

RDA REPORT

The Terraces at Tiburon Condominium
Chandler, Arizona
Account 4080 - Version 001
May 5, 2016

RESERVE DATA ANALYSIS, INC.

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RDA Reserve Management Software
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The completed reserve analysis study for the budget year beginning January 1, 2017 is attached. Your RDA reserve studies are presented in two parts:

Part 1 offers an easy-to-understand introduction to reserve budgeting and terminology along with a User's Guide to your RDA reserve study.

Part 2 is your RDA reserve study, including a report summary, a Distribution of Accumulated Reserves, detail reports for each asset sorted by asset category, 30-year projections, and an alphabetical detail report index.

Please pay particular attention to the Detail Report by Category section of the report. See the Table of Contents for the page that corresponds to the first page of this section. This section provides specific information that was used to develop the budgeting information for each asset including the placed in service date, useful life and replacement cost. It also provides measurements, inventory counts and asset condition information as applicable. Most, if not all, of your questions will be answered by reviewing the detailed information and remarks for each asset.

The bottom box on page 2 – 1 identifies the recommended reserve contribution to the reserve account for 2017. *The amount of money that should be in the reserve account as of January 1, 2017 is identified at the bottom of pages titled **Funding Status Report** and **Distribution of Accumulated Reserves** in the column labeled "Fully Funded Reserves". The **Cash Flow Specific Projections** page provides the 30-year funding strategy including recommended contributions, interest earnings and scheduled expenses.*

To assist you in distribution to the Board and/or community membership we have emailed a PDF version (electronic copy) of the reserve study to you.

We hope that you find our report format both informative and useful. Should a revision be required, please submit all revision requests in writing via email within 90 days of this letter. We are happy to answer any questions that arise, no matter how small they seem. Please do not hesitate to call us. All of us at RDA have enjoyed providing you with the most detailed, comprehensive and useful reserve study available in the industry and we look forward to working with you again in the future.

Sincerely,

A handwritten signature in black ink that reads "Tom Thompson". The signature is written in a cursive, slightly slanted style.

Tom Thompson
Vice President



RDA Reserve Study Guide

The RDA reserve study is a multi-purpose tool that is designed to assist the Board of Directors and Community Management team in the financial management of the Association's long term assets. To properly manage these assets, the Board of Directors and Community Manager need to spend some time reading, digesting and understanding what the reserve study is advising. The following instructions provide a step-by-step guide of what to do now that you have a reserve study prepared by Reserve Data Analysis.

Step 1: Review the last page of the report titled the "Detail Report Index" to familiarize yourself with the assets that make up your RDA Reserve Study.

Step 2: Pick a single asset to review. Your goal is to obtain a clear understanding of the pieces that go into budgeting for a specific asset including the placed in service date, useful life, quantity and unit cost. Once you have a clear understanding of how a single asset works, apply that knowledge to all other assets in the report.

Step 3: Review the detailed information that budgeting for each asset is based on. Look at each asset in the report. If the placed in service date, useful life, quantity, and replacement cost are considered reasonable and accurate, then the calculations and results of your RDA reserve study will be reasonable and accurate. Most questions can be answered by reading the detailed "Remarks" included with each asset.

Step 4: Review Page 2 – 1. The top of page 2 – 1 identifies the parameters that were used to generate the RDA Reserve Study calculations including budget year, reserve fund balance, annual contribution increase, interest rate earned on invested reserve funds, and contingency. The bottom of this page provides the summarized RDA Reserve Study results for the 1st year, including the recommended monthly reserve contribution in total and per unit.

Step 5: Review the page titled "Distribution of Accumulated Reserves". This page will provide justification for the percent funded calculations. It shows, by asset, how much money should be in the reserve account, based on the level of depreciation each asset has experienced as of the beginning of the budget year the RDA Reserve Study has been prepared for. **Note that the figures listed in the column labeled "Fully Funded Reserves" do not represent the replacement cost unless the remaining life shows "0".**

Step 6: Review the page titled "Cash Flow Specific Projections". This page will provide a rolling year to year projection of the reserve account for the next 30 years including recommended annual contributions, estimated interest earnings on invested reserve funds, expected annual expenditures, projected year end reserve balances, and the fully funded amount that should be in the reserve account at the end of each year. **This is your funding strategy.** The goal of an RDA funding strategy is to allow the Association to cover all planned reserve expenditures, build the reserve account to a fully funded (100%) position by end of the reporting period (30 years in most cases), all while starting with the lowest possible contribution to reserves.

Step 7: Review the Annual Expenditure Detail pages. These pages will show the projected future costs by year for each planned reserve expense through the end of the reporting period.

Step 8: Call us with questions! For someone who does not deal with them on a daily basis, reserve studies can be difficult to wade through. If there is something you don't understand, or something that you disagree with, we encourage you to call us to discuss it. RDA is committed to a long-term relationship with you and will spend the time on the phone with you to ensure that you understand where we are coming from, where we obtained our information or assumptions, and why we did what we did. Again, please call us with any questions you have as we are here to help in any way we can.

Please Note

This document has been provided pursuant to an agreement containing restrictions on its use. No part of this document may be copied or distributed, in any form or by any means, nor disclosed to third parties without the express written permission of Reserve Data Analysis, Inc., until it has been paid for in full. The Client shall have the right to reproduce and distribute copies of this report, or the information contained within, as may be required for compliance with all applicable regulations.

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Associations Institute, various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and preparation of reserve analysis studies.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. In some cases, estimates may have been used on assets which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated every two to three years due to fluctuating interest rates, inflationary changes and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and subsequent computations made in preparing this reserve analysis study are retained in our computer files. Therefore, updates can typically be completed in a more timely manner than the original study.

Reserve Data Analysis, Inc. would like to thank you for using our services, and we invite you to call us at any time should you have any questions or comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide you with a revised study.

RESERVE DATA ANALYSIS, INC.

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PART I - INTRODUCTION

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

■ 1. Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. Although not commonplace, there have been special assessments in the amount of \$10,000 per member assessed in associations in Virginia and southern California. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure if necessary. However, an association operating on a special assessment basis cannot guarantee that an assessment, when needed, will be passed. Consequently, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated to maintain when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, can be devastating to an association's overall budget.

The second option is for the association to acquire a loan from a lending institution in order to effect the required repairs. In many cases, banks will lend money to an association using "future homeowner assessments" as collateral for the loan. With this method, not only is the current board of directors pledging the future assets of an association, they are also required to pay interest fees on the loan payback in addition to the original principal. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest; whereas, if the association was setting aside reserves for this purpose, using the

vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof in order to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The third option, too often used, is simply to defer the required repair or replacement. This option can create an environment of declining property values due to the increasing deferred maintenance and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the Association by making it difficult or even impossible for potential buyers to obtain financing from lenders. Increasingly, many lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association, a prospective purchaser, or for an individual within such association.

The fourth, and only logical means that the board of directors has to ensure its ability to maintain the assets for which it is obligated, uniformly distributing the costs of the replacements over the entire membership, is by assessing an adequate level of reserves as part of the regular membership assessment. The community is not only comprised of present members, but also future members. Any decision by the board of directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

■ 2. The Reserve Study

There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate in the future known as the "funding plan."

Reserve studies fit into one of three categories: 1) Full Study; 2) Update - with site inspection; and 3) Update - without site inspection.

- In a Full reserve study, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan."

- In an Update – with site inspection, the reserve provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both the “fund status” and “funding plan.”
- In an Update – without site inspection, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

■ 3. Developing a Component List

The budget process begins with an accurate inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense:

OPERATIONAL EXPENSES occur at least annually, no matter how large the expense, and can be effectively budgeted for each year. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next. Examples of Operational Expenses include:

Utilities:

- Electricity
- Gas
- Water
- Telephone
- Cable TV

Services:

- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

Administrative:

- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees

Repair Expenses:

- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

RESERVE EXPENSES are major expenses that occur other than annually and which must be budgeted for in advance in order to provide the necessary funds in time

for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets which have an indeterminable but potential liability which may be demonstrated as a likely occurrence. They are expenses that when incurred would have a significant affect on the smooth operation of the budgetary process from one year to the next if they were not reserved for in advance. Examples of Reserve Expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Street Seal/Slurry Coatings
- Asphalt Overlays
- Pool Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Park & Play Equipment
- Equipment Replacement
- Interior Furnishings
- Lighting Replacement

BUDGETING IS NORMALLY EXCLUDED FOR repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also excluded.

■ 4. Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufacture quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study the association should avoid any major shortfalls. However, to remain accurate, the report should be updated every two to three years to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

■ 5. Funding Methods

From the simplest to most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash-flow method and the component method.

The cash flow method develops 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based on the individual lives of the components under consideration.

The component method develops a reserve-funding plan where the total contribution is based on the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserves over time. This method also allows for computations on individual components in the analysis. The RDA Summary and RDA Projection Reports are based upon the component methodology.

■ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are two basic strategies widely used by associations. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The two funding plans and descriptions of both are detailed below.

- Full Funding — Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect that three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is

important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

When an association's total accumulated reserves for all components meet this criteria, its reserves are "fully-funded."

- **Threshold Funding (RDA Modified Cash Flow Reports)** — There are two goals of this funding method. The first goal is to make sure that all scheduled reserve expenditures are covered by keeping the reserve cash balance above zero during the projected period. The second goal is to reach and maintain a 100% fully funded reserve balance during the projected period. Depending on the association's current percent funded, it may take the entire projected period (typically 30 years) before the 100% fully funded level is achieved.

Reaching and maintaining a 100% fully funded reserve balance by uniformly distributing the costs of the replacements over time benefits both current and future members of an association, and is the best approach the board of directors can take to fulfill its fiduciary responsibility. The modified cash flow method creates a funding strategy that gives the membership the lowest reserve funding recommendation as possible over time, while approaching the 100% fully funded level.

Another advantage of the modified cash flow method is that in most cases several strategies can be manually tested by Reserve Data Analysis, Inc. (the strategy is not based strictly on each components current funding status) until the best funding strategy is created – one that has consistent, incremental contribution increases from year to year. This very important aspect of the reserve study will aid the board of directors during the annual budgeting process.

■ 7. Distribution of Accumulated Reserves

The first step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

The RDA RESERVE MANAGEMENT SOFTWARE™ program performs the above calculations to the very month the component was placed-in-service. It also allows for the accumulation of the necessary reserves for the replacement to be available on the first day of the fiscal year it is scheduled to be replaced.

After identifying the ideal level of reserves for each asset, the beginning reserve balance must be allocated to each of the individual components identified in the analysis.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available are depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (schedule for replacement this fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life item to 1 year and that asset assumes its new grouping position alphabetically in the final printed report.

If at the completion of this task there are additional moneys which have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such initially, but are then considered to be available reserves in the report funding computations.

Assigning the reserves in this manner defers the make-up period for any underfunding over the longest remaining life of all the assets under consideration, thereby minimizing the impact of deficiency. For example, if the report indicates an underfunding of \$50,000, this underfunding will be assigned to components with the longest remaining life possible in order to give more time to "replenish" the account. If the \$50,000 underfunding were to be assigned to short remaining life items, the impact would be immediately felt.

If the reserves are underfunded, the monthly contribution requirements as outlined in this report may be higher than normal depending on the calculation method that is used. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes which may be under consideration.

■ 8. Funding Reserves

Two contribution numbers are provided in the report, the “Monthly Membership Contribution” and the “Net Monthly Allocation.” The association should contribute to reserves each month the “Monthly Membership Contribution” figure, when the interest earned on the reserves is left in the reserve accounts as part of the contribution. When interest is earned on the reserves, that interest must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the “Net Monthly Allocation” to reserves (this is the member contribution plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

■ 9. Users' Guide to Your Reserve Analysis Study

Part II of your RDA REPORT contains the reserve analysis study for your association. There are seven types of pages in the study as described below.

REPORT SUMMARY

The **Report Summary** lists all of the parameters which were used in calculating the report as well as the summary of your reserve analysis study.

INDEX REPORTS

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves which should have accumulated for the association as well as the actual reserves available.

DETAIL REPORTS

The **Detail Report** itemizes each asset and lists all measurements, current and future costs and calculations for that asset. Provisions for percentage replacements, salvage values and one-time replacements can also be utilized.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufacture quality, usage, exposure to elements and maintenance history.

The **Detail Report Index** is an alphabetical listing of all assets together with the page number of the asset's detail report and asset number.

PROJECTIONS AND CHARTS

Thirty-year Projections of projected data add to the usefulness of your reserve analysis study.

■ 10. Definitions

REPORT I.D. - Includes the REPORT DATE (ex. November 15, 1992), VERSION (ex. 001), and ACCOUNT NUMBER (ex. 9773). Please use this information when referencing your report. (Displayed on the summary page.)

BUDGET YEAR BEGINNING/ENDING - The budgetary year for which the report is prepared. For associations with fiscal years ending December 31, the monthly contribution figures indicated are for the 12 month period beginning 1/1/2X and ending 12/31/2X.

NUMBER OF UNITS/PHASES - If applicable, the number of units and/or phases included in this version of the report.

INFLATION - This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement and the total is used in calculating the monthly reserve contribution which will be necessary in order to accumulate the required funds in time for replacement.

ANNUAL CONTRIBUTION INCREASE - The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the asset is replaced. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000 per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aid those associations that have not set aside appropriate reserves in the past by making the initial year's allocation less formidable.

INVESTMENT YIELD - The average interest rate anticipated by the association based upon its current investment practices.

TAXES ON YIELD - The estimated percentage of interest income which will be set aside for taxes.

ACCUMULATED RESERVE BALANCE - The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. Based upon information provided and not audited.

PERCENT FULLY FUNDED - The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

PHASE INCREMENT DETAIL/AGE - Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

MONTHLY CONTRIBUTION - The contribution to reserves required by the association each month.

INTEREST CONTRIBUTION - The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

NET MONTHLY ALLOCATION - The sum of the monthly contribution and interest contribution figures.

GROUP OR FACILITY NUMBER/CATEGORY NUMBER - The report may be prepared and sorted either by group or facility (location, building, phase, etc.) or by category (roofing, painting, etc.). Standard report printing format is by category.

PERCENTAGE OF REPLACEMENT - In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

PLACED-IN-SERVICE - The month and year that the asset was placed-in-service. - This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

ESTIMATED USEFUL LIFE - The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

ADJUSTMENT TO USEFUL LIFE - Once the useful life is determined it may be adjusted +/- by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

ESTIMATED REMAINING LIFE - This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

REPLACEMENT YEAR - The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

FIXED ACCUMULATED RESERVES - An optional figure which, if used, will override the normal process of allocating reserves to each asset.

FIXED MONTHLY CONTRIBUTION - An optional figure which, if used, will override all calculations and set the contribution at this amount.

SALVAGE VALUE - The salvage value of the asset at the time of replacement, if applicable.

ONE-TIME REPLACEMENT - Notation if the asset is to be replaced on a one-time basis.

CURRENT REPLACEMENT COST - The estimated replacement cost effective as of the beginning of the fiscal year for which the report is being prepared.

FUTURE REPLACEMENT COST - The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

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).

■ 11. A Multi-Purpose Tool

Your RDA REPORT is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your RDA reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- A reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your RDA REPORT is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your RDA REPORT is a tool which can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components which the association is obligated to maintain.
- Since the RDA reserve analysis study includes precise measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

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The Terraces at Tiburon Condominium
 Chandler, Arizona
CFS Reserve Analysis Report Summary

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Report Date</td> <td style="width: 70%;">May 5, 2016</td> </tr> <tr> <td>Version</td> <td>001</td> </tr> <tr> <td>Account Number</td> <td>4080</td> </tr> <tr> <td>Budget Year Beginning</td> <td>1/ 1/17</td> </tr> <tr> <td style="padding-left: 20px;">Ending</td> <td>12/31/17</td> </tr> <tr> <td>Total Units Included</td> <td>106</td> </tr> <tr> <td>Phase Development</td> <td>1 of 1</td> </tr> </table>	Report Date	May 5, 2016	Version	001	Account Number	4080	Budget Year Beginning	1/ 1/17	Ending	12/31/17	Total Units Included	106	Phase Development	1 of 1	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Parameters:</td> </tr> <tr> <td style="width: 70%;">Inflation</td> <td style="width: 30%; text-align: right;">2.67%</td> </tr> <tr> <td>Annual Contribution Increase</td> <td style="text-align: right;">1.00%</td> </tr> <tr> <td>Investment Yield</td> <td style="text-align: right;">0.10%</td> </tr> <tr> <td>Taxes on Yield</td> <td style="text-align: right;">0.00%</td> </tr> <tr> <td>Contingency</td> <td style="text-align: right;">0.00%</td> </tr> <tr> <td colspan="2">Reserve Fund Balance as of</td> </tr> <tr> <td>1/ 1/17:</td> <td style="text-align: right;">\$23,743.00</td> </tr> </table>	Parameters:		Inflation	2.67%	Annual Contribution Increase	1.00%	Investment Yield	0.10%	Taxes on Yield	0.00%	Contingency	0.00%	Reserve Fund Balance as of		1/ 1/17:	\$23,743.00
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Project Profile & Introduction

This property was built in two (2) phases with 14 buildings and the pool area being completed in 1987 and the remaining six (6) buildings completed in 1997.

Refer to Asset ID #1001 (** Reserve Balance Calculation) for an explanation of how the projected 1/1/2017 reserve balance was determined. This is a 2017 budget year report.

Calculation Method: Modified Cash Flow Funding Strategy: Threshold
 RDA Reports: May 2016.

Cash Flow Specific Summary of Calculations

Monthly Contribution to Reserves Required:	\$6,445.00
(\$60.80 per unit per month)	
Average Net Monthly Interest Contribution This Year:	3.94
Net Monthly Allocation to Reserves 1/ 1/17 to 12/31/17:	\$6,448.94
(\$60.84 per unit per month)	

RDA Reserve Management Software
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The Terraces at Tiburon Condominium
Distribution of Accumulated Reserves

REPORT DATE: May 5, 2016
 VERSION: 001
 ACCOUNT NUMBER: 4080

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
** Reserve Balance Calculation	0	0.00	0.00
Concrete Components (Unfunded)	0	0.00	0.00
Granite Replenishment (Unfunded)	0	0.00	0.00
Irrigation System (Unfunded)	0	0.00	0.00
Light Fixtures (Unfunded)	0	0.00	0.00
Pool - Deck Resurface	0	11,875.00	11,875.00
Tree Trimming (Unfunded)	0	0.00	0.00
Asphalt - Crack Seal/Seal Coat	1	9,544.50	9,544.50
Paint - Buildings & Walls	1	117,000.00	2,323.50
Paint - Wrought Iron (Pool)	2	525.00	0.00
Pool - Furniture	2	3,450.00	0.00
Pool - Pump & Motor	2	660.00	0.00
Monument Signs - Letters	3	2,550.00	0.00
Roofs - Flat (Replace w/Foam)	3	80,402.17	0.00
Roofs - Flat, Foam (Recoat) (A)	3	14,306.25	0.00
Asphalt - Remove & Repave	5	155,828.57	0.00
Asphalt - Seal Coat (Ongoing)	6	0.00	0.00
Pool - Filter	6	800.00	0.00
Pool - Replaster & Retile	6	5,014.50	0.00
Pool - Deck Recoat	7	0.00	0.00
Pool - Restrooms (Remodel)	8	3,600.00	0.00
Roofs - Tile Underlayment (6 Bldgs)	10	56,021.33	0.00
Pool - Drinking Fountain	11	333.33	0.00
Roofs - Flat, Foam (Recoat) (B)	13	0.00	0.00
Fencing - Wrought Iron (Pool)	28	656.67	0.00
Roofs - Tile Underlayment (14 Bldgs)	30	0.00	0.00

The Terraces at Tiburon Condominium
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Total Asset Summary:		462,567.32	23,743.00
Contingency @ 0.00%:		0.00	0.00
Grand Total:		462,567.32	23,743.00
Excess Reserves Not Used:			0.00
Percent Fully Funded:	5%		

The Terraces at Tiburon Condominium
Funding Status Report

REPORT DATE: May 5, 2016
 VERSION: 001
 ACCOUNT NUMBER: 4080

DESCRIPTION	USE LIFE	+/-	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
** Reserve Balance Calculation	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Concrete Components (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Asphalt - Crack Seal/Seal Coat	4	0	1	12,726	9,545	9,545
Asphalt - Remove & Repave	35	0	5	181,800	155,829	0
Asphalt - Seal Coat (Ongoing)	4	+2	6	9,999	0	0
*** CATEGORY SUMMARY:				204,525	165,373	9,545
Roofs - Flat (Replace w/Foam)	20	+3	3	92,463	80,402	0
Roofs - Flat, Foam (Recoat) (A)	10	0	3	20,438	14,306	0
Roofs - Flat, Foam (Recoat) (B)	10	+3	13	31,875	0	0
Roofs - Tile Underlayment (6 Bldgs)	30	0	10	84,032	56,021	0
Roofs - Tile Underlayment (14 Bldgs)	30	0	30	199,995	0	0
*** CATEGORY SUMMARY:				428,802	150,730	0
Paint - Buildings & Walls	10	0	1	130,000	117,000	2,324
Paint - Wrought Iron (Pool)	4	0	2	1,050	525	0
*** CATEGORY SUMMARY:				131,050	117,525	2,324
Fencing - Wrought Iron (Pool)	30	0	28	9,850	657	0
*** CATEGORY SUMMARY:				9,850	657	0
Light Fixtures (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Pool - Deck Recoat	14	-7	7	4,375	0	0
Pool - Deck Resurface	14	0	0	11,875	11,875	11,875
Pool - Drinking Fountain	15	0	11	1,250	333	0
Pool - Filter	18	0	6	1,200	800	0
Pool - Furniture	7	0	2	4,830	3,450	0
Pool - Pump & Motor	5	0	2	1,100	660	0
Pool - Replaster & Retile	12	0	6	10,029	5,015	0
Pool - Restrooms (Remodel)	20	0	8	6,000	3,600	0
*** CATEGORY SUMMARY:				40,659	25,733	11,875
Monument Signs - Letters	20	0	3	3,000	2,550	0
*** CATEGORY SUMMARY:				3,000	2,550	0
Granite Replenishment (Unfunded)	0	0	0	0	0	0
Irrigation System (Unfunded)	0	0	0	0	0	0

The Terraces at Tiburon Condominium
Funding Status Report

DESCRIPTION	USE +/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Tree Trimming (Unfunded)	0	0	0	0	0
*** CATEGORY SUMMARY:			0	0	0
TOTAL ASSET SUMMARY:			817,886	462,567	23,743
CONTINGENCY @ 0.00%:				0	0
GRAND TOTAL:				462,567	23,743
Percent Fully Funded:			5%		

The Terraces at Tiburon Condominium
Cash Flow Specific Projections

REPORT DATE: May 5, 2016
 VERSION: 001
 ACCOUNT NUMBER: 4080

Beginning Accumulated Reserves: \$23,743

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'17	817,886	77,340	47	11,875	89,255	509,374	18%
'18	839,724	78,113	36	146,537	20,868	417,066	5%
'19	848,730	78,895	50	7,358	92,454	466,377	20%
'20	871,391	79,683	37	125,434	46,741	392,530	12%
'21	791,917	80,480	84	0	127,305	446,629	29%
'22	813,061	81,285	37	207,401	1,226	290,397	0%
'23	834,770	82,098	38	26,094	57,267	318,341	18%
'24	857,058	82,919	89	6,584	133,691	367,929	36%
'25	879,941	83,748	165	7,408	210,196	419,274	50%
'26	903,436	84,586	243	6,123	288,902	474,620	61%
'27	927,558	85,431	204	123,745	250,792	412,028	61%
'28	952,323	86,286	115	175,379	161,814	296,134	55%
'29	977,750	87,149	200	1,509	247,654	357,079	69%
'30	1,003,856	88,020	214	73,684	262,204	348,070	75%
'31	1,030,659	88,900	270	33,151	318,223	381,960	83%
'32	1,058,178	89,789	360	0	408,372	452,357	90%
'33	1,086,431	90,687	443	7,363	492,139	518,681	95%
'34	1,115,439	91,594	533	1,722	582,545	594,218	98%
'35	1,145,221	92,510	591	33,870	641,776	640,460	100%
'36	1,175,799	93,435	685	0	735,896	724,450	102%
'37	1,207,192	94,369	779	0	831,045	812,469	102%
'38	1,239,424	95,313	641	233,686	693,313	664,746	104%
'39	1,272,517	96,266	716	21,692	768,604	732,615	105%
'40	1,306,493	97,229	703	110,251	756,285	713,306	106%
'41	1,341,377	98,201	799	2,259	853,027	806,342	106%
'42	1,377,191	99,183	899	0	953,109	906,218	105%
'43	1,413,962	100,175	975	24,401	1,029,859	985,800	104%
'44	1,451,715	101,177	1,074	2,241	1,129,869	1,092,407	103%
'45	1,490,476	102,189	1,119	57,982	1,175,195	1,146,836	102%
'46	1,530,272	103,211	1,223	0	1,279,629	1,264,512	101%

The Terraces at Tiburon Condominium
Annual Expenditure Detail

REPORT DATE: May 5, 2016
 VERSION: 001
 ACCOUNT NUMBER: 4080

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2017	
Pool - Deck Resurface	11,875.00
*** ANNUAL TOTAL:	11,875.00
REPLACEMENT YEAR 2018	
Asphalt - Crack Seal/Seal Coat	13,065.78
Paint - Buildings & Walls	133,471.00
*** ANNUAL TOTAL:	146,536.78
REPLACEMENT YEAR 2019	
Paint - Wrought Iron (Pool)	1,106.82
Pool - Furniture	5,091.36
Pool - Pump & Motor	1,159.52
*** ANNUAL TOTAL:	7,357.70
REPLACEMENT YEAR 2020	
Monument Signs - Letters	3,246.77
Roofs - Flat (Replace w/Foam)	100,068.25
Roofs - Flat, Foam (Recoat) (A)	22,118.64
*** ANNUAL TOTAL:	125,433.66
REPLACEMENT YEAR 2021	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2022	
Asphalt - Remove & Repave	207,401.40
*** ANNUAL TOTAL:	207,401.40
REPLACEMENT YEAR 2023	
Asphalt - Seal Coat (Ongoing)	11,711.64
Paint - Wrought Iron (Pool)	1,229.84
Pool - Filter	1,405.54
Pool - Replaster & Retile	11,746.77

The Terraces at Tiburon Condominium
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
*** ANNUAL TOTAL:	26,093.79
REPLACEMENT YEAR 2024	
Pool - Deck Recoat	5,261.17
Pool - Pump & Motor	1,322.81
*** ANNUAL TOTAL:	6,583.98
REPLACEMENT YEAR 2025	
Pool - Restrooms (Remodel)	7,407.99
*** ANNUAL TOTAL:	7,407.99
REPLACEMENT YEAR 2026	
Pool - Furniture	6,122.64
*** ANNUAL TOTAL:	6,122.64
REPLACEMENT YEAR 2027	
Asphalt - Seal Coat (Ongoing)	13,013.43
Paint - Wrought Iron (Pool)	1,366.54
Roofs - Tile Underlayment (6 Bldgs)	109,365.49
*** ANNUAL TOTAL:	123,745.46
REPLACEMENT YEAR 2028	
Paint - Buildings & Walls	173,709.11
Pool - Drinking Fountain	1,670.31
*** ANNUAL TOTAL:	175,379.42
REPLACEMENT YEAR 2029	
Pool - Pump & Motor	1,509.08
*** ANNUAL TOTAL:	1,509.08
REPLACEMENT YEAR 2030	
Roofs - Flat, Foam (Recoat) (A)	28,786.85
Roofs - Flat, Foam (Recoat) (B)	44,896.92
*** ANNUAL TOTAL:	73,683.77

The Terraces at Tiburon Condominium
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2031	
Asphalt - Seal Coat (Ongoing)	14,459.93
Paint - Wrought Iron (Pool)	1,518.44
Pool - Deck Resurface	17,172.91
*** ANNUAL TOTAL:	33,151.28
REPLACEMENT YEAR 2032	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2033	
Pool - Furniture	7,362.81
*** ANNUAL TOTAL:	7,362.81
REPLACEMENT YEAR 2034	
Pool - Pump & Motor	1,721.59
*** ANNUAL TOTAL:	1,721.59
REPLACEMENT YEAR 2035	
Asphalt - Seal Coat (Ongoing)	16,067.21
Paint - Wrought Iron (Pool)	1,687.22
Pool - Replaster & Retile	16,115.41
*** ANNUAL TOTAL:	33,869.84
REPLACEMENT YEAR 2036	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2037	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2038	
Paint - Buildings & Walls	226,077.95
Pool - Deck Recoat	7,608.37
*** ANNUAL TOTAL:	233,686.32
REPLACEMENT YEAR 2039	
Asphalt - Seal Coat (Ongoing)	17,853.14

The Terraces at Tiburon Condominium
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
Paint - Wrought Iron (Pool)	1,874.76
Pool - Pump & Motor	1,964.03
*** ANNUAL TOTAL:	21,691.93
REPLACEMENT YEAR 2040	
Monument Signs - Letters	5,499.50
Pool - Furniture	8,854.20
Roofs - Flat, Foam (Recoat) (A)	37,465.34
Roofs - Flat, Foam (Recoat) (B)	58,432.19
*** ANNUAL TOTAL:	110,251.23
REPLACEMENT YEAR 2041	
Pool - Filter	2,258.54
*** ANNUAL TOTAL:	2,258.54
REPLACEMENT YEAR 2042	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2043	
Asphalt - Seal Coat (Ongoing)	19,837.59
Paint - Wrought Iron (Pool)	2,083.14
Pool - Drinking Fountain	2,479.99
*** ANNUAL TOTAL:	24,400.72
REPLACEMENT YEAR 2044	
Pool - Pump & Motor	2,240.61
*** ANNUAL TOTAL:	2,240.61
REPLACEMENT YEAR 2045	
Fencing - Wrought Iron (Pool)	20,599.48
Pool - Deck Resurface	24,834.40
Pool - Restrooms (Remodel)	12,547.92
*** ANNUAL TOTAL:	57,981.80
REPLACEMENT YEAR 2046	
*** ANNUAL TOTAL:	0.00

The Terraces at Tiburon Condominium
Annual Expenditure Detail

DESCRIPTION

EXPENDITURES

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

REPORT DATE: May 5, 2016
 VERSION: 001
 ACCOUNT NUMBER: 4080

** Reserve Balance Calculation

	QUANTITY	1 comment
ASSET ID 1001	UNIT COST	0.000
GROUP/FACILITY 0	PERCENT REPL	0.00%
CATEGORY 1	CURRENT COST	0.00
	FUTURE COST	0.00
	SALVAGE VALUE	0.00

PLACED IN SERVICE 0/ 0
 0 YEAR USEFUL LIFE
 +0 YEAR ADJUSTMENT
 REPLACEMENT YEAR 2017
 0 YEAR REM LIFE

REMARKS:

Current Reserve Balance Per Client (4/30/16):	\$	15,743
Remaining 2016 Reserve Contributions:		
\$1,000/month x 8 months	+	8,000

Projected January 1, 2017 Reserve Balance:	\$	23,743

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Concrete Components (Unfunded)		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1002	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	5	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0 / 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2017		
0 YEAR REM LIFE			

REMARKS:

We are not budgeting for repair or replacement of concrete decks, pads, sidewalks, or driveways as a reserve component. It is anticipated that any repairs required will be addressed immediately due to safety concerns. Good maintenance practice won't allow the need for repairs to accumulate to a point of major expense. We recommend that the client includes a line item in the annual operating budget for repairs and/or replacements on an "as needed" basis. However, should the client wish to include budgeting for concrete components, we will do so at their request (cost and useful life to be provided by client).

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Asphalt - Crack Seal/Seal Coat	QUANTITY	90,900 sq. ft.
	UNIT COST	0.140
ASSET ID 1004	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	12,726.00
CATEGORY 10	FUTURE COST	13,065.78
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/14		
4 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2018		
1 YEAR REM LIFE (One Time Repl)		

REMARKS:

This is an estimate to crack seal all cracks 1/4" or larger and seal coat the community asphalt in 2018. This is the last scheduled asphalt maintenance prior to the removal and repaving project scheduled for 2022. This is a one time expense that is not recurring in this analysis.

Regional Pavement Maintenance completed a project to crack seal and slurry seal the community asphalt in 2012 for \$19,125.

Asphalt - Remove & Repave	QUANTITY	1 total
	UNIT COST	181,800.000
ASSET ID 1003	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	181,800.00
CATEGORY 10	FUTURE COST	207,401.40
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/87		
35 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2022		
5 YEAR REM LIFE		

REMARKS:

90,900 - sq. ft. of rehabilitation @ \$ 2.00 = \$ 181,800.00

TOTAL = \$ 181,800.00

This component includes a provision to pulverize the existing asphalt, remove excess materials, grade and compact pulverized material, and repave with 2.5" of new asphalt.

The measurement was obtained directly from the Regional Pavement Maintenance 2011 proposal and was verified by RDA.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Asphalt - Seal Coat (Ongoing)	QUANTITY	90,900 sq. ft.
	UNIT COST	0.110
ASSET ID 1005	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	9,999.00
CATEGORY 10	FUTURE COST	11,711.65
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/17		
4 YEAR USEFUL LIFE		
+2 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2023		
6 YEAR REM LIFE		

REMARKS:

This component is for a continuous four year seal coating cycle beginning in 2023, one (1) year after the removal and repaving project is scheduled to occur.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Roofs - Flat (Replace w/Foam)		QUANTITY	28,450 sq. ft.
		UNIT COST	3.250
ASSET ID	1011	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	92,462.50
CATEGORY	20	FUTURE COST	100,068.25
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/97
 20 YEAR USEFUL LIFE
 +3 YEAR ADJUSTMENT
 REPLACEMENT YEAR 2020
 3 YEAR REM LIFE (One Time Repl)

REMARKS:

A number of the flat roof areas above garages are still the original built up roofs or corrugated metal roofs. A number of other flat roof areas have been replaced with foam roofs. This is a one time expense to replace all remaining flat and corrugated metal roofs with foam. Based on a conversation with the maintenance manager, these flat roofs are still in working order and have some life remaining. Therefore, we have scheduled this project for 2020 to give the Association time to accumulate the funds needed.

We recommend that the client includes a line item in the annual operating budget for inspections, debris removal, & repairs on an "as needed" basis.

Roofs - Flat, Foam (Recoat) (A)		QUANTITY	16,350 sq. ft.
		UNIT COST	1.250
ASSET ID	1012	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	20,437.50
CATEGORY	20	FUTURE COST	22,118.64
		SALVAGE VALUE	0.00

PLACED IN SERVICE 1/10
 10 YEAR USEFUL LIFE
 +0 YEAR ADJUSTMENT
 REPLACEMENT YEAR 2020
 3 YEAR REM LIFE

REMARKS:

This component budgets for an elastomeric recoat to the foam roofs in 2020 and then every 10 years thereafter. The date that the existing foam roofs were installed is not known but estimated to be five (5) or six (6) years ago by the maintenance personnel, which coincides with the condition we observed at the time of our site inspection in May 2016.

We recommend that the client includes a line item in the operating budget for inspections, debris removal & repairs on an "as needed" basis.

** NOTE: The cost for roof recoating can vary significantly from roofing

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Roofs - Flat, Foam (Recoat) (A), Continued ...

company to roofing company. Be sure to solicit several comparative bids to obtain the best possible pricing. For budgeting purposes we have used \$.90/sq. ft. to recoat (5 year warranty).

Note that these are CURRENTLY EXISTING foam roofs that are scattered throughout the community atop garage buildings.

Roofs - Flat, Foam (Recoat) (B)		QUANTITY	25,500 sq. ft.
		UNIT COST	1.250
ASSET ID	1014	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	31,875.00
CATEGORY	20	FUTURE COST	44,896.91
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/17		
10 YEAR USEFUL LIFE			
+3 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2030		
13 YEAR REM LIFE			

REMARKS:

This component budgets to recoat the flat roofs that are currently built up roofs, that we have scheduled to install foam on in 2020. We have scheduled the first recoat for 2030, 10 years after installation of the foam roofs.

THIS ASSET MAKES THE ASSUMPTION THAT THESE ROOFS ARE FOAMED IN 2020.

Roofs - Tile Underlayment (6 Bldgs)		QUANTITY	40,400 sq. ft.
		UNIT COST	2.080
ASSET ID	1010	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	84,032.00
CATEGORY	20	FUTURE COST	109,365.49
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/97		
30 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2027		
10 YEAR REM LIFE			

REMARKS:

The following comments apply to the concrete tile roofs atop the six (6) buildings that were constructed in 1997 based on the cost per sq. ft. to do the work on 14 buildings in 2016.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Roofs - Tile Underlayment (6 Bldgs), Continued ...

Tile roof systems are designed to last for the life of the project. However, the integrity of a tile roof is totally dependent on the roof underlayment. The tile can last forever, but will not keep the building watertight unless the underlayment is intact.

The condition of a tile roof can be deceiving. The tile may appear to be in good condition, but must be removed in order to determine the condition of the underlayment. Should it be discovered that the underlayment has deteriorated, the only solution is to remove the existing tile, replace the underlayment and reinstall the tile.

Flashing defects, attachment problems and broken/displaced/missing tiles are common factors affecting the condition of the underlayment by allowing exposure to sun and rain. Therefore, in order to protect your investment, prevent potential problems and extend the life of the underlayment, it is necessary to have a qualified roofer inspect the tile roofs on a regular basis. We recommend including a line item in the operating budget for periodic inspections.

Given the many factors listed above, we have included a provision for tile roof underlayment replacement. After several discussions with local roofing contractors and inspectors, we have come to the conclusion that the underlayment has a life expectancy of 20 - 40 years. Therefore, in order to account for this significant future liability, we are budgeting to replace the underlayment. Should the client wish to budget for this component in a different manner we will do so at their request.

Roofs - Tile Underlayment(14 Bldgs)		QUANTITY	1 total
		UNIT COST	199,995.000
ASSET ID	1009	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	199,995.00
CATEGORY	20	FUTURE COST	440,885.69
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/17		
30 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2047		
30 YEAR REM LIFE			

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Roofs - Tile Underlayment(14 Bldgs), Continued ...

REMARKS:

The following comments apply to the concrete tile roofs. 5 Guys Construction has provided a bid to replace the existing underlayment with two (2) layers of 40 lb. UDL underlayment and then reinstall the current tiles on 14 buildings and the pool house for a cost of \$199,995 (95,800 sq ft).

This component includes the 14 buildings that were constructed in 1987 and the pool cabana building. We have been advised that this project will be paid for through a loan that will be paid back using operating funds. We are budgeting for the next cycle of underlayment replacement.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Paint - Buildings & Walls		QUANTITY	1 total
		UNIT COST	130,000.000
ASSET ID	1006	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	130,000.00
CATEGORY	30	FUTURE COST	133,471.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/08		
10 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2018		
1 YEAR REM LIFE			

REMARKS:

This is an estimate for painting the following areas every 10 years:

- residential building exteriors
- garage building exteriors
- pool cabana building exteriors
- perimeter stucco site walls
- pool area stucco walls
- trash enclosure walls

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Paint - Wrought Iron (Pool)		QUANTITY	1,050 sq. ft.
		UNIT COST	1.000
ASSET ID	1007	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	1,050.00
CATEGORY	30	FUTURE COST	1,106.82
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/15		
4 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2019		
2 YEAR REM LIFE			

REMARKS:

This is an estimate for painting the pool area wrought iron fencing and gates every four (4) years.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Fencing - Wrought Iron (Pool)	QUANTITY	1 total
ASSET ID 1008	UNIT COST	9,850.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 40	CURRENT COST	9,850.00
	FUTURE COST	20,599.47
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/15		
30 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2045		
28 YEAR REM LIFE		

REMARKS:

A new wrought iron pool fence was installed in 1/2015 by The Gate Guys Inc. for a total cost of \$9,652.24.

Measurements: 168 lin. ft. of 6' fencing and 2 - 6'0" x 3'8" gates

The current cost used on this asset is based upon actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Light Fixtures (Unfunded)	QUANTITY	1 comment
	UNIT COST	0.000
ASSET ID 1027	PERCENT REPL	0.00%
GROUP/FACILITY 0	CURRENT COST	0.00
CATEGORY 50	FUTURE COST	0.00
	SALVAGE VALUE	0.00
PLACED IN SERVICE 0/ 0		
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2017		
0 YEAR REM LIFE		

REMARKS:

We are not budgeting to replace any ground level pagoda type or spot/flood-light fixtures because the cost to do so is most often considered an operating expense. It is difficult to determine a useful life for these types of fixtures because they are frequently damaged by pedestrians, landscape personnel, and weather conditions. Any repairs and/or replacements should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Pool - Deck Recoat		QUANTITY	2,500 sq. ft.
		UNIT COST	1.750
ASSET ID	1016	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	4,375.00
CATEGORY	60	FUTURE COST	5,261.18
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/17		
14 YEAR USEFUL LIFE			
-7 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2024		
7 YEAR REM LIFE			

REMARKS:

This component includes a provision to repair and recoat (repaint) the pool deck seven (7) years after install or full resurface cycle.

Pool - Deck Resurface		QUANTITY	2,500 sq. ft.
		UNIT COST	4.750
ASSET ID	1015	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	11,875.00
CATEGORY	60	FUTURE COST	11,875.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/03		
14 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2017		
0 YEAR REM LIFE			

REMARKS:

This component includes a provision to resurface the pool deck (includes scabbling of the deck and acrylic lace texture overlay). Based on the observed condition at the time of our site inspection in May 2016 (some cracking in the deck surface and areas of delamination) we are budgeting to resurface this deck in 2017.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Pool - Drinking Fountain		QUANTITY	1 fountain
ASSET ID	1020	UNIT COST	1,250.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	1,250.00
		FUTURE COST	1,670.28
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/13		
15 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2028		
11 YEAR REM LIFE			

REMARKS:

This is an Oasis, wall mounted drinking fountain. The placed in service date has been estimated based on the serial number.

Pool -- Filter		QUANTITY	1 filter
ASSET ID	1018	UNIT COST	1,200.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	1,200.00
		FUTURE COST	1,405.54
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/05		
18 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2023		
6 YEAR REM LIFE			

REMARKS:

This is a Triton II, 4.91 sq. ft. sand filter.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Pool - Furniture		QUANTITY	1 total
ASSET ID	1021	UNIT COST	4,830.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	4,830.00
		FUTURE COST	5,091.37
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/12		
7 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2019		
2 YEAR REM LIFE			

REMARKS:

11 - chaise lounges	@	\$ 180.00	=	\$ 1,980.00
12 - chairs	@	125.00	=	1,500.00
3 - tables	@	350.00	=	1,050.00
1 - umbrellas fabric w/stand	@	300.00	=	300.00

		TOTAL	=	\$ 4,830.00

The pool furniture is currently a mish-mash of sling, strapped and plastic furniture. We are budgeting to replace it standard, mid level furniture.

Pool - Pump & Motor		QUANTITY	1 pump
ASSET ID	1019	UNIT COST	1,100.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	1,100.00
		FUTURE COST	1,159.52
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/14		
5 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2019		
2 YEAR REM LIFE			

REMARKS:

This component will accumulate funds for the major repair/replacement of the pool pump and motor.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Pool - Replaster & Retile	QUANTITY	1 total
ASSET ID 1017	UNIT COST	10,029.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 60	CURRENT COST	10,029.00
PLACED IN SERVICE 1/11	FUTURE COST	11,746.78
12 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2023		
6 YEAR REM LIFE		

REMARKS:

1,620 - sq. ft. (IA) of replastering	@	\$ 4.75	=	\$ 7,695.00
145 - lin. ft. of trim tile	@	12.00	=	1,740.00
66 - lin. ft. of bench tile	@	9.00	=	594.00

		TOTAL	=	\$ 10,029.00

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Pool - Restrooms (Remodel)	QUANTITY	1 total
ASSET ID 1022	UNIT COST	6,000.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 60	CURRENT COST	6,000.00
PLACED IN SERVICE 1/05	FUTURE COST	7,407.98
20 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2025		
8 YEAR REM LIFE		

REMARKS:

This is an estimate for remodeling the two (2) pool restrooms and exterior shower including replacement of doors, wall and floor tiles, plumbing fixtures and interior painting.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Monument Signs - Letters		QUANTITY	1 total
		UNIT COST	3,000.000
ASSET ID	1026	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	3,000.00
CATEGORY	90	FUTURE COST	3,246.77
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/00		
20 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2020		
3 YEAR REM LIFE			

REMARKS:

There are two (2) monument signs made up of plastic letters mounted on a stucco sign face at the entrance off of Highland Street, that indicate "TERRACES AT TIBURON" and "2875". We are budgeting to replace these letters on a 20 year cycle.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Granite Replenishment (Unfunded)		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1023	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	100	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2017		
0 YEAR REM LIFE			

REMARKS:

There are substantial quantities of granite located throughout the community. We are not budgeting to replenish this granite because the cost to do so is most often considered an operating expense. We recommend that a line item be set up in the operating budget to account for this asset, that it be monitored over time, and adjusted as experience dictates.

Should the client wish to have granite replenishment included in the reserve study, we will do so at their request. However, the client will need to provide the sq. ft. of the common area granite. Otherwise, there would be an additional charge to have Reserve Data Analysis, Inc. provide the measurement.

Irrigation System (Unfunded)		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1025	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	100	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2017		
0 YEAR REM LIFE			

REMARKS:

We have been advised that irrigation systems (pvc piping, sprinkler heads, valves, etc.) have a useful life of approximately 20 years, and should be included as a reserve component. However, budgeting for the replacement of the irrigation system requires evaluating the present condition (remaining useful life) and replacement cost - both of which call for expert evaluation, but fall outside the scope of a reserve study. Therefore, we recommend that the client have the system evaluated to determine these two factors so that budgeting can be included in a revision or future update of this report.

The Terraces at Tiburon Condominium
Cash Flow Detail Report by Category

Tree Trimming (Unfunded)		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1024	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	100	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2017		
0 YEAR REM LIFE			

REMARKS:

We have been advised that major tree trimming is usually required every 3 - 5 years and could be considered as a reserve component. However, the cost for such a project depends on the size, type, maturity, and number of trees at the community - all of which call for expert evaluation, but fall outside the scope of a reserve study. Should the client obtain a cost and schedule we will include budgeting for this component in a revision or future update of this report at their request.

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TOTAL ASSET LINES INCLUDED: 26