RESERVE STUDY

FOR

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION

Management By:
RealManage Family of Brands
16625 S Desert Foothills Pkwy
Phoenix, AZ 85048

Prepared By:
FDReserve Studies, LLC
Goodyear, AZ 85338

January 19, 2024

EXECUTIVE SUMMARY

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION

January 19, 2024

Starting Reserve Balance 1/1/2024	$54,921
Projected Fully Funded Reserve Balance 1/1/2024	$99,340
Percent Fully Funded 1/1/2024	55%
Annual Reserve Contribution 2024	$1,500

This study is based on the cash flow method of funding. This reserve analysis is based on an observation and assessment of the condition of the reserve fund based on a field assessment of the condition of the assets of the association, a projection of the useful life and remaining useful life of those assets, and the replacement costs for those assets. The general guideline used in our studies to determine whether the cost to replace or maintain an asset is paid from reserves or operations is if the replacement cost exceeds $500 it is included in reserves. That can be modified at the direction of the Board.

Following are some key points relative to your study:

1. The study has a fiscal year beginning date of January 1, 2024.

2. The study reflects a beginning balance for the reserve fund of $54,921 and an annual contribution of $1,500. The financial information was provided by the association and was not audited. As reflected by the Current Assessment Funding Model Projection in the report, the reserve fund is underfunded. Reserve funds are generally considered to be in a healthy condition if the reserve balance is at or above 70% of the fully funded balance.

3. Because of the underfunded condition, an Alternate Funding Model is included in the report for consideration by the Association. The model suggests annual funding of $6,500 in 2025, $11,500 in 2026, $16,500 in 2027, $21,500 in 2028, $24,000 in 2029 through 2043 followed by an 8% annual increase in the annual contribution in 2044 and following years. Other funding alternatives can be prepared if desired by the Board. Note that the study includes a 3% inflation on costs based on current construction cost indexes so some increase in funding over time is recommended to stay even with cost increase from inflation.

4. This study should be compared with the operating budget to make sure there are no overlaps or gaps of items in this study and in the operating budget.

5. The physical assessment of components was based on field reviews conducted on November 27, 2023. The field review consisted of on-site observations of common areas and facilities. No sampling or destructive testing was performed. The on-site observation is not a comprehensive quality inspection. Quantification of assets was accomplished with a combination of on-site measurements, aerial photos and information provided by the association.

6. The consultant has no other involvement with the association that could be considered a conflict of interest. To our knowledge, there are no material issues that have not been disclosed that would cause a distortion of the association's reserve fund.

Report was prepared by:

- William A. Schlimgen, PE, RS, APM, bill@fdreservestudies.com, 602-740-8730
- Barbie Augsburger, barbie@fdreservestudies.com, 512-633-3012.

TABLE OF CONTENTS
CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION

RESERVE STUDY

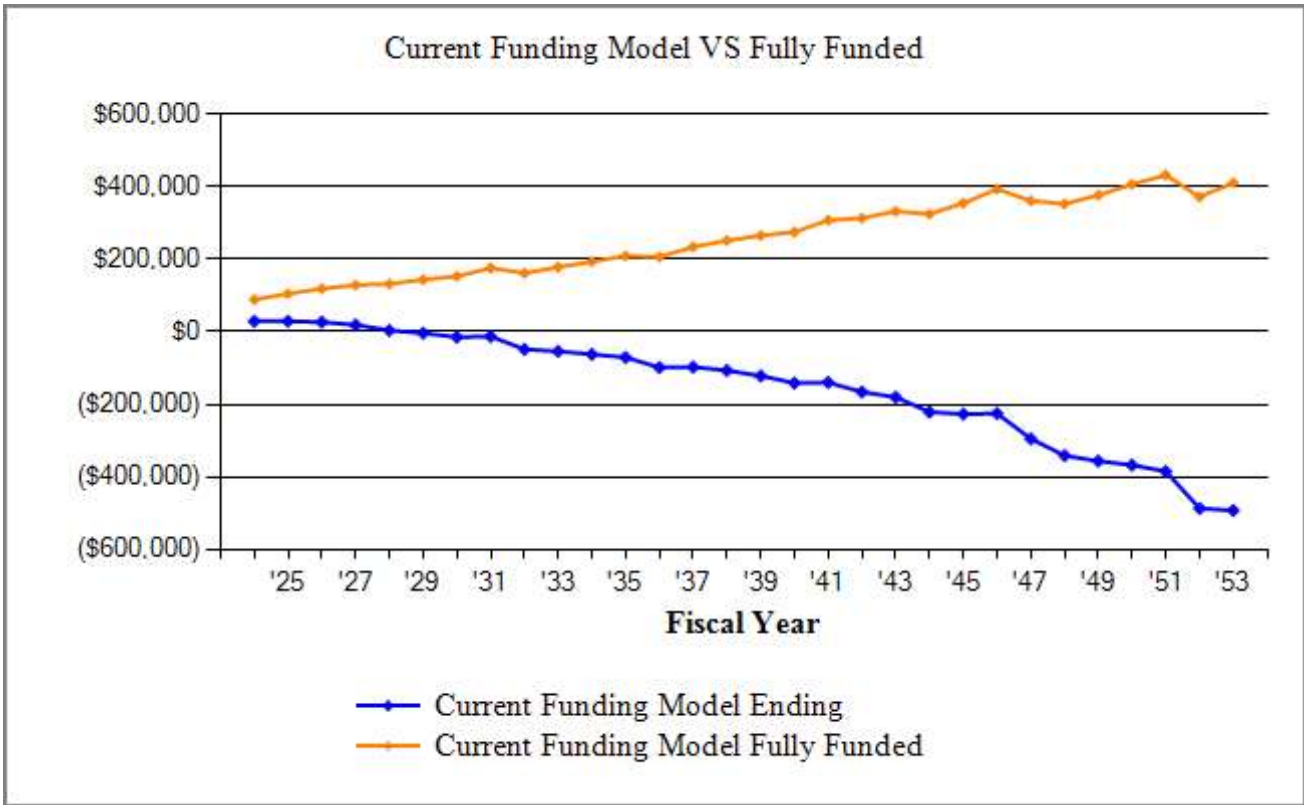
INFORMATION ABOUT YOUR RESERVE STUDY

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Current Assessment Funding Model Summary

Report Date	January 19, 2024
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	50

Report Parameters

Inflation	3.00%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	1.00%
2024 Beginning Balance	$54,921



Current Assessment Funding Model Summary of Calculations

Required Monthly Contribution	$125.00
$2.50 per unit monthly	
Average Net Monthly Interest Earned	$23.45
Total Monthly Allocation to Reserves	$148.45
$2.97 per unit monthly	

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Current Assessment Funding Model Projection

Beginning Balance: $54,921

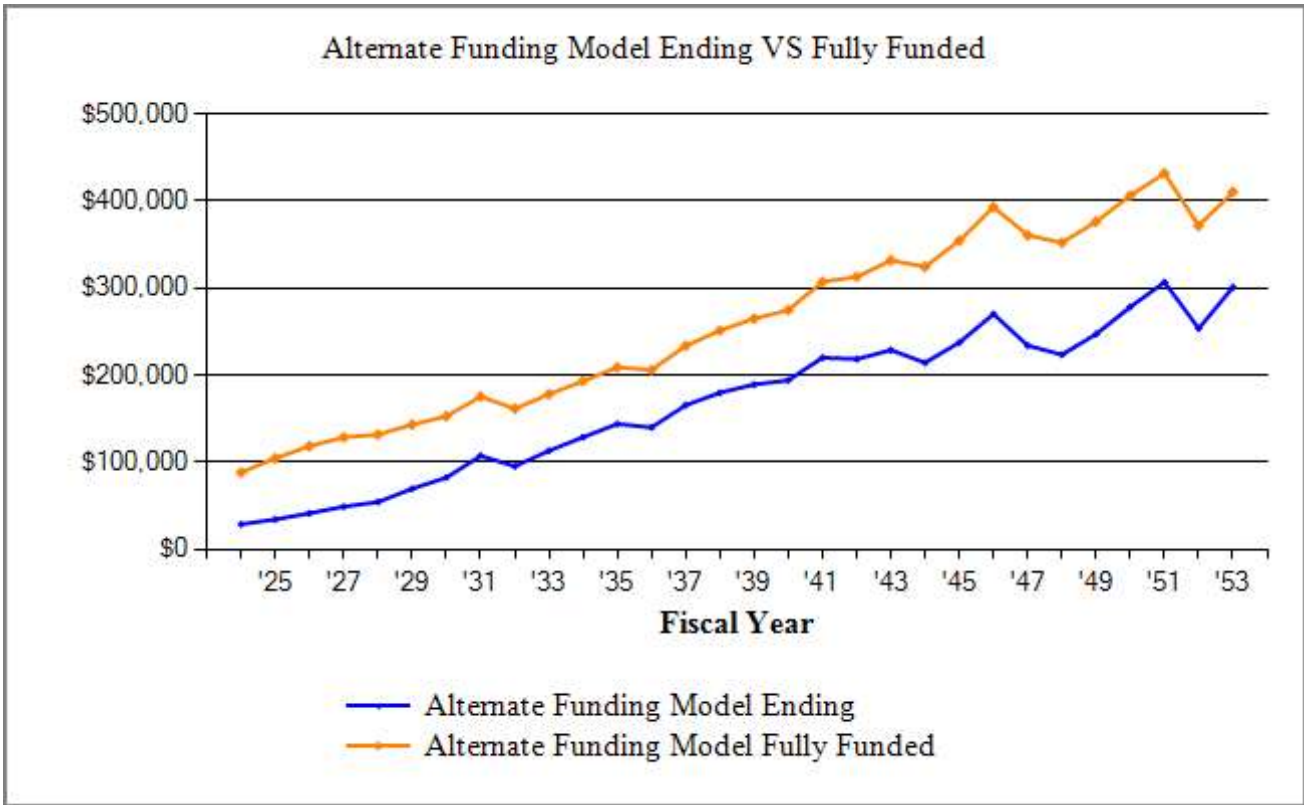
Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	272,270	1,500	281	27,720	28,982	88,459	33%
2025	280,438	1,500	286	1,339	29,429	104,865	28%
2026	288,851	1,500	256	4,774	26,411	118,678	22%
2027	297,517	1,500	180	9,288	18,803	128,724	15%
2028	306,442	1,500	29	16,680	3,652	131,940	3%
2029	315,636	1,500		9,274	-4,122	143,376	
2030	325,105	1,500		11,941	-14,562	152,919	
2031	334,858	1,500			-13,062	175,574	
2032	344,903	1,500		36,762	-48,324	161,586	
2033	355,251	1,500		7,176	-54,000	178,210	
2034	365,908	1,500		9,676	-62,176	193,332	
2035	376,885	1,500		10,105	-70,781	209,059	
2036	388,192	1,500		29,257	-98,538	206,142	
2037	399,838	1,500			-97,038	233,899	
2038	411,833	1,500		11,344	-106,882	251,452	
2039	424,188	1,500		16,359	-121,741	265,033	
2040	436,913	1,500		21,054	-141,295	274,873	
2041	450,021	1,500			-139,795	307,400	
2042	463,521	1,500		27,750	-166,044	313,049	
2043	477,427	1,500		15,782	-180,326	331,945	
2044	491,750	1,500		42,480	-221,306	324,682	
2045	506,502	1,500		7,069	-226,875	354,470	
2046	521,697	1,500			-225,375	393,252	
2047	537,348	1,500		71,049	-294,924	360,862	
2048	553,469	1,500		47,811	-341,235	352,304	
2049	570,073	1,500		16,750	-356,485	376,379	
2050	587,175	1,500		12,508	-367,494	406,468	
2051	604,790	1,500		18,881	-384,875	431,846	
2052	622,934	1,500		103,460	-486,835	371,848	
2053	641,622	1,500		7,070	-492,404	410,341	

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Alternate Funding Model Summary

Report Date	January 19, 2024
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	50

Report Parameters

Inflation	3.00%
Interest Rate on Reserve Deposit	1.00%
2024 Beginning Balance	$54,921



Alternate Funding Model Summary of Calculations

Required Monthly Contribution	$125.00
$2.50 per unit monthly	
Average Net Monthly Interest Earned	$23.45
Total Monthly Allocation to Reserves	$148.45
$2.97 per unit monthly	

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Alternate Funding Model Projection

Beginning Balance: $54,921

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	272,270	1,500	281	27,720	28,982	88,459	33%
2025	280,438	6,500	313	1,339	34,456	104,865	33%
2026	288,851	11,500	361	4,774	41,543	118,678	35%
2027	297,517	16,500	414	9,288	49,169	128,724	38%
2028	306,442	21,500	443	16,680	54,432	131,940	41%
2029	315,636	24,000	584	9,274	69,742	143,376	49%
2030	325,105	24,000	711	11,941	82,512	152,919	54%
2031	334,858	24,000	959		107,471	175,574	61%
2032	344,903	24,000	841	36,762	95,550	161,586	59%
2033	355,251	24,000	1,018	7,176	113,392	178,210	64%
2034	365,908	24,000	1,172	9,676	128,889	193,332	67%
2035	376,885	24,000	1,324	10,105	144,107	209,059	69%
2036	388,192	24,000	1,284	29,257	140,135	206,142	68%
2037	399,838	24,000	1,538		165,673	233,899	71%
2038	411,833	24,000	1,681	11,344	180,009	251,452	72%
2039	424,188	24,000	1,774	16,359	189,425	265,033	71%
2040	436,913	24,000	1,822	21,054	194,193	274,873	71%
2041	450,021	24,000	2,081		220,275	307,400	72%
2042	463,521	24,000	2,064	27,750	218,589	313,049	70%
2043	477,427	24,000	2,168	15,782	228,976	331,945	69%
2044	491,750	25,920	2,014	42,480	214,430	324,682	66%
2045	506,502	27,994	2,235	7,069	237,590	354,470	67%
2046	521,697	30,233	2,551		270,374	393,252	69%
2047	537,348	32,652	2,180	71,049	234,157	360,862	65%
2048	553,469	35,264	2,064	47,811	223,673	352,304	63%
2049	570,073	38,085	2,286	16,750	247,293	376,379	66%
2050	587,175	41,132	2,582	12,508	278,499	406,468	69%
2051	604,790	44,422	2,849	18,881	306,890	431,846	71%
2052	622,934	47,976	2,304	103,460	253,710	371,848	68%
2053	641,622	51,814	2,759	7,070	301,214	410,341	73%

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Asset Summary Report

Description	Date In Service	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Equipment									
Backflow Preventer - Replace Asset ID: 1015	2012	2032	300	20	0	8	380	1 @	300.00
Irrigaiton System - Repair/Replace Asset ID: 1019	*1019*	*Unfunded*							
Fences & Walls									
Block Walls - Repair/Paint Asset ID: 1004	2020	2026	4,500	6	0	2	4,774	1 @	4,500.00
Metal Fencing - Replace Asset ID: 1013	2012	2052	20,700	40	0	28	47,360	460 @	45.00
Grounds Components									
Concrete Components - Repair Asset ID: 1005	2028	2028	3,000	5	0	4	3,377	1 @	3,000.00
Granite - Replenish Asset ID: 1008	2019	2027	6,000	8	0	3	6,556	30 @	200.00
Tree - Removal/Replace Asset ID: 1018	2019	2029	5,000	10	0	5	5,796	1 @	5,000.00
Mailboxes									
Mailboxes - Replace Asset ID: 1007	2012	2042	7,600	30	0	18	12,938	4 @	1,900.00
Painting									
Curbing - Paint Asset ID: 1016	2021	2024	2,500	3	0	0	2,500	1 @	2,500.00
Metal Fencing - Paint Asset ID: 1014	2012	2024	3,000	5	0	0	3,000	1 @	3,000.00
Park									
Bench and Trash Receptacle - Replace Asset ID: 1017	2012	2024	4,200	10	0	0	4,200	1 @	4,200.00
Playstation & Swing - Repairs Asset ID: 1020	2017	2024	6,200	6	0	0	6,200	1 @	6,200.00
Playstation - Replace Asset ID: 1011	2017	2047	36,000	30	0	23	71,049	1 @	36,000.00
Swin Set - Replace Asset ID: 1012	2012	2032	4,000	20	0	8	5,067	1 @	4,000.00
Wood Chips - Replenish Asset ID: 1010	2020	2025	1,300	5	0	1	1,339	20 @	65.00
Signs									
Street Signs - Replace Asset ID: 1001	2012	2032	8,400	20	0	8	10,641	21 @	400.00

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Asset Summary Report

Description	Date In Service	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Streets/Asphalt									
Asphalt - Remove & Replace Asset ID: 1021	2012	2062	147,750	50	0	38	454,299	39400 @	3.75
Asphalt - Surface Treatment & Crac.. Asset ID: 1003	2012	2024	11,820	4	0	0	11,820	39400 @	0.30

Backflow Preventer - Replace

		1 EA	@ $300.00
Asset ID	1015	Asset Actual Cost	$300.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	$380.03
Placed in Service	April 2012		
Useful Life	20		
Replacement Year	2032		
Remaining Life	8		

3/4" covered backflow preventer.

Irrigaiton System - Repair/Replace

		1 LS	
Asset ID	1019	Asset Actual Cost	
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	
Placed in Service	April 2012		
No Useful Life			

Unfunded. Outside of scope of reserve study as components are located underground. No major repairs noted. Recommend contacting landscapers and get a bid for replacement with approximate year to perform, annual repairs cost and if there is a irrigation controller on site (size, make, model, year installed, location). We will gladly add into the study.

Block Walls - Repair/Paint

		1 LS	@ $4,500.00
Asset ID	1004	Asset Actual Cost	$4,500.00
	Grounds	Percent Replacement	100%
Category	Fences & Walls	Future Cost	$4,774.05
Placed in Service	April 2020		
Useful Life	6		
Replacement Year	2026		
Remaining Life	2		


Block walls on southern perimeter and around retention basins. Includes minor repairs and painting.

Metal Fencing - Replace

		460 LF	@ $45.00
Asset ID	1013	Asset Actual Cost	$20,700.00
	Grounds	Percent Replacement	100%
Category	Fences & Walls	Future Cost	$47,360.10
Placed in Service	April 2012		
Useful Life	40		
Replacement Year	2052		
Remaining Life	28		


Good condition. Metal fence on border of two retention basins. Approximatley 460 LF.

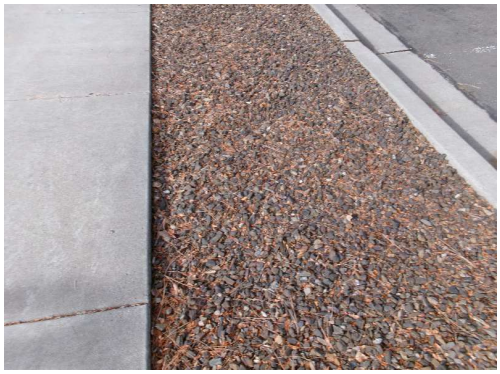
Concrete Components - Repair

		1 LS	@ $3,000.00
Asset ID	1005	Asset Actual Cost	$3,000.00
	Grounds	Percent Replacement	100%
Category	Grounds Components	Future Cost	$3,376.53
Placed in Service	April 2028		
Useful Life	5		
Replacement Year	2028		
Remaining Life	4		

Good to fair condition. Sidewalks, curbs and intersection paving. Noted cracking and lifting of sidewalk. Landscaper noted grind areas that are continually moving forward.

Granite - Replenish

		30 Ton	@ $200.00
Asset ID	1008	Asset Actual Cost	$6,000.00
	Grounds	Percent Replacement	100%
Category	Grounds Components	Future Cost	$6,556.36
Placed in Service	April 2019		
Useful Life	8		
Replacement Year	2027		
Remaining Life	3		



Fair condition. Budget for top dressing granite areas on 8 year cycle.

Granite - Replenish continued...

2019 - (30) of granite placed for a total of $5675.

Tree - Removal/Replace

		1 LS	@ $5,000.00
Asset ID	1018	Asset Actual Cost	$5,000.00
	Grounds	Percent Replacement	100%
Category	Grounds Components	Future Cost	$5,796.37
Placed in Service	April 2019		
Useful Life	10		
Replacement Year	2029		
Remaining Life	5		

Budget tree removal and replacement.

2019 - (3) trees replaced total $5450.

Mailboxes - Replace

		4 EA	@ $1,900.00
Asset ID	1007	Asset Actual Cost	$7,600.00
	Grounds	Percent Replacement	100%
Category	Mailboxes	Future Cost	$12,938.49
Placed in Service	April 2012		
Useful Life	30		
Replacement Year	2042		
Remaining Life	18		

Good condition. (2) 13/1 & (2) 12/1 cluster boxes.

Curbing - Paint

		1 LS	@ $2,500.00
Asset ID	1016	Asset Actual Cost	$2,500.00
	Streets/Parking	Percent Replacement	100%
Category	Painting	Future Cost	$2,500.00
Placed in Service	September 2021		
Useful Life	3		
Replacement Year	2024		
Remaining Life	0		


Fair condition. Painted by Up North Construction in 2021 for $1925.

Metal Fencing - Paint

		1 LS	@ $3,000.00
Asset ID	1014	Asset Actual Cost	$3,000.00
	Grounds	Percent Replacement	100%
Category	Painting	Future Cost	$3,000.00
Placed in Service	April 2012		
Useful Life	5		
Replacement Year	2024		
Remaining Life	0		


Poor condition. Budget includes minor repairs. Approximately 460 LF.

Bench and Trash Receptacle - Replace

		1 LS	@ $4,200.00
Asset ID	1017	Asset Actual Cost	$4,200.00
	Recreation Area	Percent Replacement	100%
Category	Park	Future Cost	$4,200.00
Placed in Service	April 2012		
Useful Life	10		
Replacement Year	2024		
Remaining Life	0		

Fair condition. HOA Playgrounds 2023 estimate to replace bench and trash receptacle $4,159.

Playstation & Swing - Repairs

		1 LS	@ $6,200.00
Asset ID	1020	Asset Actual Cost	$6,200.00
	Recreation Area	Percent Replacement	100%
Category	Park	Future Cost	$6,200.00
Placed in Service	November 2017		
Useful Life	6		
Replacement Year	2024		
Remaining Life	0		

Good condition. (1) Miracle playstation.

Playstation & Swing - Repairs continued...

2017 - Miracle Recreation installed swings and playstation.

2023 - HOA Playground Services estimate for repairs $6,200.

Playstation - Replace

		1 LS	@ $36,000.00
Asset ID	1011	Asset Actual Cost	$36,000.00
	Recreation Area	Percent Replacement	100%
Category	Park	Future Cost	$71,049.11
Placed in Service	November 2017		
Useful Life	30		
Replacement Year	2047		
Remaining Life	23		

Good condition. (1) Miracle playstation.

2017 - Miracle Recreation installed swings and playstation.

2023 - HOA Playground Services made repairs and replaced climber panel for total $6,200.

Swin Set - Replace

		1 LS	@ $4,000.00
Asset ID	1012	Asset Actual Cost	$4,000.00
	Recreation Area	Percent Replacement	100%
Category	Park	Future Cost	$5,067.08
Placed in Service	April 2012		
Useful Life	20		
Replacement Year	2032		
Remaining Life	8		

Swin Set - Replace continued...

Good condition. 4-seat swing set.

Wood Chips - Replenish

		20 CY	@ $65.00
Asset ID	1010	Asset Actual Cost	$1,300.00
	Recreation Area	Percent Replacement	100%
Category	Park	Future Cost	$1,339.00
Placed in Service	April 2020		
Useful Life	5		
Replacement Year	2025		
Remaining Life	1		

Good condition. Placed in service date unknown, based on condition.

Street Signs - Replace

		21 EA	@ $400.00
Asset ID	1001	Asset Actual Cost	$8,400.00
	Grounds	Percent Replacement	100%
Category	Signs	Future Cost	$10,640.87
Placed in Service	April 2012		
Useful Life	20		
Replacement Year	2032		
Remaining Life	8		

Twelve street name signs and 9 stop signs.

Asphalt - Remove & Replace

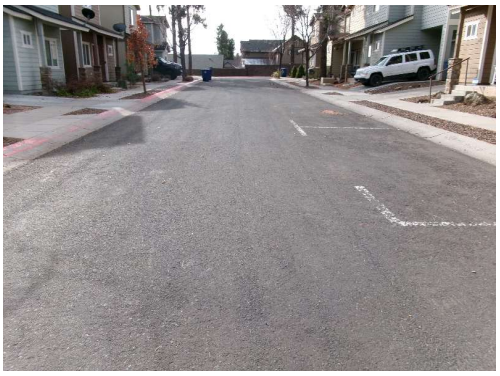
		39,400 SF	@ $3.75
Asset ID	1021	Asset Actual Cost	$147,750.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	$454,299.26
Placed in Service	April 2012		
Useful Life	50		
Replacement Year	2062		
Remaining Life	38		

Structurally good condition. Limited cracking. Appears that a slurry seal had been applied at some point. This component budgets for removing and replacing the asphalt in the future. Future updates should continue to monitor the condition of the asphalt and make appropriate adjustments in the remaining useful life.

Asphalt - Surface Treatment & Crack Seal

		39,400 SF	@ $0.30
Asset ID	1003	Asset Actual Cost	$11,820.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	$11,820.00
Placed in Service	April 2012		
Useful Life	4		
Replacement Year	2024		
Remaining Life	0		

Asphalt - Surface Treatment & Crack Seal continued...



Structurally good condition. Limited cracking. Appears that a slurry seal had been applied at some point. Recommend surface treatment and crack seal soon to preserve. Unknown year of last surface treatment.

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Detail Index

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

	Description	Expenditures
Replacement Year 2024		
Painting		
1016	Curbing - Paint	2,500
1014	Metal Fencing - Paint	3,000
Park		
1017	Bench and Trash Receptacle - Replace	4,200
1020	Playstation & Swing - Repairs	6,200
Streets/Asphalt		
1003	Asphalt - Surface Treatment & Crack Seal	11,820
Total for 2024		**$27,720**
Replacement Year 2025		
Park		
1010	Wood Chips - Replenish	1,339
Total for 2025		**$1,339**
Replacement Year 2026		
Fences & Walls		
1004	Block Walls - Repair/Paint	4,774
Total for 2026		**$4,774**
Replacement Year 2027		
Grounds Components		
1008	Granite - Replenish	6,556
Painting		
1016	Curbing - Paint	2,732
Total for 2027		**$9,288**
Replacement Year 2028		
Grounds Components		
1005	Concrete Components - Repair	3,377
Streets/Asphalt		
1003	Asphalt - Surface Treatment & Crack Seal	13,304
Total for 2028		**$16,680**

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

	Description	Expenditures
Replacement Year 2029		
Grounds Components		
1018	Tree - Removal/Replace	5,796
Painting		
1014	Metal Fencing - Paint	3,478
Total for 2029		**$9,274**
Replacement Year 2030		
Painting		
1016	Curbing - Paint	2,985
Park		
1020	Playstation & Swing - Repairs	7,403
1010	Wood Chips - Replenish	1,552
Total for 2030		**$11,941**
No Replacement in 2031		
Replacement Year 2032		
Equipment		
1015	Backflow Preventer - Replace	380
Fences & Walls		
1004	Block Walls - Repair/Paint	5,700
Park		
1012	Swin Set - Replace	5,067
Signs		
1001	Street Signs - Replace	10,641
Streets/Asphalt		
1003	Asphalt - Surface Treatment & Crack Seal	14,973
Total for 2032		**$36,762**
Replacement Year 2033		
Grounds Components		
1005	Concrete Components - Repair	3,914
Painting		
1016	Curbing - Paint	3,262
Total for 2033		**$7,176**

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description		Expenditures
Replacement Year 2034		
Painting		
1014	Metal Fencing - Paint	4,032
Park		
1017	Bench and Trash Receptacle - Replace	5,644
Total for 2034		**$9,676**
Replacement Year 2035		
Grounds Components		
1008	Granite - Replenish	8,305
Park		
1010	Wood Chips - Replenish	1,800
Total for 2035		**$10,105**
Replacement Year 2036		
Painting		
1016	Curbing - Paint	3,564
Park		
1020	Playstation & Swing - Repairs	8,840
Streets/Asphalt		
1003	Asphalt - Surface Treatment & Crack Seal	16,852
Total for 2036		**$29,257**
No Replacement in 2037		
Replacement Year 2038		
Fences & Walls		
1004	Block Walls - Repair/Paint	6,807
Grounds Components		
1005	Concrete Components - Repair	4,538
Total for 2038		**$11,344**
Replacement Year 2039		
Grounds Components		
1018	Tree - Removal/Replace	7,790

Description		Expenditures
Replacement Year 2039 continued...		
Painting		
1016	Curbing - Paint	3,895
1014	Metal Fencing - Paint	4,674
Total for 2039		**$16,359**
Replacement Year 2040		
Park		
1010	Wood Chips - Replenish	2,086
Streets/Asphalt		
1003	Asphalt - Surface Treatment & Crack Seal	18,968
Total for 2040		**$21,054**
No Replacement in 2041		
Replacement Year 2042		
Mailboxes		
1007	Mailboxes - Replace	12,938
Painting		
1016	Curbing - Paint	4,256
Park		
1020	Playstation & Swing - Repairs	10,555
Total for 2042		**$27,750**
Replacement Year 2043		
Grounds Components		
1005	Concrete Components - Repair	5,261
1008	Granite - Replenish	10,521
Total for 2043		**$15,782**
Replacement Year 2044		
Fences & Walls		
1004	Block Walls - Repair/Paint	8,127
Painting		
1014	Metal Fencing - Paint	5,418

Description		Expenditures
Replacement Year 2044 continued...		
Park		
1017	Bench and Trash Receptacle - Replace	7,586
Streets/Asphalt		
1003	Asphalt - Surface Treatment & Crack Seal	21,348
Total for 2044		**$42,480**
Replacement Year 2045		
Painting		
1016	Curbing - Paint	4,651
Park		
1010	Wood Chips - Replenish	2,418
Total for 2045		**$7,069**
No Replacement in 2046		
Replacement Year 2047		
Park		
1011	Playstation - Replace	71,049
Total for 2047		**$71,049**
Replacement Year 2048		
Grounds Components		
1005	Concrete Components - Repair	6,098
Painting		
1016	Curbing - Paint	5,082
Park		
1020	Playstation & Swing - Repairs	12,603
Streets/Asphalt		
1003	Asphalt - Surface Treatment & Crack Seal	24,028
Total for 2048		**$47,811**
Replacement Year 2049		
Grounds Components		
1018	Tree - Removal/Replace	10,469

Description		Expenditures
Replacement Year 2049 continued...		
Painting		
1014	Metal Fencing - Paint	6,281
Total for 2049		**$16,750**
Replacement Year 2050		
Fences & Walls		
1004	Block Walls - Repair/Paint	9,705
Park		
1010	Wood Chips - Replenish	2,804
Total for 2050		**$12,508**
Replacement Year 2051		
Grounds Components		
1008	Granite - Replenish	13,328
Painting		
1016	Curbing - Paint	5,553
Total for 2051		**$18,881**
Replacement Year 2052		
Equipment		
1015	Backflow Preventer - Replace	686
Fences & Walls		
1013	Metal Fencing - Replace	47,360
Park		
1012	Swin Set - Replace	9,152
Signs		
1001	Street Signs - Replace	19,219
Streets/Asphalt		
1003	Asphalt - Surface Treatment & Crack Seal	27,043
Total for 2052		**$103,460**
Replacement Year 2053		
Grounds Components		
1005	Concrete Components - Repair	7,070
Total for 2053		**$7,070**

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Equipment											
1015	Backflow Preventer - Replace									380	
1019	Irrigaiton System - Repair/Replace	*Unfunded*									
Equipment Total:										**380**	
Fences & Walls											
1004	Block Walls - Repair/Paint			4,774						5,700	
1013	Metal Fencing - Replace										
Fences & Walls Total:				**4,774**						**5,700**	
Grounds Components											
1005	Concrete Components - Repair					3,377					3,914
1008	Granite - Replenish				6,556						
1018	Tree - Removal/Replace						5,796				
Grounds Components Total:					**6,556**	**3,377**	**5,796**				**3,914**
Mailboxes											
1007	Mailboxes - Replace										
Mailboxes Total:											
Painting											
1016	Curbing - Paint	2,500			2,732			2,985			3,262
1014	Metal Fencing - Paint	3,000					3,478				
Painting Total:		**5,500**			**2,732**		**3,478**	**2,985**			**3,262**
Park											
1017	Bench and Trash Receptacle - Replace	4,200									
1020	Playstation & Swing - Repairs	6,200						7,403			
1011	Playstation - Replace										
1012	Swin Set - Replace									5,067	
1010	Wood Chips - Replenish		1,339					1,552			
Park Total:		**10,400**	**1,339**					**8,955**		**5,067**	
Signs											
1001	Street Signs - Replace									10,641	
Signs Total:										**10,641**	

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Streets/Asphalt											
1021	Asphalt - Remove & Replace										
1003	Asphalt - Surface Treatment & Crack Seal	11,820				13,304				14,973	
Streets/Asphalt Total:		**11,820**				**13,304**				**14,973**	
Year Total:		**27,720**	**1,339**	**4,774**	**9,288**	**16,680**	**9,274**	**11,941**		**36,762**	**7,176**

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Equipment											
1015	Backflow Preventer - Replace										
1019	Irrigaiton System - Repair/Replace	*Unfunded*									
Equipment Total:											
Fences & Walls											
1004	Block Walls - Repair/Paint					6,807					
1013	Metal Fencing - Replace										
Fences & Walls Total:						**6,807**					
Grounds Components											
1005	Concrete Components - Repair					4,538					5,261
1008	Granite - Replenish		8,305								10,521
1018	Tree - Removal/Replace						7,790				
Grounds Components Total:			**8,305**			**4,538**	**7,790**				**15,782**
Mailboxes											
1007	Mailboxes - Replace									12,938	
Mailboxes Total:										**12,938**	
Painting											
1016	Curbing - Paint			3,564			3,895			4,256	
1014	Metal Fencing - Paint	4,032					4,674				
Painting Total:		**4,032**		**3,564**			**8,569**			**4,256**	
Park											
1017	Bench and Trash Receptacle - Replace	5,644									
1020	Playstation & Swing - Repairs			8,840						10,555	
1011	Playstation - Replace										
1012	Swin Set - Replace										
1010	Wood Chips - Replenish		1,800					2,086			
Park Total:		**5,644**	**1,800**	**8,840**				**2,086**		**10,555**	
Signs											
1001	Street Signs - Replace										
Signs Total:											

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Streets/Asphalt											
1021	Asphalt - Remove & Replace										
1003	Asphalt - Surface Treatment & Crack Seal			16,852				18,968			
Streets/Asphalt Total:				**16,852**				**18,968**			
Year Total:		**9,676**	**10,105**	**29,257**		**11,344**	**16,359**	**21,054**		**27,750**	**15,782**

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Equipment											
1015	Backflow Preventer - Replace									686	
1019	Irrigaiton System - Repair/Replace	*Unfunded*									
Equipment Total:										**686**	
Fences & Walls											
1004	Block Walls - Repair/Paint	8,127						9,705			
1013	Metal Fencing - Replace									47,360	
Fences & Walls Total:		**8,127**						**9,705**		**47,360**	
Grounds Components											
1005	Concrete Components - Repair					6,098					7,070
1008	Granite - Replenish								13,328		
1018	Tree - Removal/Replace						10,469				
Grounds Components Total:						**6,098**	**10,469**		**13,328**		**7,070**
Mailboxes											
1007	Mailboxes - Replace										
Mailboxes Total:											
Painting											
1016	Curbing - Paint		4,651			5,082			5,553		
1014	Metal Fencing - Paint	5,418					6,281				
Painting Total:		**5,418**	**4,651**			**5,082**	**6,281**		**5,553**		
Park											
1017	Bench and Trash Receptacle - Replace	7,586									
1020	Playstation & Swing - Repairs					12,603					
1011	Playstation - Replace				71,049						
1012	Swin Set - Replace									9,152	
1010	Wood Chips - Replenish		2,418					2,804			
Park Total:		**7,586**	**2,418**		**71,049**	**12,603**		**2,804**		**9,152**	
Signs											
1001	Street Signs - Replace									19,219	
Signs Total:										**19,219**	

CEDAR RIDGE AT PRESIDIO HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Streets/Asphalt											
1021	Asphalt - Remove & Replace										
1003	Asphalt - Surface Treatment & Crack Seal	21,348				24,028				27,043	
Streets/Asphalt Total:		**21,348**				**24,028**				**27,043**	
Year Total:		**42,480**	**7,069**		**71,049**	**47,811**	**16,750**	**12,508**	**18,881**	**103,460**	**7,070**

Important Information

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 and vendors and our own experience with local costs. We also may rely on 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 McGraw-Hill Professional, if needed.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. 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.

This reserve analysis study is a reflection of information provided to or assembled by the consultant for the association's use, not for the purpose of performing an audit, quality/forensic analyses or background checks of historical records. Information provided by the official representative of the association regarding financial, physical, quantity, or historical issues is deemed reliable by the consultant.

We recommend that your reserve analysis study be updated on an annual basis 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 computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

FDReserve Studies would like to thank you for using our services. We invite you to call us at any time, should you have questions, 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 a revised study.

This reserve analysis is prepared under the supervision of William A. Schlimgen PE, a registered professional engineer in Arizona with more than 10 years of experience in preparation of reserve studies and more than 40 years of engineering management, design, inspection and construction management experience.

Part I

Document

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

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.

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, and only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by **assessing an adequate level of reserves** as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership. 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.

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, for example, 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 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 to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. 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.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items 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, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. 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 considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated 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, could be devastating to an association's overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

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 unless new components have been added to the inventory), a condition assessment (based upon 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."

The Reserve Study: A Physical and a Financial Analysis

There are two components of a reserve study: a physical analysis and a financial analysis.

Physical Analysis

During the physical analysis, a reserve study 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.

Developing a Component List

The budget process begins with full 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 budgeted for effectively 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.

Reserve Expenses

These are major expenses that occur other than annually, and which must be budgeted for in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved for in advance.

Budgeting is Normally Excluded

For expenses that are necessitated by acts of nature, accidents or other occurrences that are more properly insured for, rather than reserved for.

Financial Analysis

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan".

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, manufactured 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 on an annual basis 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.

Funding Methods

From the simplest to the 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 upon the individual lives of the components under consideration. The Threshold and the Current Assessment funding models are based upon the cash flow method.

The component method develops a reserve-funding plan where the total contribution is based upon 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 reserve over time. This method also allows for computations on individual components in the analysis. The Component Funding model is based upon the component methodology.

Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. 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 four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

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 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. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = **Age** divided by **Useful Life** the results multiplied by **Current Replacement Cost**

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

The **Threshold Funding Model (Minimum Funding)**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.

The **Threshold Funding Model.** This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than $0).

The **Current Assessment Funding Model**. This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

The **Component Funding Model**. This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model". This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details this calculation process.

Component Funding Model Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second 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:

Fully Funded Reserves = (Age/Useful Life) x Current Replacement Cost

The software program performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

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 is depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (scheduled for replacement in the current 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 items to one 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 that 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 and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

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

immediately.

If the reserves are under-funded, the monthly contribution requirements, as outlined in this report, can be expected to be higher than normal. 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 that may be under consideration.

Funding Reserves

Three assessment and contribution figures are provided in the report, the "Monthly Reserve Assessment Required", the "Average Net Monthly Interest Earned" contribution and the "Total Monthly Allocation to Reserves." The association should allocate the "Monthly Reserve Assessment Required" amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Total Monthly Allocation" to reserves (this is the member assessment 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.

Users' Guide to your Reserve Analysis Study

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

Report Summaries

The Report Summary for all funding models lists all of the parameters that were used in calculating the report

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

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. These reports can be sorted by category or group.

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

The Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

Projections

Thirty-year projections add to the usefulness of your reserve analysis study.

Definitions

Report I.D.
Includes the Report Date (example: November 15, 1992), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

Budget Year Beginning/Ending
The budgetary year for which the report is prepared. For associations with fiscal years ending December 31st, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

Number of Units and/or 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 that will be necessary to accumulate the required funds in time for replacement.

Annual Assessment Increase
This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. 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 aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

Investment Yield Before Taxes

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

Taxes on Interest Yield
The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

Projected Reserve Balance
The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is 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 and/or Age
Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

Monthly Assessment
The assessment to reserves required by the association each month.

Interest Contribution (After Taxes)
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.

Total Monthly Allocation
The sum of the monthly assessment and interest contribution figures.

Group and Category
The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

Percentage of Replacement or Repairs
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 Date
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, up or down, 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.

Annual Fixed Reserves
An optional figure which, if used, will override the normal process of allocating reserves to each asset.

Fixed Assessment
An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

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 at 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 qualifying reserve components. This task can be accomplished through on-site visual, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

A Multi-Purpose Tool

Your 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 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.
- The 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 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 Report is a tool that 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 for which the association is obligated.
- Since the reserve analysis study includes 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.