Reserve Balance at 12/31/10		\$	103,602
Percent Funded at 12/31/10			24.0%
Recommended Annual Contribution to Reserves 2011		\$	11,869
Recommended Special Assessment 2011		\$	-
Estimated Interest Rate:			2.00%
Estimated Inflation Rate:			1.25%
Estimated Contingency Rate:			0.25%
Estimated Tax Rate:			15.00%

The Association is a 72 lot planned development located on Easy Street in Phoenix, Arizona. The project was developed in 1986. It is located on the lower side of Country Club Drive, and the terrain consists of a gentle slope towards the creek. The properties surrounding the Association are not developed at this time.

The Association's percent funded is 024.0%, which is considered poor. Generally, any funding level at less than 30% is considered weak, which means that insufficient funds have been set aside for reserves in the past. This means that an aggressive funding plan must usually be adopted to build the fund up to an appropriate level.

The status of the Association's Reserve Fund is evaluated primarily by attempting to measure its strength. While there are subjective considerations that can be applied, the percent funded calculation represents the most universally accepted objective measure of the strength of the reserve fund. The discussion in the paragraph above evaluates the strength of the Association's reserve fund.

## Report Introduction

The property described in this report is a common interest development. As such, it contains common areas and facilities that are owned "in common" by the members. As the elected governing body of the Association, the Board of Directors is responsible for maintenance of the common areas and the sound financial management and operation of the Association.

One of the primary duties of the Board of Directors is the preparation and/or review of the annual budget. The annual budget process must, at a minimum, address two areas; Operating Funds and Reserve Funds. The net result is a determination of the annual assessment to be charged to members, which will consist of an operating assessment and a reserve assessment.

The operating budget is intended to provide for all annually recurring expenses of the Association, including routine maintenance of common areas. Such routine maintenance is the basis of the facilities maintenance plan, and to a large degree, will dictate the timing and amount of future expenditures of the reserve fund. The normal budget process is to estimate the required expenditures for the Association's governance, business, member services, and maintenance activities, then determine the assessment required to provide for those costs. By its nature, this is geared to an annual cycle.

That portion of the annual budget related to reserves generally consists simply of the assessment. Because of the multi-year approach of the reserve budget, the reserve study itself is the budget tool used to determine the assessment amount. The current year reserve assessment amount is simply extracted from the 30-year reserve funding plan and inserted into the annual budget. The reserve study funding plan is an integral part of the annual budget process and overall financial plan for the Association.

Reserve funds are a part of the monthly or annual assessments paid by owners of an individual unit or lot. These funds are intended to be set aside specifically for major repairs and replacements and not be used for any other purpose. These funds are accumulated by the Association, earn interest, and should be expended as approved by management only for major repairs and replacements of the common area components.

This Reserve Study assists the Board of Directors by providing the information to determine the appropriate amount of money to assess owners. Specifically, the reserve study report provides a 30-year funding plan to assure an equitable assessment structure to provide for the non annual major repairs and replacements of common area components. The report is a financial projection that is based upon an evaluation and Visit of the common area components.

Because the reserve study is a projection of future events, it necessarily is based upon a number of assumptions. The reserve study process is an exercise in refining those assumptions to those most likely to occur. Future events occurring near term are inherently more predictable than those occurring long term. That is why it is necessary to perform periodic updates to the reserve study; to update and refine the assumptions based on the passage of time and actual maintenance activities that have occurred.

The reserve study consists of two parts; the physical analysis, and the financial analysis. The findings of the physical evaluation, including identification of components, condition, useful and remaining life, and replacement cost, are summarized in this report. The financial analysis consists of the evaluation of the current reserve funding status, and a 30-year projection of cash inflows and outflows.

## Physical Analysis

The physical analysis itself consists of two parts; a site visit wherein:

- All common area components are identified
- Measurements or counts are made or verified
- Condition of components is assessed.

and an analysis, usually performed after we complete the site Visit, consisting of determining what components are to be included in the reserve funding study, and the useful (normal) life and remaining life, and repair or replacement cost of each component to be included in the funding study.

The identification of all common area components is not necessarily a completely transparent process. We rely upon components identified in prior reserve studies, inquiries of management, depreciation schedules, asset listings, plot maps, building plans, vendor or contractor representations, and insurance records, in addition to our own observations to attempt to correctly identify all common area components. We rely upon management representations and governing documents to determine maintenance responsibility, as it is not always clearly identified. An example is "exclusive use common property," such as a balcony deck. In some associations, it is the association's maintenance responsibility. In others, it is the unit owner's responsibility. We also provide a list of observed, major, common area components that are excluded from the reserve study.

Measurements or counts of common area components are included, except for certain items where an "allowance" factor is included. We attempt to quantify counts and measurements in accordance industry standards and the Association's maintenance plan. As an example, we may not measure roofing or painting if we have firm bids or contracts that specify a cost, as the measurement then becomes irrelevant, except for cost verification purposes. Components are included in the study at the level where costs are anticipated to be incurred, not grouped so that detail data becomes meaningless.

Condition is assessed on a subjective basis considering a number of factors: original useful life, age, quality, rate of wear and tear, management representations, and maintenance plan. The maintenance plan is the most important factor, as often components will be replaced long before their useful life has ended, strictly for aesthetic purposes. For many associations, the appearance is of paramount importance.

The components to be included in the reserve study is based upon a number of factors. CAI National Reserve Study Standards established a four part test:

- 1) The component must be a common area maintenance responsibility
- 2) The component must have a limited life
- 3) The limited life must be predictable
- 4) The component must be above a minimum threshold cost.

Based on the above standards, most small equipment and tool items are excluded from the study. Most building infrastructure components are also excluded from the study. Again, however, the Association's maintenance plan may override these considerations. For instance, if smaller, low cost items such as pool equipment, which may otherwise be excluded based on individual cost to replace, are considered to be part of the swimming pool "system," then it would be appropriate to include such items in the reserve study. Likewise, small tools may be grouped for this purpose to provide a funding vehicle for non annual expenses that simply do not fit into the operating budget.

## Physical Analysis (Continued)

We normally will also prepare a list of all known components that are excluded from the reserve study, along with an explanation of why certain common area components, or items that might normally be considered common area components, are excluded from the study. This list is normally presented in general terms rather than as a detail list of individual components. Most associations find this useful in understanding why certain items are excluded.

Useful life is usually based on our experience with similar components. However, other factors that may factor into this decision are the Association's maintenance plan, warranty periods, assumptions regarding quality, wear and tear, maintenance procedures, and climate conditions. The useful life is also used as the normal replacement cycle for calculation of future major repairs and replacements.

Remaining life will normally be the difference between a component's age and its useful life. However, we will often modify remaining life based on observed condition, maintenance history, and the Association's maintenance plan. Also, because maintenance records are often sketchy, and staff and board members have changed, it is often very difficult to determine when a component was actually placed into service. The date placed in service may end up being an estimated date, calculated from the estimated remaining useful life. The following categories help us establish guidelines for determining useful life and remaining life.

**Cyclic Regular** - Items like road slurry or wood painting fall into this category. Such components have a very predictable life cycle. That life cycle may vary based upon local climate, usage, exposure to weather, or similar issues, but will generally stabilize for the components of a given property and have a reasonably high degree of predictability concerning both useful and remaining life.

**Cyclic Irregular** - Items like deck surfaces and roofing fall into this category. These items have a normal life span great enough that climate, level of preventive maintenance, owner care, and other issues can materially affect the actual life.

**Predictable but Irregular Non-Catastrophic Failure** - This category includes pool pumps, spa heaters, and other items which can be expected to wear out with some predictability (regular or irregular), but do not need to be replaced until failure. With these items the Association may well have accumulated the money for repair or replacement and then actually wait for failure to spend this money. This does not affect the reserve contribution prior to the expected replacement date, but once that date is reached assessments can be reduced until failure because adequate reserves are on hand.

**Catastrophic Failure** - With these items waiting until failure is not appropriate. A hydraulic elevator falls into this category. In these cases, a fund is built for a general replacement time frame, then a decision is made to repair or replace before failure.

**Outdated Design/Aesthetics** - This category refers to items where aesthetics are a major concern. Examples include light fixtures, window coverings, and other items that may be quite functional past the time they are desirable. They should be recognized and reserved for in order to keep the common area from appearing dated and unappealing.

## Physical Analysis (Continued)

Cost estimates can be derived from a number of different sources. Since the preparation of a reserve study is an attempt to refine estimates as much as possible, the use of "real costs" is our goal. That means we try to use the most reliable costs available, and if they're not available, go to the next most reliable source. In order of reliability, costs were obtained from:

- Actual cost of most recent repair
- Bid for repair not yet undertaken
- Contractor or vendor estimate
- Facilities Advisors inc. cost database (continually updated)
- Construction cost estimating guides

## Site Visit Observations

Streets are observed to be in poor condition, exhibiting significant lateral and longitudinal cracking, some as wide as two inches. The streets are understood to have been constructed in 1986, and appear to have had a one inch overlay and subsequent seal coat at some time since then. The streets are not crowned; rather, drainage is directed to the center of the streets exiting at the lower end of the development into a creekbed. Due to the significant deterioration of the street surfaces, recommended treatment is saw cut

## Other Comments

See maintenance observations page for additional comments on site inspection.



## Financial Analysis

The financial analysis of a reserve study consists of two steps. The first step is to calculate future expenditures based upon the information obtained from the physical analysis; the estimated replacement cost and estimated remaining life for each component. This is a transparent, straight-line calculation. However, to be realistic, inflation must be added into the calculation or your funding goal will fall short of the future amount needed. In addition, we generally recommend adding a minor contingency factor into the projected future cost of each component, simply as a precaution against estimating mistakes in replacement costs or replacement dates.

The second step is to build a stream of estimated future cash inflows to adequately provide for the projected future expenditures. Again, this is a relatively straightforward calculation, until you begin to factor in adjustments. The projection of cash inflows starts with the first year reserve assessments. While many associations request that we calculate the "ideal" assessment amount, for most associations that is impractical. The fact is that the Association generally already knows the maximum "politically acceptable" assessment for the first year. We honor that, because with a 30-year budget, we can make up any deficiency in future (the remaining 29) years. The projection of cash inflows should also consider interest income, related income tax expense, annual assessment adjustments, and the possibility of loans or special assessments.

The decision to consider interest income as part of reserve fund cash inflows is not necessarily a given. Some associations establish a policy to transfer any interest income earned to the operating fund, and have a higher fixed reserve assessment to compensate. The advantage of this is that you will not have to "estimate" interest income. This also eliminates the need to estimate income tax expense related to the interest income.

We generally recommend that annual reserve assessments be increased yearly as an offset to the effects of inflation. Failure to do so will likely leave the Association in an underfunded situation, unless the entire reserve assessment structure is rechallenged and revised yearly.

We will frequently recommend using commercial bank loans as part of a funding plan when an association finds itself in an underfunded situation and needs cash sooner than will be provided based on annual assessments. This has two benefits; (1) it avoids special assessments, (2) it smooths out cash flow. There is, obviously, a cost to this; the interest expense that will be incurred over the life of the loan. While we don't actively advocate loans, we recognize that loans are being used far more frequently in reserve study funding plans.

We always try to construct a funding plan to avoid a special assessment. However, occasionally it is unavoidable, and results from prior years underfunding of reserves.

## Financial Analysis (Continued)

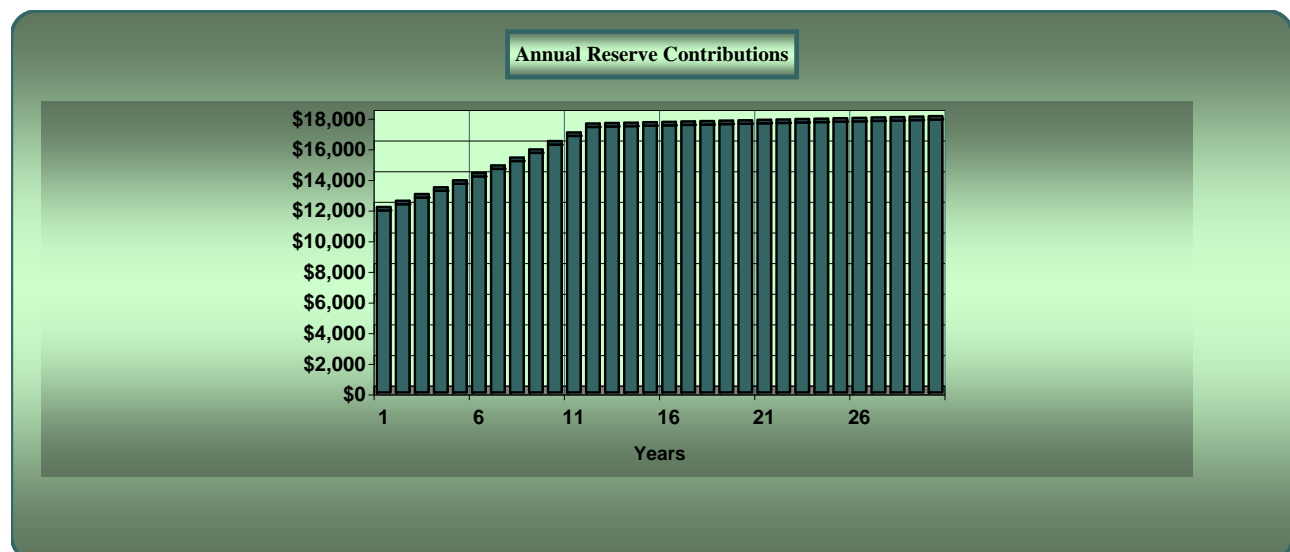
The Association's funding plan can be built using one of three recognized goals; Baseline funding, Threshold funding, or Full funding. The goal of Baseline funding is simply to make sure your cash balance does not drop below zero. Threshold funding establishes a funding goal greater than Baseline funding, but less than 100% funded. Full funding establishes a goal of 100% funding. This is interpreted as having 100% of the funds needed at a given point in time (the ideal balance), not as having 100% of the replacement cost of all components.

We generally recommend a goal of 100% funded by the end of the 30-year funding projections, and earlier if possible.

This gets directly to the heart of the funding issue; "fairness." The general consensus is that if an association starts out with a 100% funding plan, that means that the individuals who enjoyed the benefit of the "wearing out" of the common area components paid for that benefit. Unfortunately, very few associations are 100% funded. That means that assumptions must be made as to how to "catch up" the funding to reach the goal of 100% funded. A special assessment for that purpose is generally considered impractical, so the deficit is made up over some period of time.

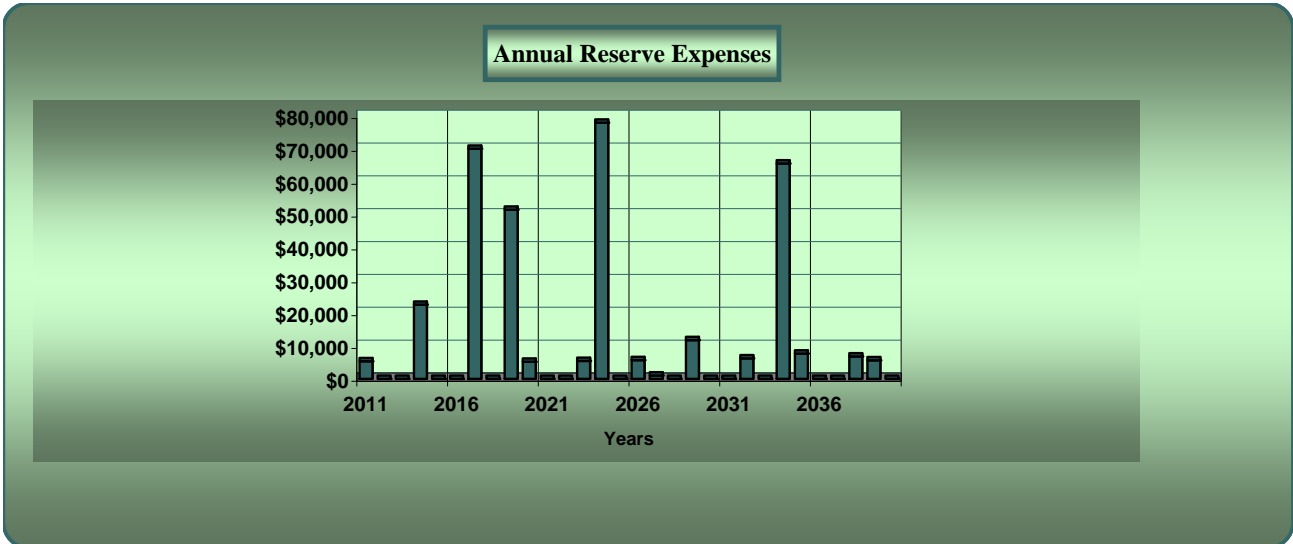
The percent funded calculation is generally regarded as the best objective measure of the strength, or status, of an association's reserve fund. Percent funded measures the ideal balance against the funds actually set aside for reserves. There is general consensus amongst industry professionals that a percent funded ratio of less than 30% represents a poorly funded reserve fund. 30% to 70% is considered weak, but acceptable, 70% is considered adequate. Our position is that 90% is considered "strong." Again, our goal is generally to achieve 100% at the end of the 30-year projection period.

The Association's projected reserve assessments for the 30-year funding period are shown in the chart below. The detail of this is shown in Exhibits 2 - 1 and 3 - 1.

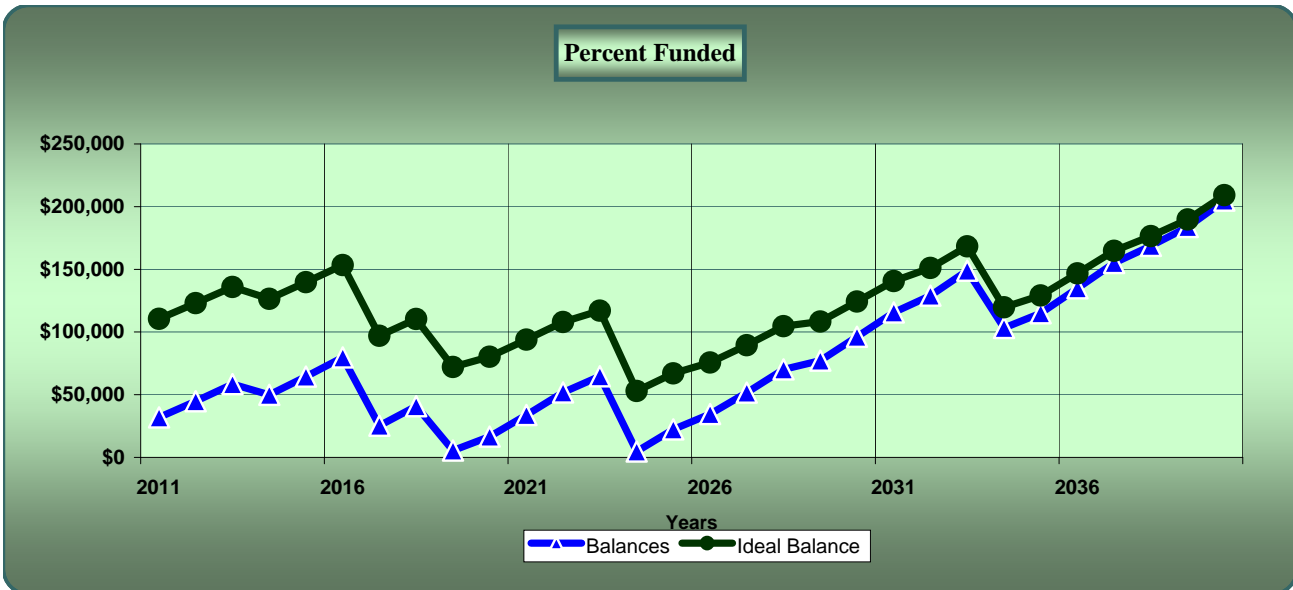


## Financial Analysis (Continued)

The Association's estimated reserve expenditures for the 30-year financial projection period are shown in the chart below. The detail of this is shown in Exhibits 2 - 2 and 3 - 2.



The Association's projected per cent funded for the 30-year financial projection period are shown in the chart below. The detail of this is shown in Exhibits 2 - 3 and 3 - 3.



## Summary of Significant Assumptions

The following significant assumptions were used in the preparation of this reserve study report. If the actual replacement costs or remaining lives vary from the assumptions used in this analysis, the impact could be significant on future assessments. Accordingly, an annual review of the analysis is necessary to see if the Board, within its authority, should increase the regular assessments, pass special assessments or reschedule future replacement dates.

Generally, only long-term major repair and replacement activities for components with a life of 2 years or longer and a cost of \$1,000 or more have been considered in this analysis.

The Association will not have to replace the components that have a remaining life of more than 30 years. Those components are assumed to be permanent, lifetime components. A projection of events 30 years in the future can only be made in general terms. However, as the Association matures, certain components may deteriorate and the remaining physical life will be reduced such that those components may need to be reevaluated to determine if they should be included in future studies.

The Board of Directors will implement and/or continue preventive maintenance and repair programs to prevent abnormal deterioration of the common areas.

The analysis assumes that no unusual conditions will occur, such as weather, vandalism, unusual use, or unforeseen obsolescence.

Measurements and quantities were obtained by count, measurement, or estimation from plans provided by the Board of Directors unless otherwise noted, and are assumed to be a close approximation to actual.

Proper construction and installation of all improvements is assumed, unless otherwise noted.

This analysis assumes that the Association membership wishes to continue the use and maintenance of all amenities currently in place.

The Association carries comprehensive property insurance to cover most insurable risks, such as all-risk property liability, and theft.

Current financial information was supplied by the Board of Directors and is assumed to be reasonably accurate as of the date of this analysis. Funded cash balances were not audited nor confirmed directly with financial institutions as a part of this analysis.

The Association will collect and set aside reserve assessments on an annual basis, in order that sufficient funds will be available when expenditures are scheduled or necessary.

The Board of Directors does not anticipate any special assessments other than those that may be scheduled as part of the attached 30-year funding projection.

## Summary of Significant Assumptions (continued)

The following assumptions were used in preparing this report:

Current Replacement Cost	\$	180,774
Future Replacement Cost	\$	205,962
Investment Accounts Average Interest Rate		2.00%
Estimated Reserve Cash Balance at December 31, 2010	\$	24,894
Annual Contribution for 2011	\$	11,869
Estimated Rate of Inflation per the Board of Directors		1.25%
Contingency Rate		0.25%

### Components Excluded from this report

<u>Major Component</u>	<u>Reason Not Included</u>
Building Structures	Lifetime Component
Utilities - Underground / In Structure	Lifetime Component
Street Base - Hardscape	Lifetime Component

## Disclosures

Neither Facilities Advisors, inc. nor its owners individually have other relationships with the Association that would represent a conflict of interest.

Your Facilities Advisors, inc. Reserve Specialist is Pierre Del Rosario. Mr. Del Rosario has been preparing reserve studies since 1999, and has performed hundreds of reserve studies. His reserve study experience encompasses all types of reserve studies, including condominium, homeowners, and timeshare associations.

Mr. Del Rosario holds the Professional Reserve Analyst (PRA) designation issued by APRA, the Association of Professional Reserve Analysts, and is a member of APRA.

Mr. Del Rosario has worked in a CPA firm for more than ten years and possesses the skills directly applicable to preparation of a financial forecast for future major repairs and replacements.

Mr. Del Rosario has applied for registration as a Reserve Study Specialist (RSS) with the Nevada Division of Real Estate.

The skill-set involved in the above described experience and designations represent the skills most directly applicable to evaluation of existing facilities for purposes of a reserve study.

The site visit included observations of all visible common area components, unless otherwise indicated on the detail component listing. No destructive testing was performed.

We are not aware of any material issues which, if not disclosed, would cause a significant distortion of the Association's reserve status or funding plan.

## Limitations

Facilities Advisors, inc. has relied upon certain information provided by Association representatives in the performance of this reserve study. Such information includes, but is not necessarily limited to, financial data, identification or quantification of common area components, and historical maintenance information. Such information is deemed reliable by Facilities Advisors, inc..

The reserve study is a reflection of information provided to Facilities Advisors, inc. and this report has been assembled for use by the Association. This report has not been audited, nor subjected to a forensic or quality analysis, or background checks of historical records.

The reserve balance projected in this report is based upon information provided by the Association to Facilities Advisors, inc. and was not audited.

Information provided to Facilities Advisors, inc. by the Association about reserve projects is considered reliable. The onsite visit cannot be considered a project audit or a quality visit.

## Terminology

**Report Effective Date** – Effective date of report based on the Association fiscal year end.

**Current Replacement Cost** - Calculation based upon unit cost, measurement basis, and quantity.

**Common Area** - The areas of a project whose ownership is under an undivided interest basis. These areas are shared equally between all owners, in use and maintenance.

**Component** - A specific item of the common areas that requires major repair or replacement (pool pump, tennis court net, couch, roof, etc.).

**Compound Interest** - A financial calculation that takes into account that interest, added to the principal at specified compounding periods, also earns interest.

**Funds** - Actual monies that are on deposit or to be collected.

**Future Cost** - Estimated cost to replace at a specific future date based upon estimated current replacement cost and the rate of inflation applied on a compounded basis for a specified period.

**Measurement Basis** - The basis in which costs are measured for reserve items (sq. yd., linear feet, etc.).

**Project Date** - Date that the first unit was delivered for occupancy.

**Estimated Life** - Estimated total life of a reserve component, for recurring replacement cycles.

**Remaining Life** - An estimate of the service life of a particular component made after the first year in which a reserve item has been in place.

**Adjusted Life** - Changed life for the first replacement cycle only of a component.

**Date Placed in Service** - The initial date that a component is placed in service.

**Special Assessment** - Supplemental contributions by owners (in addition to the normal contributions) usually assessed when long-term maintenance or replacements of reserve items are of immediate nature and sufficient funds are not available to pay for these items.

**Unit** - This is an actual residence or condominium.



## Section 2 - Financial Exhibits

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**Exhibit 1 - Executive Summary**

This two page summary identifies the major characteristics of the project and may normally be copied and provided to members to meet your disclosure requirements. If you prefer to receive a copy of these pages in Excel format so that you may format it to meet your needs, please contact us and we will provide a copy for your use.

Contact Name: Joe Manager  
 Address: 4200 Easy Street  
 Phoenix, Arizona 85444  
 Business Phone: 800-400-3000  
 Project Completion Date: 7/1/1986  
 Site Visit Date: 6/25/2010  
 Report Effective Date: 1/1/2011  
 Type of Project: Condominium Association  
 Number of Units: 72  
 Projected Reserve Balance at 12/31/2010

This executive summary provides a concise summary of the project and the most important information regarding the reserve study.

Many associations provide this summary to members in lieu of a complete report.

	\$ 24,894																																								
	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 10%;"></td> <td style="width: 20%; text-align: center;">2010</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: center;">2011</td> </tr> <tr> <td style="border-top: 1px solid black;">Annual Contribution to Reserves</td> <td style="text-align: right; border-top: 1px solid black;">\$ 10,500</td> <td style="border-top: 1px solid black;"></td> <td style="text-align: right; border-top: 1px solid black;">\$ 11,869</td> </tr> <tr> <td>Monthly Contribution to Reserves</td> <td style="text-align: right;">\$ 875.00</td> <td></td> <td style="text-align: right;">\$ 989.08</td> </tr> <tr> <td>Monthly Contribution to Reserves Per Homeowner</td> <td style="text-align: right;">\$ 12.15</td> <td></td> <td style="text-align: right;">\$ 13.74</td> </tr> <tr> <td>Percentage Increase to Contribution to Reserves for 2011</td> <td></td> <td></td> <td style="text-align: right;">13%</td> </tr> <tr> <td>Minimum Funding Level</td> <td></td> <td style="text-align: right;">\$</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>Estimated Interest Rate</td> <td></td> <td></td> <td style="text-align: right;">2.00%</td> </tr> <tr> <td>Estimated Inflation Rate</td> <td></td> <td></td> <td style="text-align: right;">1.25%</td> </tr> <tr> <td>Estimated Contingency Rate</td> <td></td> <td></td> <td style="text-align: right;">0.25%</td> </tr> <tr> <td>Estimated Tax Rate</td> <td></td> <td></td> <td style="text-align: right;">15.00%</td> </tr> </table>		2010		2011	Annual Contribution to Reserves	\$ 10,500		\$ 11,869	Monthly Contribution to Reserves	\$ 875.00		\$ 989.08	Monthly Contribution to Reserves Per Homeowner	\$ 12.15		\$ 13.74	Percentage Increase to Contribution to Reserves for 2011			13%	Minimum Funding Level		\$	1,000	Estimated Interest Rate			2.00%	Estimated Inflation Rate			1.25%	Estimated Contingency Rate			0.25%	Estimated Tax Rate			15.00%
	2010		2011																																						
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Estimated Tax Rate			15.00%																																						

This financial projection was prepared for the Association by Facilities Advisors, Inc., and is based upon certain assumptions regarding condition, replacement costs, and estimated useful lives of the components contained in this study. Estimated replacement costs are based upon bids received, prior costs paid, construction costs manuals and other sources. This study is limited to those components contained herein. Certain components have been omitted as they have useful lives in excess of the scope of this study (30 years), or major repair and replacement costs are included in the operating budget. Funding has been calculated using a pooled, cash flow calculation. Assumptions for interest earnings on invested funds, the inflation rates estimated for future replacement costs, and the applicable net income tax rate are shown above.

The Board of Directors has determined that, based upon the reserve study, **no special assessments are presently anticipated** for any year covered by this study. However, actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. The Board regularly updates assumptions and estimates used in the reserve study in order to have accurate financial projections of future cash needs.

**Exhibit 1 - Executive Summary**

**Summary of Major Components**

Major Components	Estimated Useful Life	Estimated Remaining Life	As of December 31, 2010		Ideal Funding	% Funded
			Current Replacement Cost	Allocation of Cash Actually Set Aside		
Pool	15 to 15	8.3 to 8.3	\$ 37,380	\$ 1,388	\$ 16,821	8.3%
Lighting	30 to 30	3.5 to 3.5	1,895	1,674	1,674	100.0%
Fencing	8 to 40	0.5 to 13.5	8,004	1,147	5,524	20.8%
Lights	20 to 20	3.2 to 3.2	170	142	142	100.0%
Signs	20 to 30	3.5 to 3.5	2,750	2,415	2,415	100.0%
Streets	25 to 25	6.7 to 6.7	58,880	3,563	43,179	8.3%
Roofing	20 to 40	13.5 to 13.5	2,395	106	1,285	8.3%
Irrigation	35 to 35	8.5 to 8.5	2,400	150	1,817	8.3%
Mailbox	35 to 35	8.5 to 8.5	1,200	75	909	8.3%
Building	10 to 50	3.2 to 23.5	11,560	5,654	7,929	71.3%
Spa	10 to 10	3.2 to 3.2	2,650	1,789	1,789	100.0%
Pool & Spa	5 to 20	3.2 to 13.3	46,960	2,638	15,967	16.5%
Pool Furniture	3 to 3	0.2 to 0.2	4,530	4,153	4,153	100.0%
<b>Totals</b>			<b>\$ 180,774</b>	<b>\$ 24,894</b>	<b>\$ 103,602</b>	<b>24.0%</b>

See Summary of Significant Assumptions

## Exhibit 2 - Annual Cash Flow Analysis - 30 Years

### Introduction

The following Cash Flow Projection summarizes the cash inflows and outflows of the reserve fund for the thirty-year projection period. This analysis incorporates the assumptions set forth in the Summary of Significant Assumptions disclosed in the narrative section of this report, section 1-5. The projected assessments should reflect the amounts set forth in the Association's annual budget.

### Starting Reserve Cash Balance

The starting point for the Cash Flow Projection is the estimated combined cash and investment balance at the first day of the fiscal year of the 30-year projection period. Since this report is prepared prior to that actual date, the amount must be estimated. Several factors must be considered; the current cash balance, the estimated reserve fund transfers from the interim report date until year end, estimated expenditures from the interim report date until year end, and estimated interest earnings from the interim report date until year end. For purposes of this analysis, estimated interest income is ignored as being an immaterial amount. The balance is thus calculated as:

Balance per financial statements as of	\$ 21,894
Deposits from financial statement date to end of year	\$ 3,000
Expenditures from financial statement date to end of year	\$ -
Starting Cash Balance for Financial Projection	<u>\$ 24,894</u>

### Funding Methods and Goals

The following Cash Flow Projection is calculated using what is generally referred to as the "Cash Flow" method. In this method, the cash inflows are calculated to provide funding for the estimated cash outflows, aggregated for all components, of the reserve fund for the thirty-year projection period. An alternate method, generally referred to as the "Straight Line" or "Component" funding method exists, but is not used in this reserve study report.

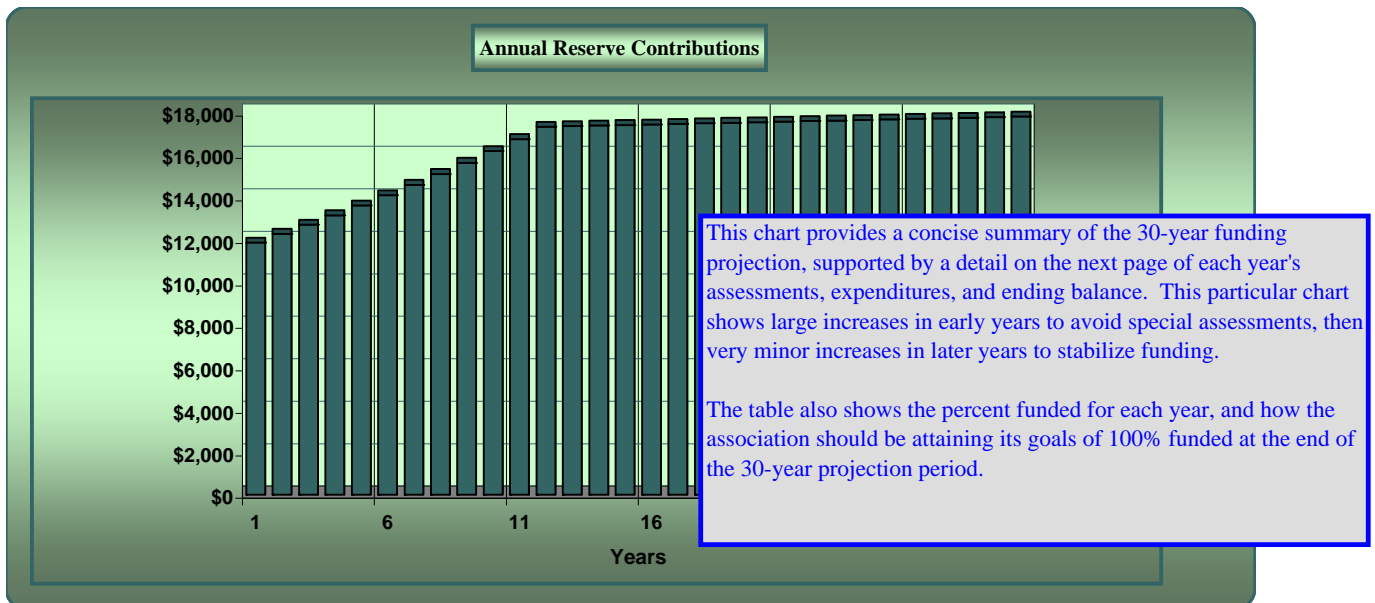
The funding goals recognized in CAI's National Reserve Study Standards are:

**Baseline Funding** is a funding plan wherein cash inflows are generated just to have sufficient cash for future year; in other words, just making sure your cash balance does not go below zero. This is generally considered a risky goal as it leaves no margin for error, thereby exposing members to the risk of special assessments.

**Threshold Funding** is a funding plan that sets an arbitrary objective at a level above baseling funding, but below 100% funding.

**Full Funding** essentially sets the objective of being 100% funded.

The funding goal established in this reserve study report is to reach **Full Funding** by the end of the 30-year projection period.



See Summary of Significant Assumptions

**Exhibit 2 - Annual Cash Flow Analysis - 30 Years**

Year	Fiscal Year End	Beginning Balance	Investment Earnings Net of				Ending Balance	Percent Funded	Ideal Balance
			Income	Taxes	Expenses				
1	12/31/11	\$ 24,894	\$ 11,869	\$ 479	\$ (5,357)	\$ 31,885	28.9%	\$ 110,482	
2	12/31/12	31,885	12,284	646	-	44,816	36.4%	123,042	
3	12/31/13	44,816	12,714	870	-	58,400	43.0%	135,956	
4	12/31/14	58,400	13,159	913	(22,566)	49,906	39.5%	126,441	
5	12/31/15	49,906	13,620	964	-	64,490	46.1%	139,743	
6	12/31/16	64,490	14,097	1,216	-	79,803	52.0%	153,419	
7	12/31/17	79,803	14,590	885	(70,036)	25,242	26.0%	97,049	
8	12/31/18	25,242	15,101	557	-	40,901	37.0%	110,432	
9	12/31/19	40,901	15,629	391	(51,481)	5,439	7.5%	72,143	
10	12/31/20	5,439	16,176	186	(5,203)	16,599	20.7%	80,249	
11	12/31/21	16,599	16,742	424	-	33,765	35.9%	93,926	
12	12/31/22	33,765	17,328	721	-	51,815	48.0%	107,997	
13	12/31/23	51,815	17,354	982	(5,442)	64,710	55.3%	116,968	
14	12/31/24	64,710	17,380	585	(77,970)	4,705	8.9%	52,969	
15	12/31/25	4,705	17,406	228	-	22,340	33.3%	67,004	
16	12/31/26	22,340	17,433	480	(5,692)	34,560	45.7%	75,693	
17	12/31/27	34,560	17,459	727	(1,029)	51,717	57.8%	89,437	
18	12/31/28	51,717	17,485	1,028	-	70,229	67.1%	104,631	
19	12/31/29	70,229	17,511	1,243	(11,762)	77,221	71.3%	108,365	
20	12/31/30	77,221	17,537	1,462	-	96,220	77.4%	124,267	
21	12/31/31	96,220	17,564	1,785	-	115,569	82.2%	140,625	
22	12/31/32	115,569	17,590	2,061	(6,227)	128,993	85.3%	151,148	
23	12/31/33	128,993	17,616	2,343	-	148,952	88.5%	168,352	
24	12/31/34	148,952	17,643	2,125	(65,527)	103,193	86.2%	119,751	
25	12/31/35	103,193	17,669	1,839	(7,673)	115,029	89.0%	129,176	
26	12/31/36	115,029	17,696	2,106	-	134,830	91.9%	146,734	
27	12/31/37	134,830	17,722	2,443	-	154,996	94.1%	164,794	
28	12/31/38	154,996	17,749	2,728	(6,812)	168,660	95.6%	176,473	
29	12/31/39	168,660	17,776	2,970	(5,648)	183,758	96.8%	189,749	
30	12/31/40	183,758	17,802	3,275	-	204,835	97.9%	209,187	
Totals		\$ 24,894	\$ 489,704	\$ 38,663	\$ (348,426)	\$ 204,835			

See Summary of Significant Assumptions

**Exhibit 3 - Annual Revenue Analysis**

<u>Year Ended</u>	<u>Description</u>	<u>Annual Amount</u>	<u>Total by Year</u>
12/31/11	Annual Assessments	\$ 11,869	
12/31/11	Interest Income, Net of Taxes	\$ 479	
	<b>Total for Fiscal Year 2011</b>		<u><u>\$ 12,348</u></u>
12/31/12	Annual Assessments	\$ 12,284	
12/31/12	Interest Income, Net of Taxes	\$ 646	
	<b>Total for Fiscal Year 2012</b>		<u><u>\$ 12,931</u></u>
12/31/13	Annual Assessments	\$ 12,714	
12/31/13	Interest Income, Net of Taxes	\$ 870	
	<b>Total for Fiscal Year 2013</b>		<u><u>\$ 13,584</u></u>
12/31/14	Annual Assessments	\$ 13,159	
12/31/14	Interest Income, Net of Taxes	\$ 913	
	<b>Total for Fiscal Year 2014</b>		<u><u>\$ 14,072</u></u>
12/31/15	Annual Assessments	\$ 13,620	
12/31/15	Interest Income, Net of Taxes	\$ 964	
	<b>Total for Fiscal Year 2015</b>		<u><u>\$ 14,584</u></u>
12/31/16	Annual Assessments	\$ 14,097	
12/31/16	Interest Income, Net of Taxes	\$ 1,216	
	<b>Total for Fiscal Year 2016</b>		<u><u>\$ 15,313</u></u>
12/31/17	Annual Assessments	\$ 14,590	
12/31/17	Interest Income, Net of Taxes	\$ 885	
	<b>Total for Fiscal Year 2017</b>		<u><u>\$ 15,475</u></u>
12/31/18	Annual Assessments	\$ 15,101	
12/31/18	Interest Income, Net of Taxes	\$ 557	
	<b>Total for Fiscal Year 2018</b>		<u><u>\$ 15,658</u></u>
12/31/19	Annual Assessments	\$ 15,629	
12/31/19	Interest Income, Net of Taxes	\$ 391	
	<b>Total for Fiscal Year 2019</b>		<u><u>\$ 16,020</u></u>
12/31/20	Annual Assessments	\$ 16,176	
12/31/20	Interest Income, Net of Taxes	\$ 186	
	<b>Total for Fiscal Year 2020</b>		<u><u>\$ 16,362</u></u>
12/31/21	Annual Assessments	\$ 16,742	

This exhibit provides annual details of the reserve fund revenues.

This particular example contains only normal annual assessments and interest income. Other items often included in reserve fund revenues (meaning cash received) are special assessments, loans, and other sources of income.

When more different income items exist, the importance of this exhibit increases in understanding reserves cash flow.

See Summary of Significant Assumptions

## Exhibit 3 - Annual Revenue Analysis

<u>Year Ended</u>	<u>Description</u>	<u>Annual Amount</u>	<u>Total by Year</u>
12/31/21	Interest Income, Net of Taxes	\$ 424	
	<b>Total for Fiscal Year 2021</b>		<b>\$ 17,167</b>
12/31/22	Annual Assessments	\$ 17,328	
12/31/22	Interest Income, Net of Taxes	\$ 721	
	<b>Total for Fiscal Year 2022</b>		<b>\$ 18,050</b>
12/31/23	Annual Assessments	\$ 17,354	
12/31/23	Interest Income, Net of Taxes	\$ 982	
	<b>Total for Fiscal Year 2023</b>		<b>\$ 18,336</b>
12/31/24	Annual Assessments	\$ 17,380	
12/31/24	Interest Income, Net of Taxes	\$ 585	
	<b>Total for Fiscal Year 2024</b>		<b>\$ 17,965</b>
12/31/25	Annual Assessments	\$ 17,406	
12/31/25	Interest Income, Net of Taxes	\$ 228	
	<b>Total for Fiscal Year 2025</b>		<b>\$ 17,634</b>
12/31/26	Annual Assessments	\$ 17,433	
12/31/26	Interest Income, Net of Taxes	\$ 480	
	<b>Total for Fiscal Year 2026</b>		<b>\$ 17,912</b>
12/31/27	Annual Assessments	\$ 17,459	
12/31/27	Interest Income, Net of Taxes	\$ 727	
	<b>Total for Fiscal Year 2027</b>		<b>\$ 18,186</b>
12/31/28	Annual Assessments	\$ 17,485	
12/31/28	Interest Income, Net of Taxes	\$ 1,028	
	<b>Total for Fiscal Year 2028</b>		<b>\$ 18,513</b>
12/31/29	Annual Assessments	\$ 17,511	
12/31/29	Interest Income, Net of Taxes	\$ 1,243	
	<b>Total for Fiscal Year 2029</b>		<b>\$ 18,754</b>
12/31/30	Annual Assessments	\$ 17,537	
12/31/30	Interest Income, Net of Taxes	\$ 1,462	
	<b>Total for Fiscal Year 2030</b>		<b>\$ 18,999</b>
12/31/31	Annual Assessments	\$ 17,564	
12/31/31	Interest Income, Net of Taxes	\$ 1,785	

See Summary of Significant Assumptions

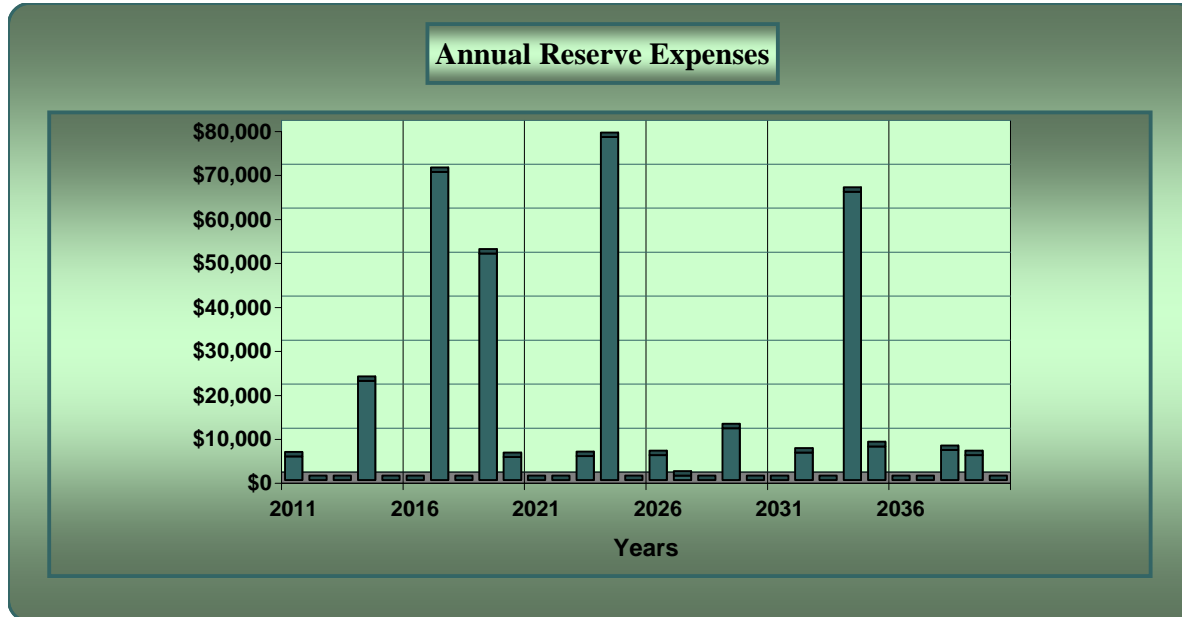
## Exhibit 3 - Annual Revenue Analysis

<u>Year Ended</u>	<u>Description</u>	<u>Annual Amount</u>	<u>Total by Year</u>
<b>Total for Fiscal Year 2031</b>			<u>\$ 19,349</u>
12/31/32	Annual Assessments	\$ 17,590	
12/31/32	Interest Income, Net of Taxes	\$ 2,061	
<b>Total for Fiscal Year 2032</b>			<u>\$ 19,651</u>
12/31/33	Annual Assessments	\$ 17,616	
12/31/33	Interest Income, Net of Taxes	\$ 2,343	
<b>Total for Fiscal Year 2033</b>			<u>\$ 19,959</u>
12/31/34	Annual Assessments	\$ 17,643	
12/31/34	Interest Income, Net of Taxes	\$ 2,125	
<b>Total for Fiscal Year 2034</b>			<u>\$ 19,768</u>
12/31/35	Annual Assessments	\$ 17,669	
12/31/35	Interest Income, Net of Taxes	\$ 1,839	
<b>Total for Fiscal Year 2035</b>			<u>\$ 19,509</u>
12/31/36	Annual Assessments	\$ 17,696	
12/31/36	Interest Income, Net of Taxes	\$ 2,106	
<b>Total for Fiscal Year 2036</b>			<u>\$ 19,802</u>
12/31/37	Annual Assessments	\$ 17,722	
12/31/37	Interest Income, Net of Taxes	\$ 2,443	
<b>Total for Fiscal Year 2037</b>			<u>\$ 20,165</u>
12/31/38	Annual Assessments	\$ 17,749	
12/31/38	Interest Income, Net of Taxes	\$ 2,728	
<b>Total for Fiscal Year 2038</b>			<u>\$ 20,477</u>
12/31/39	Annual Assessments	\$ 17,776	
12/31/39	Interest Income, Net of Taxes	\$ 2,970	
<b>Total for Fiscal Year 2039</b>			<u>\$ 20,746</u>
12/31/40	Annual Assessments	\$ 17,802	
12/31/40	Interest Income, Net of Taxes	\$ 3,275	
<b>Total for Fiscal Year 2040</b>			<u>\$ 21,077</u>

See Summary of Significant Assumptions



## Exhibit 4 - Expenditure Summary



This chart illustrates a concise summary of the projected expenditures for the 30-year projection period.

It also illustrates how expenditure of funds is radically different from the revenues of the reserve fund. You accumulate funds on a "smooth" cash flow basis to be available for the years when expenditures "spike" to their highest levels.

See Summary of Significant Assumptions

**Exhibit 4 - Expenditure Summary**

	1	2	3	4	5	6	7	8	9	10
Category	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20
Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,293	\$ -
Lighting	\$ -	\$ -	\$ -	\$ 1,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fencing	\$ 810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 913	\$ -
Lights	\$ -	\$ -	\$ -	\$ 178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Signs	\$ -	\$ -	\$ -	\$ 2,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,061	\$ -	\$ -	\$ -
Roofing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Irrigation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,726	\$ -
Mailbox	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,363	\$ -
Building	\$ -	\$ -	\$ -	\$ 7,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Spa	\$ -	\$ -	\$ -	\$ 2,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pool & Spa	\$ -	\$ -	\$ -	\$ 2,541	\$ -	\$ -	\$ -	\$ -	\$ 4,186	\$ -
Pool Furniture	\$ 4,547	\$ -	\$ -	\$ 4,756	\$ -	\$ -	\$ 4,974	\$ -	\$ -	\$ 5,203
<b>Totals</b>	<b>\$ 5,357</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,566</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,036</b>	<b>\$ -</b>	<b>\$ 51,481</b>	<b>\$ 5,203</b>

This exhibit summarizes expenditures by year at the CATEGORY level for the 30-year projection period. It is a summary of the detail schedule that is provided separate from this report.

We present all exhibits on both a category and component level. The category level allows you to absorb summary findings at a glance. The detail (presented as supplemental schedules, not part of the report) allows you to examine individual components.

See Summary of Significant Assumptions

**Exhibit 4 - Expenditure Summary**

Category	11 12/31/21	12 12/31/22	13 12/31/23	14 12/31/24	15 12/31/25	16 12/31/26	17 12/31/27	18 12/31/28	19 12/31/29	20 12/31/30
Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fencing	\$ -	\$ -	\$ -	8,813	\$ -	\$ -	1,029	\$ -	\$ -	\$ -
Lights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Signs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Roofing	\$ -	\$ -	\$ -	2,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Irrigation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mailbox	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building	\$ -	\$ -	\$ -	9,510	\$ -	\$ -	\$ -	\$ -	946	\$ -
Spa	\$ -	\$ -	\$ -	3,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pool & Spa	\$ -	\$ -	\$ -	53,485	\$ -	\$ -	\$ -	\$ -	4,863	\$ -
Pool Furniture	\$ -	\$ -	5,442	\$ -	\$ -	5,692	\$ -	\$ -	5,953	\$ -
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,442</b>	<b>77,970</b>	<b>\$ -</b>	<b>5,692</b>	<b>1,029</b>	<b>\$ -</b>	<b>11,762</b>	<b>\$ -</b>

See Summary of Significant Assumptions

**Exhibit 4 - Expenditure Summary**

Category	21 12/31/31	22 12/31/32	23 12/31/33	24 12/31/34	25 12/31/35	26 12/31/36	27 12/31/37	28 12/31/38	29 12/31/39	30 12/31/40
Pool	\$ -	\$ -	\$ -	\$ 52,945	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fencing	\$ -	\$ -	\$ -	\$ -	\$ 1,160	\$ -	\$ -	\$ -	\$ -	\$ -
Lights	\$ -	\$ -	\$ -	\$ 241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Signs	\$ -	\$ -	\$ -	\$ 355	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Roofing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Irrigation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mailbox	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building	\$ -	\$ -	\$ -	\$ 4,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Spa	\$ -	\$ -	\$ -	\$ 3,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pool & Spa	\$ -	\$ -	\$ -	\$ 3,428	\$ -	\$ -	\$ -	\$ -	\$ 5,648	\$ -
Pool Furniture	\$ -	\$ 6,227	\$ -	\$ -	\$ 6,513	\$ -	\$ -	\$ 6,812	\$ -	\$ -
Totals	\$ -	\$ 6,227	\$ -	\$ 65,527	\$ 7,673	\$ -	\$ -	\$ 6,812	\$ 5,648	\$ -

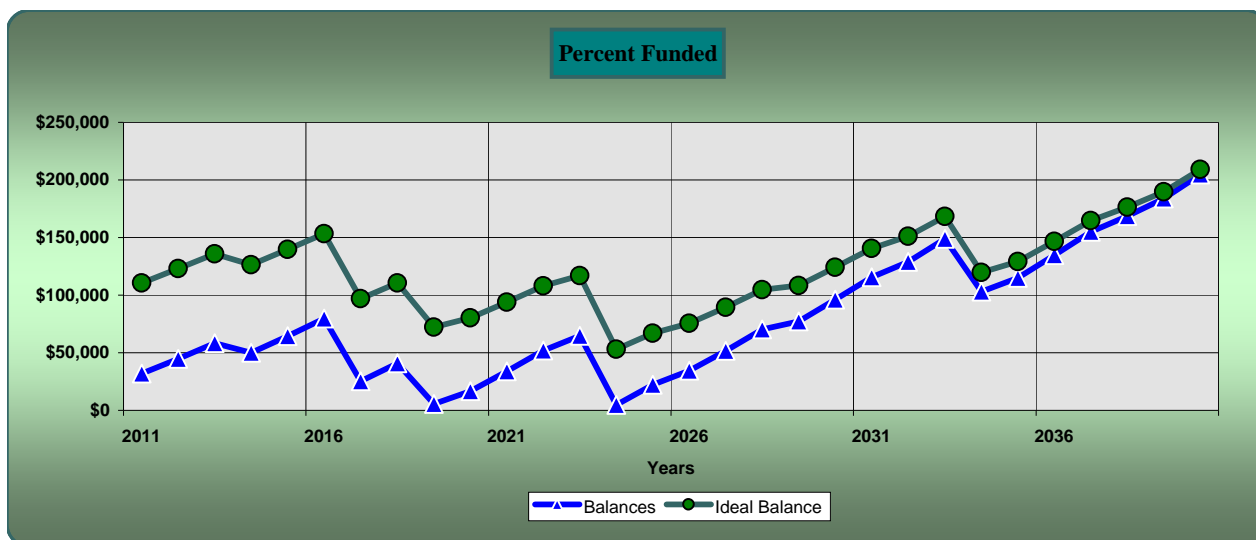
See Summary of Significant Assumptions

## Exhibit 5 - Percent Funded Schedule

Certain State Civil Codes require that associations disclose to homeowners (and homeowners in turn to potential buyers) the “current estimate of the amount of cash reserves necessary...” to perform these tasks, and the amount of accumulated cash actually set aside. Additionally, they must indicate what percent the amount of money set aside (the “Reserve Fund Balance”) is of the current estimate of the amount of cash reserves necessary. This percentage is commonly referred to as an association’s “Percent Funded” figure.

Just as there are two different approaches to calculating assessments, there are two different approaches to calculating the “Percent Funded” figure. The most easily understood method is the “Straight Line” approach. Using this approach, the amount of money to be set aside for a component for each year is multiplied by the number of years that component has aged. In the case of our example, if our \$100,000 component with a 5 year life (\$20,000 per year) was two years old, then \$40,000 would be expected to be on hand. This is done individually for each component, and then the results are added together.

Again, this can be done using either the current or future costs. Proponents of the Future Cost method argue that the “current estimate” is not the current cost, but rather the current estimate of what the cost of repair will be when it is needed (i.e., the Future Cost). The problem with this approach is that the calculations do not take into account that Reserve Fund monies earn interest, and the amount of this interest can be significant. If a straight-line approach were used, the 100% funding level would indicate excess funds on hand and would be misleading. Additionally, an association which has less than “100% Funded – Straight-Line” may well have enough money. In this case the disclosure would also be misleading.



See Summary of Significant Assumptions

## Exhibit 5 - Percent Funded Summary

Category	Remaining Life	Current Replacement Cost	Balance Allocation	Ideal Funding	% Funded
Pool	15 to 15	\$ 37,380	\$ 1,388	\$ 16,821	8.3%
Lighting	30 to 30	\$ 1,895	\$ 1,674	\$ 1,674	100.0%
Fencing	8 to 40	\$ 8,004	\$ 1,147	\$ 5,524	20.8%
Lights	20 to 20	\$ 170	\$ 142	\$ 142	100.0%
Signs	20 to 30	\$ 2,750	\$ 2,415	\$ 2,415	100.0%
Streets	25 to 25	\$ 58,880	\$ 3,563	\$ 43,179	8.3%
Roofing	20 to 40	\$ 2,395	\$ 106	\$ 1,285	8.3%
Irrigation	35 to 35	\$ 2,400	\$ 150	\$ 1,817	8.3%
Mailbox	35 to 35	\$ 1,200	\$ 75	\$ 909	8.3%
Building	10 to 50	\$ 11,560	\$ 5,654	\$ 7,929	71.3%
Spa	10 to 10	\$ 2,650	\$ 1,789	\$ 1,789	100.0%
Pool & Spa	5 to 20	\$ 46,960	\$ 2,638	\$ 15,967	16.5%
Pool Furniture	3 to 3	\$ 4,530	\$ 4,153	\$ 4,153	100.0%
Totals		\$ 180,774	\$ 24,894	\$ 103,602	24.0%

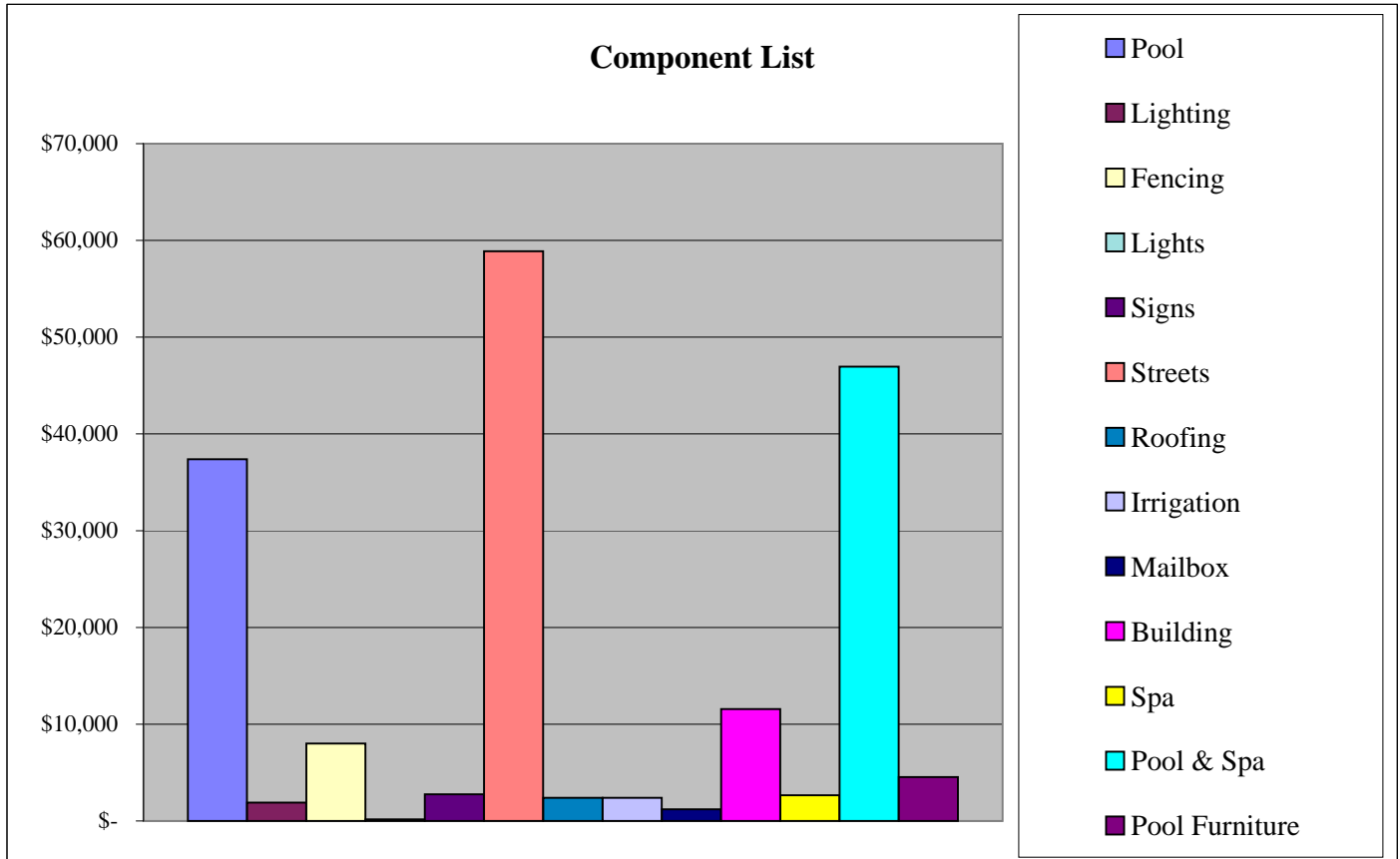
This exhibit summarizes percent funded at the beginning of the funding projection at the CATEGORY level. It is a summary of the detail schedule that is provided separate from this report.

We present all exhibits on both a category and component level. The category level allows you to absorb summary findings at a glance. The detail (presented as supplemental schedules, not part of the report) allows you to examine individual components.

See Summary of Significant Assumptions

**Exhibit 6 - Component List - Summary by Category**

The following table represents a list of the components considered in this study. Each component is identified based on a category. The estimated lives are designated in years. While the Board of Directors has final discretion as to what items are included in the reserve study, it is common that many assets (components) exist that may not be included in the reserve funding plan. Examples of such items are those components deemed to have a remaining useful life in excess of 30 years, those items of such low dollar value that they are considered immaterial, and those items that are routinely paid for from the operating budget.



This exhibit summarizes the component list at the CATEGORY level. It is a summary of the detail schedule that is presented following this exhibit.

We present all exhibits on both a category and component level. The category level allows you to absorb summary findings at a glance. The detail schedule following this exhibit allows you to examine individual components.

See Summary of Significant Assumptions

**Exhibit 6 - Component List - Summary by Category**

Category	# of Items	Useful Life	Remaining		Balance					
			Life	Current Cost	Future Cost	Allocation	Ideal Funding	% Funded	2011 Funding	
Pool	2	15 to 15	8.3 to 8.3	\$ 37,380	\$ 42,301	\$ 1,388	\$ 16,821	8.3%	\$ 2,454	
Lighting	5	30 to 30	3.5 to 3.5	1,895	1,997	1,674	1,674	100.0%	124	
Fencing	4	8 to 40	0.5 to 13.5	8,004	9,625	1,147	5,524	20.8%	526	
Lights	2	20 to 20	3.2 to 3.2	170	178	142	142	100.0%	11	
Signs	4	20 to 30	3.5 to 3.5	2,750	2,898	2,415	2,415	100.0%	181	
Streets	1	25 to 25	6.7 to 6.7	58,880	65,068	3,563	43,179	8.3%	3,866	
Roofing	3	20 to 40	13.5 to 13.5	2,395	2,932	106	1,285	8.3%	157	
Irrigation	1	35 to 35	8.5 to 8.5	2,400	2,726	150	1,817	8.3%	158	
Mailbox	1	35 to 35	8.5 to 8.5	1,200	1,363	75	909	8.3%	79	
Building	8	10 to 50	3.2 to 23.5	11,560	12,949	5,654	7,929	71.3%	759	
Spa	2	10 to 10	3.2 to 3.2	2,650	2,782	1,789	1,789	100.0%	174	
Pool & Spa	9	5 to 20	3.2 to 13.3	46,960	56,594	2,638	15,967	16.5%	3,083	
Pool Furniture	4	3 to 3	0.2 to 0.2	4,530	4,547	4,153	4,153	100.0%	297	
<b>Totals</b>	<b>46</b>			<b>\$ 180,774</b>	<b>\$ 205,962</b>	<b>\$ 24,894</b>	<b>\$ 103,602</b>	<b>24.0%</b>	<b>\$ 11,869</b>	

See Summary of Significant Assumptions



**Exhibit 7 - Component List - Detail by Component**

Item #	Component	Category	Location	Quantity	Meas Basis	Unit Cost	Date Placed in Service	Life			Replacement Cost	
								Useful	Rem	Est. 1st Replace Date	Current	Future
1	Streets	Streets	Common Area	64000 SF		1	9/1/92	25	6.70	9/1/17	\$ 58,880	\$ 65,068
2	Entry Sign	Signs	Common Area	1 Each		1,500	7/1/84	30	3.50	7/1/14	1,500	1,581
3	Directional Signs	Signs	Common Area	1 Each		250	7/1/84	30	3.50	7/1/14	250	263
4	Street Signs	Signs	Common Area	3 Each		250	7/1/84	30	3.50	7/1/14	750	790
5	Bulletin Board	Signs	Common Area	1 Each		250	7/1/94	20	3.50	7/1/14	250	263
6	Up Lights	Lights	Common Area	1 Each		80	4/1/94	20	3.20	4/1/14	80	84
7	Up Lights	Lights	Common Area	1 Each		90	4/1/94	20	3.20	4/1/14	90	94
8	Backflow Valve	Irrigation	Common Area	1 Each		2,400	7/1/84	35	8.50	7/1/19	2,400	2,726
9	Mailbox Cluster	Mailbox	Common Area	3 Each		400	7/1/84	35	8.50	7/1/19	1,200	1,363
10	Paint Stucco	Building	Pool & Spa Area	720 SF		1	4/1/99	15	3.20	4/1/14	720	756
11	Paint Wood	Building	Pool & Spa Area	950 SF		3	4/1/04	10	3.20	4/1/14	2,850	2,992
12	Bathroom Doors 2.5	Building	Pool & Spa Area	2 Each		1,000	7/1/84	30	3.50	7/1/14	2,000	2,108
13	Equipment Room Door 3.0	Building	Pool & Spa Area	1 Each		1,000	7/1/84	30	3.50	7/1/14	1,000	1,054
14	Door Closers	Building	Pool & Spa Area	2 Each		80	7/1/04	10	3.50	7/1/14	160	169
15	Awnings	Building	Pool & Spa Area	4 Each		80	7/1/04	10	3.50	7/1/14	320	337
16	Bathroom Interior	Building	Pool & Spa Area	1 Each		4,450	7/1/94	30	13.50	7/1/24	4,450	5,448
17	Electrical Panel	Building	Pool & Spa Area	1 Each		60	7/1/84	50	23.50	7/1/34	60	85
18	Ramada	Roofing	Pool & Spa Area	1 Each		1,500	7/1/84	40	13.50	7/1/24	1,500	1,836
19	Roofing- Ramada	Roofing	Pool & Spa Area	775 SF		1	7/1/04	20	13.50	7/1/24	775	949
20	Equipment Room- Roof	Roofing	Pool & Spa Area	120 SF		1	7/1/04	20	13.50	7/1/24	120	147
21	Exterior Lights	Lighting	Pool & Spa Area	3 Each		175	7/1/84	30	3.50	7/1/14	525	553
22	Walkway Lights	Lighting	Pool & Spa Area	7 Each		100	7/1/84	30	3.50	7/1/14	700	738
23	Exterior Tube Lights	Lighting	Pool & Spa Area	4 Each		105	7/1/84	30	3.50	7/1/14	420	443
24	Ceiling Lights	Lighting	Bathroom	2 Each		95	7/1/84	30	3.50	7/1/14	190	200
25	Exterior Flood Lights	Lighting	Pool & Spa Area	2 Each		30	7/1/84	30	3.50	7/1/14	60	63
26	Iron Fencing- Replace	Fencing	Pool & Spa Area	252 LF		25	7/1/84	40	13.50	7/1/24	6,300	7,713
27	4' Gates- Replace	Fencing	Pool & Spa Area	3 Each		300	7/1/84	40	13.50	7/1/24	900	1,102
28	Plaster	Pool	Pool	1800 SF		20	4/1/04	15	8.30	4/1/19	36,000	40,739
29	Tile	Pool	Pool	230 SF		6	4/1/04	15	8.30	4/1/19	1,380	1,562
30	Plaster	Spa	Spa	125 SF		20	4/1/04	10	3.20	4/1/14	2,500	2,625
31	Tile	Spa	Spa	25 SF		6	4/1/04	10	3.20	4/1/14	150	157
32	Pumps	Pool & Spa	Equipment Room	2 Each		300	4/1/09	5	3.20	4/1/14	600	630
33	Filters	Pool & Spa	Equipment Room	2 Each		450	4/1/09	10	8.30	4/1/19	900	1,018

See Summary of Significant Assumptions

## Exhibit 7 - Component List - Detail by Component

Item #	Component	Category	Location	Quantity	Meas Basis	Unit Cost	Date Placed in Service	Life		Est. 1st Replace Date	Replacement Cost	
								Useful	Rem		Current	Future
34	Heater	Pool & Spa	Equipment Room	1	Each	1,300	4/1/04	10	3.20	4/1/14	1,300	1,365
35	Chlorination System	Pool & Spa	Equipment Room	2	Each	1,100	4/1/09	10	8.30	4/1/19	2,200	2,490
36	Skimmers	Pool & Spa	Pool	4	Each	130	4/1/04	10	3.20	4/1/14	520	546
37	Kool Deck	Pool & Spa	Pool & Spa Area	4000	SF	10	4/1/04	20	13.30	4/1/24	40,000	48,789
38	Pool Lights	Pool & Spa	Pool	2	Each	200	4/1/04	20	13.30	4/1/24	400	488
39	Pool Ladders	Pool & Spa	Pool	2	Each	260	4/1/04	20	13.30	4/1/24	520	634
40	Pool Rails	Pool & Spa	Pool & Spa Area	2	Each	260	4/1/04	20	13.30	4/1/24	520	634
41	Lounges	Pool Furniture	Pool & Spa Area	4	Each	450	4/1/08	3	0.20	4/1/11	1,800	1,807
42	Chairs	Pool Furniture	Pool & Spa Area	12	Each	140	4/1/08	3	0.20	4/1/11	1,680	1,686
43	Tables- Large	Pool Furniture	Pool & Spa Area	3	Each	275	4/1/08	3	0.20	4/1/11	825	828
44	Tables- Small	Pool Furniture	Pool & Spa Area	3	Each	75	4/1/08	3	0.20	4/1/11	225	226
45	Iron Fencing- Paint	Fencing	Pool & Spa Area	252	LF	2	7/1/03	8	0.50	7/1/11	504	508
46	4' Gates- Paint	Fencing	Pool & Spa Area	3	Each	100	7/1/03	8	0.50	7/1/11	300	302
Total											\$ 180,774	\$ 205,962

See Summary of Significant Assumptions

## Exhibit 8 - AICPA Supplemental Disclosures

This supplemental information about reserves is a required presentation for associations that present financial information such as compiled, reviewed, or audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Major Component	Estimated Remaining Life in Years	Estimated Current Cost	12/31/10 Allocation	2011 Funding
Pool	8.3 to 8.3	\$ 37,380	\$ 1,388	\$ 2,454
Lighting	3.5 to 3.5	1,895	1,674	124
Fencing	0.5 to 13.5	8,004	1,147	526
Lights	3.2 to 3.2	170	142	11
Signs	3.5 to 3.5	2,750	2,415	181
Streets	6.7 to 6.7	58,880	3,563	3,866
Roofing	13.5 to 13.5	2,395	106	157
Irrigation	8.5 to 8.5	2,400	150	158
Mailbox	8.5 to 8.5	1,200	75	79
Building	3.2 to 23.5	11,560	5,654	759
Spa	3.2 to 3.2	2,650	1,789	174
Pool & Spa	3.2 to 13.3	46,960	2,638	3,083
Pool Furniture	0.2 to 0.2	4,530	4,153	297
Totals		\$ 180,774	\$ 24,894	\$ 11,869

This exhibit summarizes the component list at the CATEGORY level. This exhibit meets the disclosure requirements of the AICPA (American Institute of Certified Public Accountants).

While you may not be excited about this exhibit, your accountant will love it because it saves anybody else from having to summarize the reserve study report into this required format.

See Summary of Significant Assumptions

**Exhibit 9 - Comparison to Prior Reserve Study Summary**

Category	Current Cost	Prior Cost	Difference
Pool	\$ 37,380	\$ 21,000	\$ 16,380
Lighting	1,895	500	1,395
Fencing	8,004	6,500	1,504
Lights	170	150	20
Signs	2,750	2,500	250
Streets	58,880	35,000	23,880
Roofing	2,395	2,350	45
Irrigation	2,400	800	1,600
Mailbox	1,200	600	600
Building	11,560	11,500	60
Spa	2,650	2,600	50
Pool & Spa	46,960	28,750	18,210
Pool Furniture	4,530	1,200	3,330
Totals	<u>\$ 180,774</u>	<u>\$ 113,450</u>	<u>\$ 67,324</u>

This exhibit summarizes the component list at the CATEGORY level and compares it to the prior reserve study. This is invaluable in reviewing the reserve study and understanding what the major changes are between the two studies (and may help you understand why the assessments need to change). This is supported by the detail schedule presented separate from this report.

We present all exhibits on both a category and component level. The category level allows you to absorb summary findings at a glance. The detail (presented as supplemental schedules, not part of the report) allows you to examine individual components.

**Exhibit 10 - Maintenance Observations**

**Dry rot in non structural wooden beam** - This beam connecting a column to the wall does not serve a structural purpose and is only present for aesthetic reasons. Due to the extensive dry rot we recommend that this beam be immediately replaced or removed. Also see comment below regarding other stucco-wrapped beams that are part of the same structure.

This exhibit presents information on special maintenance issues that we may have noted during the site inspection.

While it is outside the scope of the reserve study to determine and suggest corrective maintenance actions, we do try to identify the cause, or, at a minimum, identify the situation, and recommend that follow up investigation be performed.



**Dry rot affecting roofing support structure at pool area ramada roof** - The stucco-wrapped aesthetic beams are a design deficiency as they serve no structural purpose, and are compromising the structural soundness of the attached roofing structure. As seen in this photo, the beams are trapping water at the joints, which is causing dry rot not only in the beam, but also in the roofing support beams of the ramada roof structure.

The large crack in the stucco also indicates that the wood within the stucco has absorbed water and greatly expanded, causing the stucco to crack. Without repair, this beam, and others with similar damage will eventually fall off, creating a safety hazard for Association residents. We recommend that the beams be removed, both as a safety measure, and as a means of minimizing dry rot damage to roof support beams.

