

RESERVE DATA ANALYSIS, INC.



August 14, 2008

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Ms. Andrea Kent
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c/o Monterey Group LLC
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Dear Ms. Kent:

Enclosed is the completed reserve analysis study for Montego Bay Condominiums for the fiscal year beginning January 1, 2009. Your **RDA REPORT** is presented in two parts:

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

Part 2 is your reserve analysis study, including a report summary, a distribution of accumulated reserves, detail reports for each asset, 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 number corresponding to the first page of this section. Most, if not all, of your questions will be answered by thoroughly reviewing the detailed information and remarks for each asset.

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 you desire, any or all of the parameters and data used in your reserve study may be changed and a revised study prepared. All of us at RDA have enjoyed serving you and providing Montego Bay Condominiums with the most detailed, comprehensive and useful reserve analysis study available. If you have any additional questions or comments, please feel free to call us.

Thank you.

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

Tom Thompson, Jr.
Vice President

RDA REPORT

Montego Bay Condominiums
Phoenix, Arizona
Account 3133 - Version 001
August 14, 2008

RESERVE DATA ANALYSIS, INC.

2761 East Bridgeport Parkway
Gilbert, Arizona 85295
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Prepared By

Tom THOMPSON

RDA Reserve Management Software
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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 Slurry Coating
- 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 "Distribution of Accumulated Reserves Report" can be viewed and printed after performing the "RDA Summary Calculations," which is a "Component or Segregated Calculation Process," as opposed to the "Cash Flow Calculation Process," also available to the user in the program.

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 which 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:

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

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.

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 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 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.

The **Asset 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.

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 as well as *Charts and Graphs* 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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Montego Bay Condominiums
 Phoenix, Arizona
CFS Reserve Analysis Report Summary

Report Date	August 14, 2008	Parameters:	
Version	001	Inflation	3.00%
Account Number	3133	Annual Contribution Increase	3.00%
Budget Year Beginning	1/ 1/09	Investment Yield	2.00%
Ending	12/31/09	Taxes on Yield	0.00%
Total Units Included	51	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/09:	\$2,000.00

Project Profile & Introduction

This community was originally constructed in 1986 and was recently converted to condominiums. Please refer to the Detail Report by Category section of the report for the placed in service dates used to age the common area components in this analysis. This is a 2009 budget year report. We have been advised that the current reserve balance is \$2,000 and that no regular monthly contributions to reserves are being made. Therefore, we have used \$2,000 as the anticipated 1/1/09 balance.

Calculation Method: Modified Cash Flow Funding Strategy: Threshold
 RDA Reports: August 2008.

Cash Flow Specific Summary of Calculations

Monthly Contribution to Reserves Required:	\$1,518.00
(\$29.76 per unit per month)	
Average Net Monthly Interest Contribution This Year:	14.23
Net Monthly Allocation to Reserves 1/ 1/09 to 12/31/09:	\$1,532.23
(\$30.04 per unit per month)	

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Montego Bay Condominiums
Distribution of Accumulated Reserves

REPORT DATE: August 14, 2008
 VERSION: 001
 ACCOUNT NUMBER: 3133

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Concrete Components - Unfunded	0	0.00	0.00
Fitness Room - Unfunded	0	0.00	0.00
Granite Replenishment - Unfunded	0	0.00	0.00
Irrigation System - Unfunded	0	0.00	0.00
Roof - Built-Up (Laundry Room)	0	1,860.00	1,860.00
Roofs - Metal, Carports, Unfunded	0	0.00	0.00
Tree Trimming - Unfunded	0	0.00	0.00
Pool - Deck Resurface	1	4,271.43	0.00
Pool - Drinking Fountain	1	1,000.00	81.75
Pool - Filter	1	815.00	0.00
Streets - Asphalt Seal Coat	1	2,316.21	0.00
Fencing - Wrought Iron (Pool)	2	5,589.92	0.00
Laundry Room - Interior Remodel	2	3,220.00	0.00
Mailboxes - Wall Mounted	2	2,737.00	0.00
Pool - Furniture	2	1,428.57	0.00
Pool - Replaster & Retile	3	2,195.25	0.00
Pool/Spa - Pumps & Motors	3	480.00	0.00
Spa - Replaster & Retile	3	1,737.00	0.00
Spa - Heater	4	1,000.00	0.00
Fitness Equipment - Cardio	6	3,400.00	0.00
Irrigation Controller	6	195.00	0.00
Laundry Room - Evaporative Cooler	6	741.53	0.00
Paint - Community Exteriors	6	6,436.17	0.00
Pool - Deck Recoat	8	0.00	0.00
Roofs - Flat, Recoat (Condos)	8	3,289.66	0.00
Fitness Equipment - Strength	11	3,200.00	0.00
Card Reader	12	0.00	0.00
Fencing - Wrought Iron (Courtyard)	12	2,801.40	0.00
Gate Operators	12	0.00	0.00
Pool - BBQ Island/Grill	12	500.00	0.00
Roofs - Tile, Underlayment (Condos)	12	9,725.71	0.00
Streets - Asphalt Repairs	13	442.42	0.00
Access Phone	14	0.00	0.00

Montego Bay Condominiums
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Spa - Filter	16	90.56	0.00
Streets - Asphalt Rehabilitation	25	4,076.15	0.00
Fencing - Wrought Iron (Perimeter)	28	535.96	0.00
Gates - Wrought Iron (Entrances)	28	398.88	0.00
Total Asset Summary:		64,483.82	1,941.75
Contingency @ 3.00%:		1,934.51	58.25
Grand Total:		66,418.33	2,000.00
Excess Reserves Not Used:			0.00
Percent Fully Funded:	3%		

Montego Bay Condominiums
Cash Flow Specific Projections

REPORT DATE: August 14, 2008
 VERSION: 001
 ACCOUNT NUMBER: 3133

Beginning Accumulated Reserves: \$2,000

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'09	217,399	18,216	171	1,860	18,527	82,825	22%
'10	223,921	18,762	339	10,294	27,334	90,987	30%
'11	230,638	19,325	418	15,437	31,640	94,436	34%
'12	237,557	19,905	680	7,040	45,185	107,409	42%
'13	244,684	20,502	1,056	2,251	64,492	126,381	51%
'14	252,025	21,117	1,413	4,150	82,872	144,451	57%
'15	259,585	21,751	968	44,867	60,724	120,334	50%
'16	267,373	22,403	1,432	0	84,560	143,666	59%
'17	275,394	23,075	1,349	28,239	80,745	138,097	58%
'18	283,656	23,768	1,702	7,280	98,935	155,200	64%
'19	292,166	24,481	2,223	0	125,638	181,159	69%
'20	300,931	25,215	2,433	16,611	136,676	190,914	72%
'21	309,959	25,972	2,115	43,754	121,008	172,824	70%
'22	319,257	26,751	2,441	12,276	137,925	188,353	73%
'23	328,835	27,553	2,122	45,378	122,222	169,931	72%
'24	338,700	28,380	2,419	15,335	137,686	183,551	75%
'25	348,861	29,231	2,650	19,762	149,805	193,626	77%
'26	359,327	30,108	3,182	5,917	177,179	219,459	81%
'27	370,107	31,012	3,165	34,525	176,830	216,504	82%
'28	381,210	31,942	3,835	1,429	211,178	249,385	85%
'29	392,646	32,900	4,425	6,972	241,531	278,210	87%
'30	404,426	33,887	4,994	9,589	270,823	305,985	89%
'31	416,558	34,904	4,647	56,549	253,825	285,661	89%
'32	429,055	35,951	5,327	6,315	288,787	318,935	91%
'33	441,927	37,029	5,878	14,484	317,211	345,484	92%
'34	455,185	38,140	3,930	139,905	219,377	240,710	91%
'35	468,840	39,284	3,898	44,210	218,349	235,313	93%
'36	482,905	40,463	3,870	45,079	217,604	229,862	95%
'37	497,393	41,677	2,864	94,766	167,378	172,578	97%
'38	512,314	42,927	3,385	19,276	194,415	194,754	100%

Montego Bay Condominiums
Annual Expenditure Detail

REPORT DATE: August 14, 2008
VERSION: 001
ACCOUNT NUMBER: 3133

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2009	
Roof - Built-Up (Laundry Room)	1,860.00
*** ANNUAL TOTAL:	<hr/> 1,860.00
REPLACEMENT YEAR 2010	
Pool - Deck Resurface	4,738.00
Pool - Drinking Fountain	1,030.00
Pool - Filter	839.45
Streets - Asphalt Seal Coat	3,686.99
*** ANNUAL TOTAL:	<hr/> 10,294.44
REPLACEMENT YEAR 2011	
Fencing - Wrought Iron (Pool)	6,446.03
Laundry Room - Interior Remodel	3,713.15
Mailboxes - Wall Mounted	3,156.18
Pool - Furniture	2,121.80
*** ANNUAL TOTAL:	<hr/> 15,437.16
REPLACEMENT YEAR 2012	
Pool - Replaster & Retile	3,198.41
Pool/Spa - Pumps & Motors	1,311.27
Spa - Replaster & Retile	2,530.75
*** ANNUAL TOTAL:	<hr/> 7,040.43
REPLACEMENT YEAR 2013	
Spa - Heater	2,251.01
*** ANNUAL TOTAL:	<hr/> 2,251.01
REPLACEMENT YEAR 2014	
Streets - Asphalt Seal Coat	4,149.75
*** ANNUAL TOTAL:	<hr/> 4,149.75

Montego Bay Condominiums
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2015	
Fitness Equipment - Cardio	10,149.44
Irrigation Controller	388.05
Laundry Room - Evaporative Cooler	1,492.57
Paint - Community Exteriors	32,836.43
*** ANNUAL TOTAL:	44,866.49
REPLACEMENT YEAR 2016	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2017	
Pool - Deck Recoat	2,549.37
Pool/Spa - Pumps & Motors	1,520.13
Roofs - Flat, Recoat (Condos)	24,169.98
*** ANNUAL TOTAL:	28,239.48
REPLACEMENT YEAR 2018	
Pool - Furniture	2,609.54
Streets - Asphalt Seal Coat	4,670.58
*** ANNUAL TOTAL:	7,280.12
REPLACEMENT YEAR 2019	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2020	
Fitness Equipment - Strength	16,610.80
*** ANNUAL TOTAL:	16,610.80
REPLACEMENT YEAR 2021	
Card Reader	1,604.00
Fencing - Wrought Iron (Courtyard)	6,078.03
Gate Operators	8,554.57
Pool - BBQ Island/Grill	3,564.40
Roofs - Tile, Underlayment (Condos)	21,101.27
Spa - Heater	2,851.51
*** ANNUAL TOTAL:	43,753.78

Montego Bay Condominiums
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2022	
Pool/Spa - Pumps & Motors	1,762.24
Streets - Asphalt Repairs	5,256.78
Streets - Asphalt Seal Coat	5,256.78
*** ANNUAL TOTAL:	12,275.80
REPLACEMENT YEAR 2023	
Access Phone	3,781.47
Paint - Community Exteriors	41,596.21
*** ANNUAL TOTAL:	45,377.68
REPLACEMENT YEAR 2024	
Pool - Deck Resurface	7,166.64
Pool - Replaster & Retile	4,560.18
Spa - Replaster & Retile	3,608.24
*** ANNUAL TOTAL:	15,335.06
REPLACEMENT YEAR 2025	
Fitness Equipment - Cardio	13,640.01
Pool - Drinking Fountain	1,604.72
Pool - Furniture	3,209.41
Spa - Filter	1,307.82
*** ANNUAL TOTAL:	19,761.96
REPLACEMENT YEAR 2026	
Streets - Asphalt Seal Coat	5,916.55
*** ANNUAL TOTAL:	5,916.55
REPLACEMENT YEAR 2027	
Pool/Spa - Pumps & Motors	2,042.92
Roofs - Flat, Recoat (Condos)	32,482.44
*** ANNUAL TOTAL:	34,525.36
REPLACEMENT YEAR 2028	
Pool - Filter	1,429.08
*** ANNUAL TOTAL:	1,429.08

Montego Bay Condominiums
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2029	
Roof - Built-Up (Laundry Room)	3,359.37
Spa - Heater	3,612.22
*** ANNUAL TOTAL:	6,971.59
REPLACEMENT YEAR 2030	
Irrigation Controller	604.58
Laundry Room - Evaporative Cooler	2,325.38
Streets - Asphalt Seal Coat	6,659.14
*** ANNUAL TOTAL:	9,589.10
REPLACEMENT YEAR 2031	
Paint - Community Exteriors	52,692.83
Pool - Deck Recoat	3,856.13
*** ANNUAL TOTAL:	56,548.96
REPLACEMENT YEAR 2032	
Pool - Furniture	3,947.18
Pool/Spa - Pumps & Motors	2,368.31
*** ANNUAL TOTAL:	6,315.49
REPLACEMENT YEAR 2033	
Card Reader	2,286.92
Gate Operators	12,196.78
*** ANNUAL TOTAL:	14,483.70
REPLACEMENT YEAR 2034	
Streets - Asphalt Rehabilitation	124,914.76
Streets - Asphalt Repairs	7,494.92
Streets - Asphalt Seal Coat	7,494.92
*** ANNUAL TOTAL:	139,904.60
REPLACEMENT YEAR 2035	
Fitness Equipment - Cardio	18,331.04
Fitness Equipment - Strength	25,879.08
*** ANNUAL TOTAL:	44,210.12

Montego Bay Condominiums
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2036	
Fencing - Wrought Iron (Pool)	13,496.55
Laundry Room - Interior Remodel	7,774.51
Mailboxes - Wall Mounted	6,608.37
Pool - BBQ Island/Grill	5,553.20
Pool - Replaster & Retile	6,501.74
Spa - Replaster & Retile	5,144.47
*** ANNUAL TOTAL:	45,078.84
REPLACEMENT YEAR 2037	
Access Phone	5,719.80
Fencing - Wrought Iron (Perimeter)	21,826.85
Gates - Wrought Iron (Entrances)	16,244.26
Pool/Spa - Pumps & Motors	2,745.53
Roofs - Flat, Recoat (Condos)	43,653.68
Spa - Heater	4,575.88
*** ANNUAL TOTAL:	94,766.00
REPLACEMENT YEAR 2038	
Pool - Deck Resurface	10,840.17
Streets - Asphalt Seal Coat	8,435.60
*** ANNUAL TOTAL:	19,275.77

Montego Bay Condominiums
Cash Flow Detail Report by Category

REPORT DATE: August 14, 2008
 VERSION: 001
 ACCOUNT NUMBER: 3133

Concrete Components - Unfunded		QUANTITY	1 comment
ASSET ID	1001	UNIT COST	0.000
GROUP/FACILITY	0	PERCENT REPL	0.00%
CATEGORY	10	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	2009		
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).

Streets - Asphalt Rehabilitation		QUANTITY	1 total
ASSET ID	1004	UNIT COST	59,660.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	10	CURRENT COST	59,660.00
		FUTURE COST	124,914.79
		SALVAGE VALUE	0.00
PLACED IN SERVICE	3/07		
27 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2034		
25 YEAR REM LIFE			

Montego Bay Condominiums
Cash Flow Detail Report by Category

Streets - Asphalt Rehabilitation, Continued ...

REMARKS:

29,830 - sq. ft. of rehabilitation @ \$ 2.00 = \$ 59,660.00

TOTAL = \$ 59,660.00

In March 2007, Dynamite Paving & Sealcoat, Inc. completed a project to pulverize and repave (2.5") the center drives, overlay the parking spaces and re-stripe. The total cost for this project was \$50,000. We have adjusted the cost to account for inflation and we are budgeting to complete the same scope.

Streets - Asphalt Repairs	QUANTITY	29,830 sq. ft.
ASSET ID 1005	UNIT COST	3.000
GROUP/FACILITY 0	PERCENT REPL	4.00%
CATEGORY 10	CURRENT COST	3,579.60
	FUTURE COST	5,256.76
	SALVAGE VALUE	0.00
PLACED IN SERVICE 3/07		
12 YEAR USEFUL LIFE		
+3 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2022		
13 YEAR REM LIFE		

REMARKS:

This component includes a provision for asphalt repairs. The accumulated funds should be used as needed for repairs in conjunction with the street sealing applications.

The useful life of the asphalt repairs has been adjusted to align with the future seal coating cycle.

Streets - Asphalt Seal Coat	QUANTITY	29,830 sq. ft.
ASSET ID 1006	UNIT COST	0.120
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 10	CURRENT COST	3,579.60
	FUTURE COST	3,686.99
	SALVAGE VALUE	0.00
PLACED IN SERVICE 3/07		
4 YEAR USEFUL LIFE		
-1 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2010		
1 YEAR REM LIFE		

Montego Bay Condominiums
Cash Flow Detail Report by Category

Streets - Asphalt Seal Coat, Continued ...

REMARKS:

This component is for a continuous four year seal coating cycle beginning in 2010.

It should be noted that the seal coat, repairs and rehabilitation assets are budgeted to occur simultaneously in 2034. We acknowledge that the seal coat won't be needed in the same year as the rehabilitation. However, in an effort to properly budget for a continuous seal coat cycle, this can't be avoided. The funds available for the seal coat can be used to help offset additional expenses that may be associated with the rehabilitation.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Roof - Built-Up (Laundry Room)	QUANTITY	465 sq. ft.
	UNIT COST	4.000
ASSET ID 1015	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	1,860.00
CATEGORY 20	FUTURE COST	1,860.00
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/86		
20 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2009		
0 YEAR REM LIFE		

REMARKS:

This component budgets to replace the built-up roof atop the laundry room in 2009.

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, Recoat (Condos)	QUANTITY	1 total
	UNIT COST	19,080.000
ASSET ID 1016	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	19,080.00
CATEGORY 20	FUTURE COST	24,169.97
	SALVAGE VALUE	0.00
PLACED IN SERVICE 5/07		
10 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2017		
8 YEAR REM LIFE		

REMARKS:

In May 2007, an elastomeric coating with tie-tec mesh was applied to the existing flat roofs by All-Rite Roofing. The total cost of this project was 19,080. A call placed to All-Rite Roofing on August 11, 2008 revealed that the number had been disconnected. A 10 year manufacturer's warranty was provided. This component budgets to re-apply this coating with tie-tec mesh every 10 years. If, in the future, the condition of the roofs deteriorate to the point that they require replacement, we will begin budgeting for this expenditure in a future update of this report at the client's request. We recommend that the client includes a line item in the annual operating budget for inspections, debris removal, & repairs on an "as needed" basis.

Condominiums flat roof measurement: 26,200 sq. ft.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Roofs - Metal, Carports, Unfunded		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1007	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	20	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0 / 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2009		
0 YEAR REM LIFE			

REMARKS:

We are not budgeting to replace the corrugated metal carport roofs because they have an extremely long useful life. However, the condition of these roofs should be monitored over time, and if future replacements are anticipated, we will include them in a future update to this report. Should the client want a reserve planned for this asset, we will revise the report to include these roofs. We have listed for informational purposes only.

Any minor repairs should be handled on an "as needed" basis, and the expense paid for out of the operating budget, the operating contingency, or the reserve contingency.

Roofs - Tile, Underlayment (Condos)		QUANTITY	3,700 sq. ft.
		UNIT COST	4.000
ASSET ID	1019	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	14,800.00
CATEGORY	20	FUTURE COST	21,101.26
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/86		
35 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2021		
12 YEAR REM LIFE			

REMARKS:

The following comments apply to the concrete tile roofs atop the condominium buildings. The client has advised us that repairs and broken tile replacements were completed during the conversion.

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

Montego Bay Condominiums
Cash Flow Detail Report by Category

Roofs - Tile, Underlayment (Condos), Continued ...

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 on a 30 year cycle. Should the client wish to budget for this component in a different manner we will do so at their request.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Paint - Community Exteriors		QUANTITY	1 total
ASSET ID	1035	UNIT COST	27,500.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	30	CURRENT COST	27,500.00
		FUTURE COST	32,836.44
		SALVAGE VALUE	0.00
PLACED IN SERVICE	3/07		
8 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2015		
6 YEAR REM LIFE			

REMARKS:

This component includes a provision to paint the complete exterior of the community, which includes the following components:

- building exteriors (stucco, wood, metal)
- site walls (perimeter & trash enclosure: 7,500 sq. ft.)
- wrought iron fencing and gates (perimeter, pool, courtyard)
- carport support structures (52) & pool ramada structure

The client has advised us that the community was painted in March 2007 for \$26,000. The cost has been adjusted for inflation.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Fencing - Wrought Iron (Courtyard)

ASSET ID 1009
 GROUP/FACILITY 0
 CATEGORY 40

 PLACED IN SERVICE 1/86
 35 YEAR USEFUL LIFE
 +0 YEAR ADJUSTMENT
 REPLACEMENT YEAR 2021
 12 YEAR REM LIFE

QUANTITY	1 total
UNIT COST	4,263.000
PERCENT REPL	100.00%
CURRENT COST	4,263.00
FUTURE COST	6,078.02
SALVAGE VALUE	0.00

REMARKS:

87 - lin. ft. of 6'6" fencing @ \$ 49.00 = \$ 4,263.00

 TOTAL = \$ 4,263.00

This component budgets to replace the wrought iron fencing between buildings every 35 years. This appears to be original fencing that is in fair to good condition.

Fencing - Wrought Iron (Perimeter)

ASSET ID 1008
 GROUP/FACILITY 0
 CATEGORY 40

 PLACED IN SERVICE 5/07
 30 YEAR USEFUL LIFE
 +0 YEAR ADJUSTMENT
 REPLACEMENT YEAR 2037
 28 YEAR REM LIFE

QUANTITY	1 total
UNIT COST	9,540.000
PERCENT REPL	100.00%
CURRENT COST	9,540.00
FUTURE COST	21,826.83
SALVAGE VALUE	0.00

REMARKS:

212 - lin. ft. of 6'0" fencing @ \$ 45.00 = \$ 9,540.00

 TOTAL = \$ 9,540.00

In May 2007, new wrought iron perimeter fencing was installed at the front of the property by Gary's Security Doors. This component budgets to replace this fencing every 30 years.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Fencing - Wrought Iron (Pool)	QUANTITY	1 total
ASSET ID 1031	UNIT COST	6,076.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 40	CURRENT COST	6,076.00
	FUTURE COST	6,446.03
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/86		
25 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2011		
2 YEAR REM LIFE		

REMARKS:

148 - lin. ft. of 4'10" fencing	@	\$ 37.00	=	\$ 5,476.00
2 - 4'10" x 3'0" gates	@	300.00	=	600.00

		TOTAL	=	\$ 6,076.00

It appears that the pool fence has been repaired and/or had portions replaced over time, however, it is in poor condition overall.

Gates - Wrought Iron (Entrances)	QUANTITY	1 total
ASSET ID 1010	UNIT COST	7,100.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 40	CURRENT COST	7,100.00
	FUTURE COST	16,244.29
	SALVAGE VALUE	0.00
PLACED IN SERVICE 5/07		
30 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2037		
28 YEAR REM LIFE		

REMARKS:

1 - 5'7" x 27'6" vehicle gate	@	\$ 3,000.00	=	\$ 3,000.00
1 - 5'7" x 28'6" vehicle gate	@	3,200.00	=	3,200.00
2 - 5'10" x 4'0" pedestrian gates	@	450.00	=	900.00

		TOTAL	=	\$ 7,100.00

In May 2007, new wrought iron entrance gates were installed at the front of the property by Gary's Security Doors. This component budgets to replace these gates every 30 years.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Pool - BBQ Island/Grill		QUANTITY	1 total
ASSET ID	1032	UNIT COST	2,500.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	2,500.00
		FUTURE COST	3,564.40
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/06		
15 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2021		
12 YEAR REM LIFE			

REMARKS:

This is a provision to replace the Turbo, by Barbeques Galore grill and prefabricated BBQ island.

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 - Deck Recoat		QUANTITY	1,150 sq. ft.
ASSET ID	1024	UNIT COST	1.750
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	2,012.50
		FUTURE COST	2,549.37
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/09		
14 YEAR USEFUL LIFE			
-6 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2017		
8 YEAR REM LIFE			

REMARKS:

This component includes a provision to repair and recoat (repaint) the pool deck in between resurfacing cycles.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Pool - Deck Resurface		QUANTITY	1,150 sq. ft.
ASSET ID	1023	UNIT COST	4.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	4,600.00
		FUTURE COST	4,738.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/96			
14 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2010			
1 YEAR REM LIFE			

REMARKS:

This component is for a normal resurfacing of the pool deck, and does not include a provision for any concrete crack repairs that may be required. Once a licensed contractor has determined the extent, corrective measures, and costs associated with such repairs, if any, we will incorporate the recommendations into this report.

Pool - Drinking Fountain		QUANTITY	1 fountain
ASSET ID	1033	UNIT COST	1,000.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	1,000.00
		FUTURE COST	1,030.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/86			
15 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2010			
1 YEAR REM LIFE			

REMARKS:

This is a Sunroc drinking fountain.

Pool - Filter		QUANTITY	1 filter
ASSET ID	1027	UNIT COST	815.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	815.00
		FUTURE COST	839.45
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/86			
18 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2010			
1 YEAR REM LIFE			

Montego Bay Condominiums
Cash Flow Detail Report by Category

Pool - Filter, Continued ...

REMARKS:

This is a Triton, 3.14 sq. ft. sand filter.

Pool - Furniture	QUANTITY	1 total
ASSET ID 1038	UNIT COST	2,000.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 60	CURRENT COST	2,000.00
	FUTURE COST	2,121.80
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/04		
7 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2011		
2 YEAR REM LIFE		

REMARKS:

This component will accumulate funds every seven (7) years to refurbish/replace the following pool furniture inventoried at the time of our site visit on August 11, 2008:

- 6 - strapped chaise lounges
- 7 - plastic chairs
- 1 - acrylic top brunch table
- 1 - fabric umbrella

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 - Replaster & Retile	QUANTITY	1 total
ASSET ID 1025	UNIT COST	2,927.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 60	CURRENT COST	2,927.00
	FUTURE COST	3,198.41
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/00		
12 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2012		
3 YEAR REM LIFE		

Montego Bay Condominiums
Cash Flow Detail Report by Category

Pool - Replaster & Retile, Continued ...

REMARKS:

495 - sq. ft. (internal area) of replastering	@	\$ 3.50	=	\$ 1,733.00
66 - lin. ft. of trim tile	@	12.40	=	818.00
40 - lin. ft. of bench tile	@	9.40	=	376.00

			TOTAL	= \$ 2,927.00

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/Spa - Pumps & Motors

ASSET ID 1030
 GROUP/FACILITY 0
 CATEGORY 60

QUANTITY	1 total
UNIT COST	1,200.000
PERCENT REPL	100.00%
CURRENT COST	1,200.00
FUTURE COST	1,311.27
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/07
 5 YEAR USEFUL LIFE
 +0 YEAR ADJUSTMENT
 REPLACEMENT YEAR 2012
 3 YEAR REM LIFE

REMARKS:

This component will accumulate funds for the major repair/replacement of the pool and spa pumps and motors (2 pumps).

Spa - Filter

ASSET ID 1028
 GROUP/FACILITY 0
 CATEGORY 60

QUANTITY	1 filter
UNIT COST	815.000
PERCENT REPL	100.00%
CURRENT COST	815.00
FUTURE COST	1,307.84
SALVAGE VALUE	0.00

PLACED IN SERVICE 1/07
 18 YEAR USEFUL LIFE
 +0 YEAR ADJUSTMENT
 REPLACEMENT YEAR 2025
 16 YEAR REM LIFE

Montego Bay Condominiums
Cash Flow Detail Report by Category

Spa - Filter, Continued ...

REMARKS:

This is a Waterco, T500 sand filter. This filter was replaced in November 2006.

For budgeting purposes, we have used the next fiscal year's beginning date as the placed-in-service date for this component.

Spa - Heater		QUANTITY	1 heater
ASSET ID	1029	UNIT COST	2,000.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	2,000.00
		FUTURE COST	2,251.02
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/05		
8 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2013		
4 YEAR REM LIFE			

REMARKS:

This is a Raypak, 181,000 BTU input spa heater.

Spa - Replaster & Retile		QUANTITY	1 total
ASSET ID	1026	UNIT COST	2,316.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	2,316.00
		FUTURE COST	2,530.76
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/00		
12 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2012		
3 YEAR REM LIFE			

REMARKS:

1 - spa replastering	@	\$ 1,750.00	=	\$ 1,750.00
26 - lin. ft. of trim tile	@	12.40	=	322.00
26 - lin. ft. of bench tile	@	9.40	=	244.00

		TOTAL	=	\$ 2,316.00

Montego Bay Condominiums
Cash Flow Detail Report by Category

Spa - Replaster & Retile, Continued ...

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.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Fitness Equipment - Cardio		QUANTITY	1 total
ASSET ID	1020	UNIT COST	8,500.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	75	CURRENT COST	8,500.00
		FUTURE COST	10,149.44
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/05		
10 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2015		
6 YEAR REM LIFE			

REMARKS:

1 - Sports Art, Model 3106, treadmill	@	\$ 2,000.00	=	\$ 2,000.00
1 - True, Model 500R, recumbent bike	@	2,500.00	=	2,500.00
1 - True, Model 650EA, elliptical trainer	@	4,000.00	=	4,000.00

		TOTAL	=	\$ 8,500.00

This equipment was purchased used from a Days Inn. The actual age of this equipment is unknown. Therefore, we have used an estimated placed in service date of January 2005.

Fitness Equipment - Strength		QUANTITY	1 total
ASSET ID	1021	UNIT COST	12,000.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	75	CURRENT COST	12,000.00
		FUTURE COST	16,610.81
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/05		
15 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2020		
11 YEAR REM LIFE			

REMARKS:

1 - Seated Leg Curl (Model P131)	@	\$ 2,000.00	=	\$ 2,000.00
1 - Multi Hip (Model P143)	@	2,000.00	=	2,000.00
1 - Vertical Chest (Model P102)	@	2,000.00	=	2,000.00
1 - Preacher Bicep Curl (Model P120)	@	2,000.00	=	2,000.00
1 - Lat Pull (Model P107)	@	2,000.00	=	2,000.00
1 - Pec Deck (Model P103)	@	2,000.00	=	2,000.00

		TOTAL	=	\$ 12,000.00

This is ProMaxima equipment that was purchased used from a Days Inn. The

Montego Bay Condominiums
Cash Flow Detail Report by Category

Fitness Equipment - Strength, Continued ...

actual age of this equipment is unknown. Therefore, we have used an estimated placed in service date of January 2005.

Fitness Room - Unfunded		QUANTITY	1 comment
ASSET ID	1037	UNIT COST	0.000
GROUP/FACILITY	0	PERCENT REPL	0.00%
CATEGORY	75	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	2009		
0 YEAR REM LIFE			

REMARKS:

The unit that the fitness room is temporarily housed in is owned by the conversion developer, Scott Brunson. The Association will lease this room for a period of 10 years at which time the owner may or may not sell the unit. Therefore, we are not budgeting to replace the carpet, paint, replace the HVAC system or remodel the bathroom, because these components are owned by the developer.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Access Phone		QUANTITY	1 phone
ASSET ID	1013	UNIT COST	2,500.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	80	CURRENT COST	2,500.00
		FUTURE COST	3,781.47
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/09		
14 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2023		
14 YEAR REM LIFE			

REMARKS:
 The client has advised us that a new Doorking, Model 1835 access phone will be installed by the end of 2008 at the developer's expense.

Card Reader		QUANTITY	1 reader
ASSET ID	1014	UNIT COST	1,125.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	80	CURRENT COST	1,125.00
		FUTURE COST	1,603.98
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/09		
12 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2021		
12 YEAR REM LIFE			

REMARKS:
 The client has advised us that a new Doorking card reader will be installed by the end of 2008 at the developer's expense.

Gate Operators		QUANTITY	2 operators
ASSET ID	1012	UNIT COST	3,000.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	80	CURRENT COST	6,000.00
		FUTURE COST	8,554.57
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/09		
12 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2021		
12 YEAR REM LIFE			

Montego Bay Condominiums
Cash Flow Detail Report by Category

Gate Operators, Continued ...

REMARKS:

The client has advised us that new, Viking L-3 sliding gate operators will be installed by the end of 2008 at the developer's expense.

Laundry Room - Evaporative Cooler

	QUANTITY	1 total
ASSET ID 1017	UNIT COST	1,250.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 80	CURRENT COST	1,250.00
	FUTURE COST	1,492.57
	SALVAGE VALUE	0.00
PLACED IN SERVICE 4/00		
15 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2015		
6 YEAR REM LIFE		

REMARKS:

This is a Champion evaporative cooler located atop the laundry room roof. The duct has been covered with insulation that is disintegrating.

Laundry Room - Interior Remodel

	QUANTITY	1 total
ASSET ID 1036	UNIT COST	3,500.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 80	CURRENT COST	3,500.00
	FUTURE COST	3,713.15
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/86		
25 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2011		
2 YEAR REM LIFE		

REMARKS:

This component is for the remodeling of the laundry interior on a 25 year cycle, and will allow funding to be available for the replacement of the following components on an "as needed" basis: vinyl flooring, laminate counter tops, plumbing fixtures, water heaters (no access to the mechanical room was provided - estimating two electric water heaters), doors and interior painting.

Montego Bay Condominiums
Cash Flow Detail Report by Category

Granite Replenishment - Unfunded		
ASSET ID 1003	QUANTITY	1 comment
GROUP/FACILITY 0	UNIT COST	0.000
CATEGORY 100	PERCENT REPL	0.00%
PLACED IN SERVICE 0/ 0	CURRENT COST	0.00
0 YEAR USEFUL LIFE	FUTURE COST	0.00
+0 YEAR ADJUSTMENT	SALVAGE VALUE	0.00
REPLACEMENT YEAR 2009		
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 Controller		
ASSET ID 1034	QUANTITY	1 total
GROUP/FACILITY 0	UNIT COST	325.000
CATEGORY 100	PERCENT REPL	100.00%
PLACED IN SERVICE 1/00	CURRENT COST	325.00
15 YEAR USEFUL LIFE	FUTURE COST	388.07
+0 YEAR ADJUSTMENT	SALVAGE VALUE	0.00
REPLACEMENT YEAR 2015		
6 YEAR REM LIFE		

REMARKS:

1 - RD1200 @ \$ 325.00 = \$ 325.00

 TOTAL = \$ 325.00

The cost includes an estimate for installation.
 Location: pool equipment enclosure

Montego Bay Condominiums
Cash Flow Detail Report by Category

Irrigation System - Unfunded	QUANTITY	1 comment
ASSET ID 1039	UNIT COST	0.000
GROUP/FACILITY 0	PERCENT REPL	0.00%
CATEGORY 100	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 2009		
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.

Mailboxes - Wall Mounted	QUANTITY	1 total
ASSET ID 1011	UNIT COST	2,975.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 100	CURRENT COST	2,975.00
	FUTURE COST	3,156.18
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/86		
25 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2011		
2 YEAR REM LIFE		

REMARKS:

1 - 4 x 6 box set	@	\$ 1,175.00	=	\$ 1,175.00
1 - 5 x 6 box set	@	1,300.00	=	1,300.00
1 - outgoing letter box	@	500.00	=	500.00

		TOTAL	=	\$ 2,975.00

Montego Bay Condominiums
Cash Flow Detail Report by Category

Tree Trimming - Unfunded		QUANTITY	1 comment
ASSET ID	1002	UNIT COST	0.000
GROUP/FACILITY	0	PERCENT REPL	0.00%
CATEGORY	100	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	2009		
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: 37