

CAPITAL RESERVE STUDY

prepared for:

Exeter Place

Date of report:

3/27/2018

FOREWARD

3/27/2018

Exeter Place

Regarding Fiscal Year beginning: 1/1/2018

We are pleased to submit this Reserve Study. This report is a budgeting tool designed to help you navigate the uncertain future. It contains financial projections to help you understand your future reserve expenses. This report will help you answer the

Do we have enough money in Reserves to maintain our assets now and in the future?
How much money should we have in Reserves?
Is our level of budgeted reserve contributions adequate?

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

Thank you,

Capital Reserve Analysts,

Prepared by:

Casey Arnett

Casey Arnett



TABLE OF CONTENTS

1. REPORT GUIDE	
1.1 Executive Summary	4
1.2 Short-Term Needs and Special Issues	4
1.3 Reserve Funding Objectives and Recommendations	4
1.4 Purpose and Methodology	4
1.5 Data Tables	4
1.6 Condition Assessment/Maintenance Recommendations	4
2. EXECUTIVE SUMMARY	
2.1 Project Overview	5
2.2 Financial Assumptions	5
2.3 Reserve Fund Status	5
2.4 Funding Recommendations	5
3. SHORT-TERM NEEDS AND SPECIAL ISSUES	
3.1 Reserve Fund Strength	6
3.2 5-Year Funding Comparison	7
3.3 Specific Recommendations	8
4. RESERVE FUNDING OBJECTIVES AND RECOMMENDATIONS	
4.1 Funding Alternatives	9
4.2 Funding Sources and Projections	10
4.3 Funding Sources and Projections	10
5. PURPOSE AND METHODOLOGY	
5.1 Purpose	11
5.2 Reserve Component Four-Part Test	11
5.3 Determining Useful Life Expectancies	11
5.4 Cost Estimation Methods	11
5.5 Reserve Status and Funding Strategy	11
6. DATA TABLES	
6.1 Funding Plans (Full, Threshold, Baseline)	12
6.2 Reserve Component List	13
6.3 Fully Funded Balance Calculations	14
6.4 Annual Expenses (30 Years)	15
7. DISCLOSURES AND LIMITATIONS	
8. SUPPLEMENTAL ANALYSIS	
9. PHYSICAL ANALYSIS	
	N/A
	24

1. REPORT GUIDE

Our analysis and recommendations are divided into five easy-to-understand sections

EXECUTIVE SUMMARY

Provides an overview of the Association's current physical condition and financial situation, outlining significant findings and conclusions. This section of the report should be used as a quick reference in helping the reader to understand the parameters and results of the study.

SHORT-TERM NEEDS AND SPECIAL ISSUES

Highlights and prioritizes near-term reserve needs into an easy-to-understand income/expense statement. This section should be used during the annual budget process to ensure a balanced budget and prepare for long-term success.

RESERVE FUNDING OBJECTIVES AND RECOMMENDATIONS

Examines projected reserve expenses and outlines our recommended funding plan compared with Baseline and Threshold alternatives. This section includes detailed tables outlining projected expenses, funding requirements and reserve balance calculations

PURPOSE AND METHODOLOGY

Details the framework, methods, and materials used in developing the reserve study and the associated funding plan. This section provides a comprehensive understanding of the methodology and the process taken to develop the report.

DATA TABLES, DISCLOSURES AND PHYSICAL ASSESSMENTS

Examines report finding and results with projections for individual reserve components expenses and recommended funding. This section includes detailed tables outlining projected expenses, funding requirements and reserve balance calculations. Provides in-depth, detailed condition assessments along with maintenance recommendations.

2. EXECUTIVE SUMMARY

Exeter Place is a condominium association consisting of 52 units with a Pool Area and Private Streets. The Association is responsible for maintenance and replacement of landscaped common areas, perimeter walls, private streets and pool area amenities.

2.1 PROJECT OVERVIEW

Association Name:	Exeter Place
Location:	Mesa, Arizona
Year Constructed: (Avg. For Budget Purposes)	1980
Project Description:	Condominiums
Type of Analysis:	Level III
Funding Strategy	Full Funding with a 100% Goal
Number of Voting Units:	52
Date Prepared:	3/27/2018

2.2 FINANCIAL ASSUMPTIONS

Fiscal Yr. Start:	1/1/2018
Fiscal Yr. End:	12/31/2018
Inflation Rate: (30-YR Average)	2.92%
Interest Rate: (30-YR Average)	2.50%

2.3 RESERVE FUND STATUS

Beginning Reserve Balance:	\$112,440
100% Funded:	\$145,397
Percent Funded:	77%
Reserve Fund Strength:	Strong

2.4 FUNDING RECOMMENDATIONS

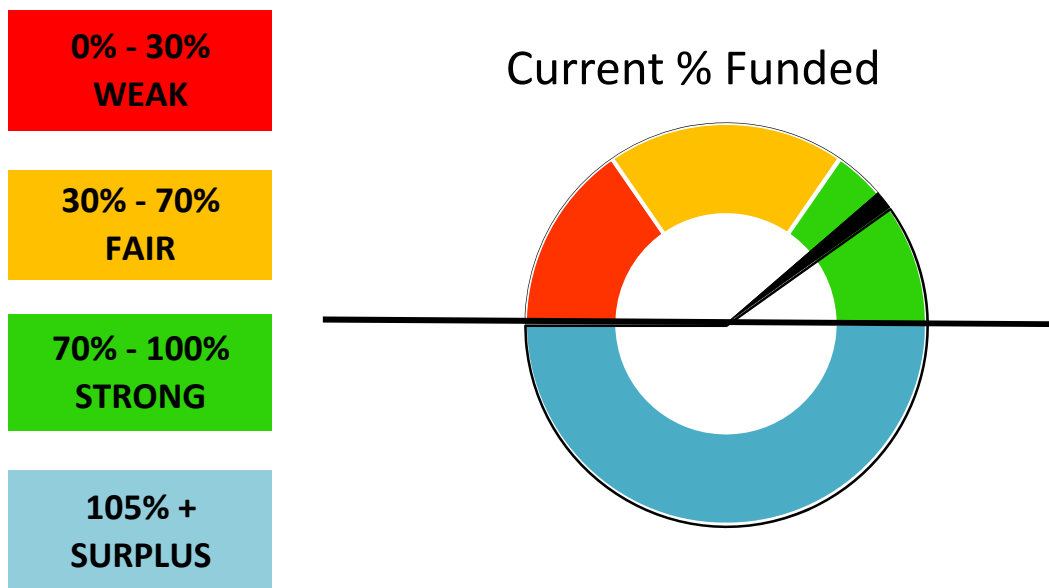
Recommended Annual Contributions 2018-2021:	\$7,680
Recommended Annual Contributions 2022-2047:	\$37,632
Annual Increases of 1% Needed to Maintain Full Funding	

3. SHORT-TERM NEEDS

3.1 RESERVE FUND STRENGTH

Reserve Strength is measured as a percentage. Typically, associations with a percent funded level of 70% and above have low risk for special assessments. Associations with a percent funded level of 30% and below have a high risk of special assessments and deferred maintenance. The chart below illustrates current Reserve Fund Strength.

Current Reserve Fund Percentage is **77%** this is considered a Strong financial position



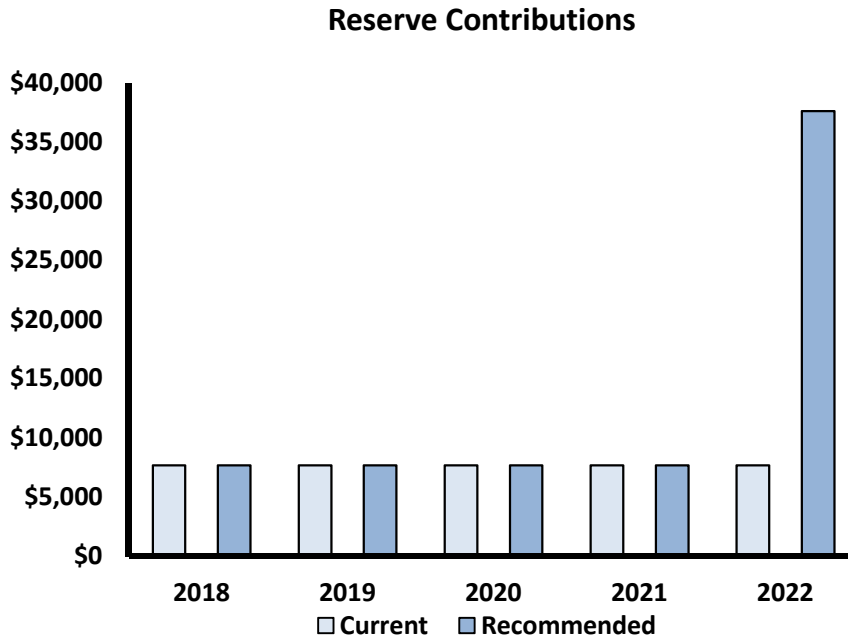
SPECIAL ASSESSMENT/DEFERRED MAINTENANCE RISK MATRIX

This table can help you understand risk levels associated with your percent funded status and community age.

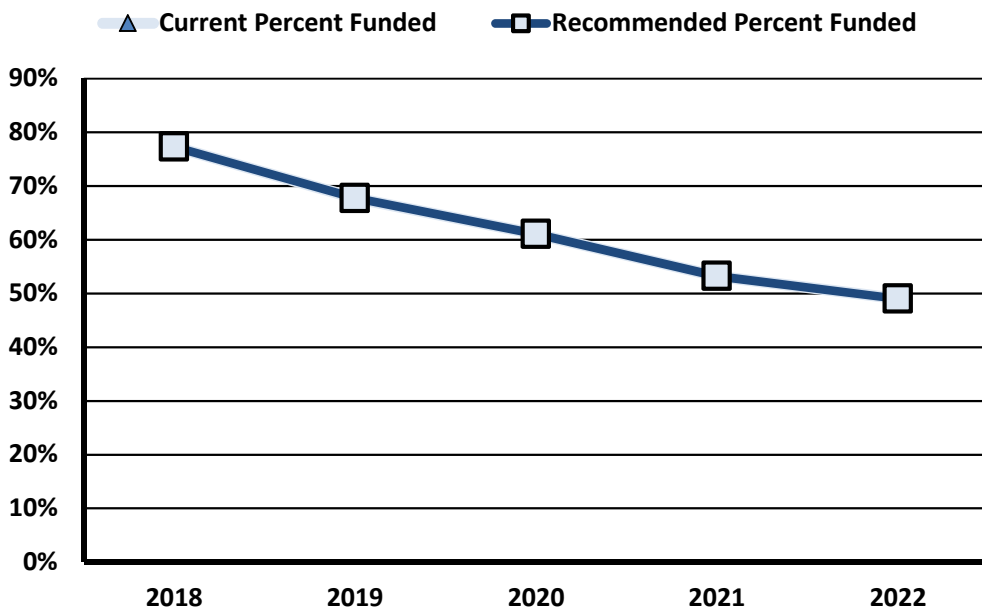
		YEARS SINCE CONSTRUCTION						
		5	10	15	20	25	30	35
% FUNDED	0-10	53.00%	54.00%	55.00%	56.00%	57.00%	58.00%	59.00%
	15-25	39.00%	40.00%	41.00%	42.00%	43.00%	44.00%	45.00%
	30-40	17.00%	17.10%	17.20%	17.30%	17.40%	17.50%	17.60%
	45-55	10.00%	10.10%	10.20%	10.30%	10.40%	10.50%	10.60%
	60-70	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%
	75-85	2.50%	3.50%	4.50%	5.50%	6.50%	7.50%	8.50%
	90-100	1.00%	1.01%	1.02%	1.03%	1.04%	1.05%	1.06%
	105-115	5.00%	5.00%	5.00%	5.00%	5.00%	5.01%	5.01%

3.2 FIVE YEAR FUNDING COMPARISON

The graph below shows a comparison between the current levels of annual reserve contributions as measured against our recommended level of reserve contributions with a Full Funding approach.



The graph below shows the reserve fund strength (fund percentage) over time with the current Funding Plan compared to our Recommended Funding Plan.



3.3 SPECIFIC RECOMMENDATIONS

Five Year Recommended Funding Plan

FISCAL YEAR	2018	2019	2020	2021	2022
Starting Reserve Balance	\$112,440	\$108,130	\$111,779	\$103,378	\$107,347
Recommended Contribs.	\$7,680	\$7,680	\$7,680	\$7,680	\$37,632
Special Assessment	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,097	\$1,094	\$1,070	\$1,048	\$1,223
Total Income	\$121,218	\$116,904	\$120,530	\$112,106	\$146,201
Total Expenses	\$13,088	\$5,125	\$17,151	\$4,760	\$7,823
Ending Reserve Balance:	\$108,130	\$111,779	\$103,378	\$107,347	\$138,378

The table above shows our five year forecast based on a funding goal of 100%. The table below calculates the current budget Deficit/Surplus.

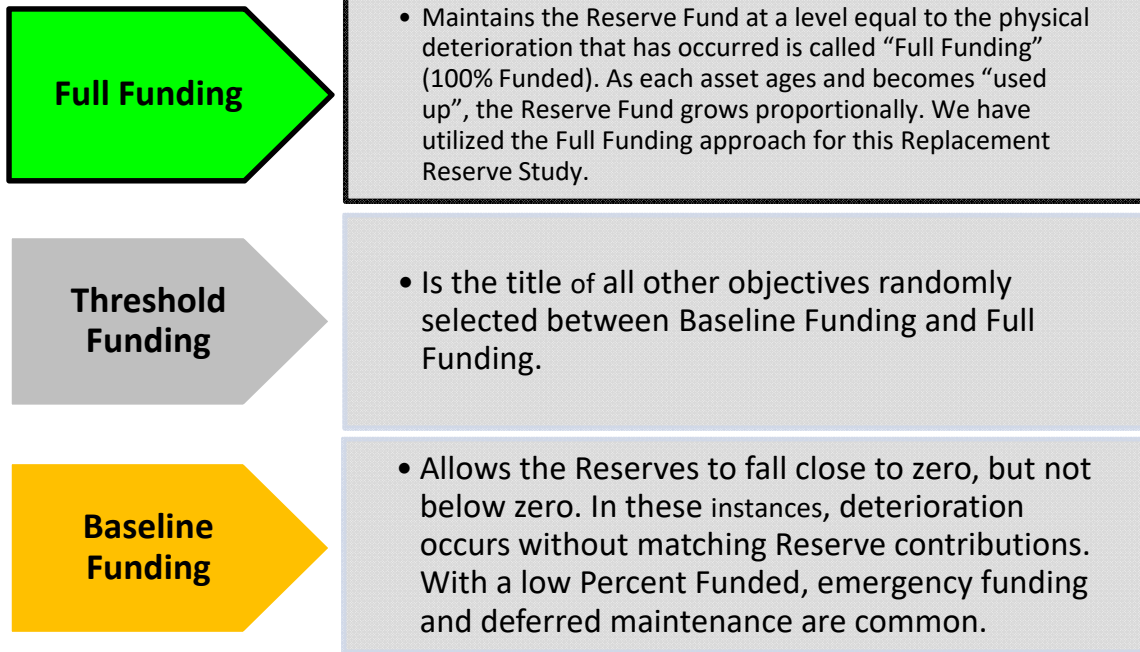
The figure below can be used to understand the impact of increasing/decreasing reserve contributions will have on a per unit basis.

		Per Unit
Current Reserve Contributions per month	\$640	\$12.31
Recommended Reserve Contributions per month	\$640	\$12.31
Current Deficit/Surplus	\$0	\$0.00
Recommended Special Assessment YR 1	\$0	\$0
Recommended Special Assessment YR 2	\$0	\$0

4. FUNDING OBJECTIVES AND OPTIONS

4.1 FUNDING ALTERNATIVES

Funding Alternatives fall under these three categories/methods according to the Community Associations Institute's National Reserve Study Standards.

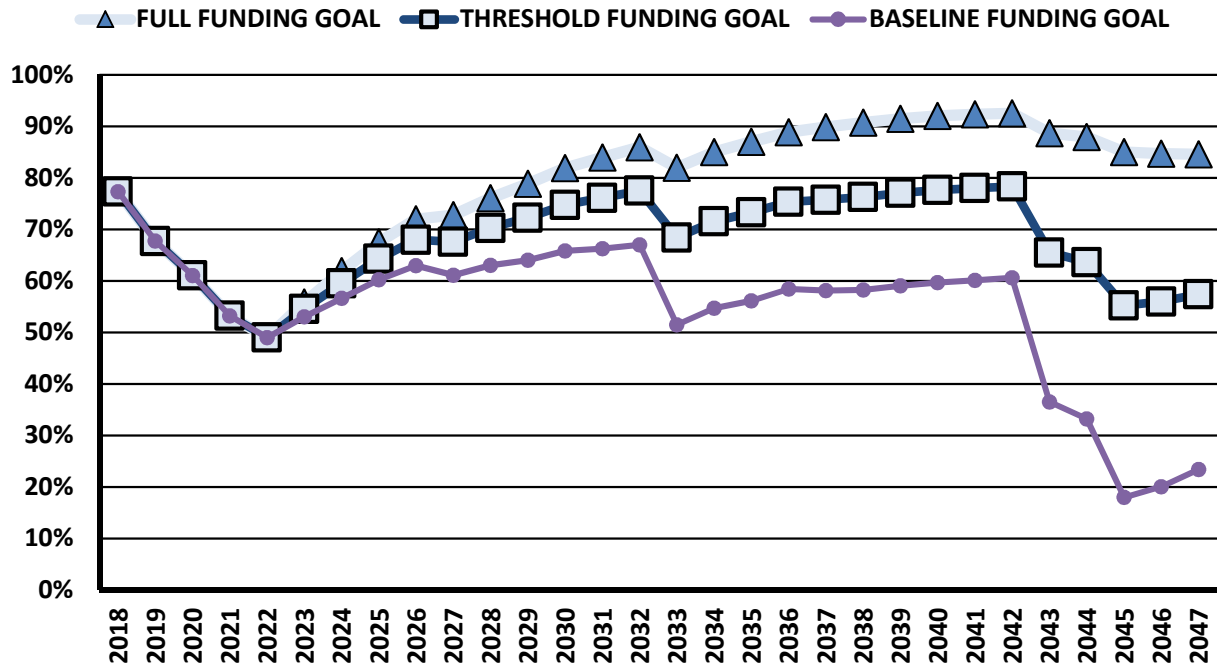


The level of risk (probability of a budget deficit) is different with each plan. The need for Special Assessments or Emergency Capital are greatest with a "Baseline" approach and smallest with a "Full Funding" approach. In order to ensure funds are available when needed and contributions are evenly distributed, we recommend implementing a "Full Funding" objective.

	Reserve Contributions	Min Reserve Balance	Total Contributions	Average Percent Funded Level
Full Funding	\$7,680	\$103,378	\$1,190,572	79%
Threshold Funding	\$7,680	\$103,378	\$1,095,890	68%
Baseline Funding	\$7,680	\$66,824	\$977,538	53%

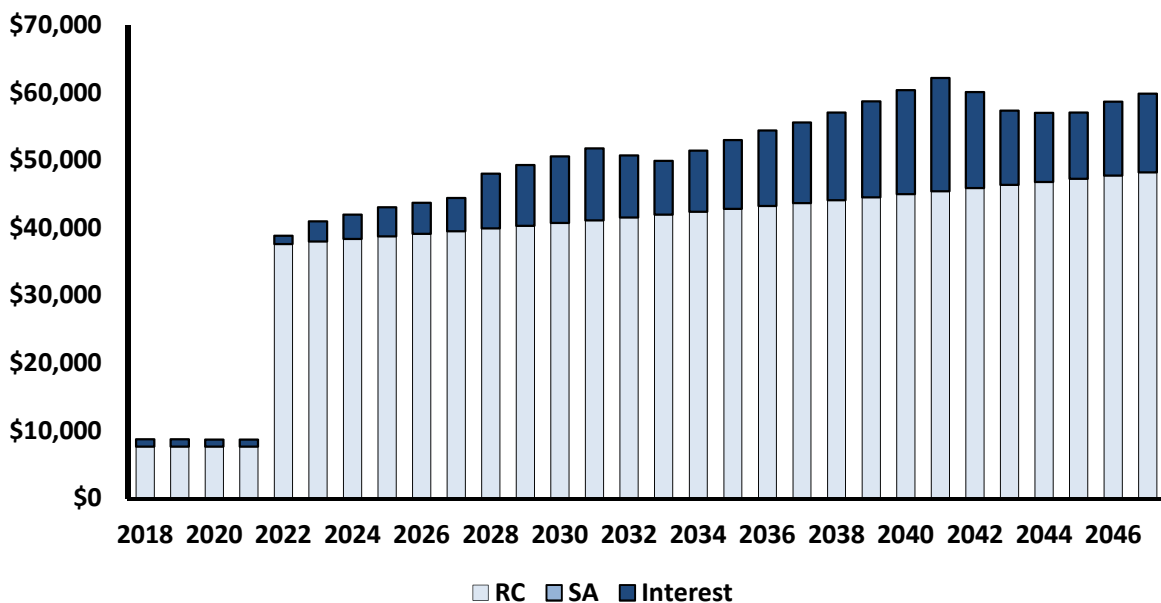
4.2 FUNDING SOURCES AND PROJECTIONS

This chart shows the percent funded level over time with each of the three funding objectives (Full, Threshold and Baseline).



Annual increases to Reserve Contributions should be made to keep up with inflation. These increases will vary by year but typically fall between 1-3%.

TOTAL RECOMMENDED CONTRIBUTIONS



5. PURPOSE AND METHODOLOGY

5.1 PURPOSE OF A RESERVE STUDY

A Reserve Study is a budgeting tool to help prepare and plan for future expenditures. It should be noted that the projections made in this study are just that, projections and do not predict with 100% surety the future. We do however, use well defined methodologies and extensive research is done in preparation of each Reserve Study. In this Report you will find the Reserve Component List. It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the client is responsible to maintain or replace. Based on that list and your starting balance we calculated the Reserve Fund Strength, which is measured as “Percent Funded”, and created a recommended 30-year Reserve Funding Strategy to offset future Reserve expenditures.

5.2 RESERVE COMPONENT CRITERIA (FOUR-PART TEST)

Credentialed Reserve Study professionals utilize CAI’s national-standard four-part test to determine which expenses should be funded through Reserves.

- Part 1: Item must be a common area maintenance responsibility.
- Part 2: the component must have a limited life.
- Part 3: the limited life must be predictable.
- Part 4: the repair or replacement cost must be above a minimum threshold cost.

This means that Reserve Components should be major, predictable expenses. It is incorrect to include “lifetime” components, unpredictable expenses (such as insurance related losses), and expenses more appropriately handled from the Operational Budget.

5.3 USEFUL LIFE EXPECTANCIES

- 1) Visual Inspection (observed wear and age)
- 2) Cost Database of experience and similar projects
- 3) Client Component History
- 4) Vendor Expertise and Recommendations

5.4 COST ESTIMATION

- 1) Client Cost History
- 2) Comparison to Cost database
- 3) Vendor Recommendations
- 4) Industry cost estimating software

5.5 RESERVE STATUS AND FUNDING STRATEGY

Do you have enough money in Reserves to fund future capital replacements?

The following steps are performed in order to determine Reserve Status and Funding:

- 1) Calculate your **Fully Funded Balance**. (see Definitions Page for detailed explanation)
- 2) Compare to the Reserve Fund Balance (where you currently are), and express as a percentage.

Recommended Funding Strategy

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

1. Ensuring that the client has sufficient funds to perform current reserve projects on time.
2. Put in place a stable contribution rate over the 30-years.
3. Evenly distributed contributions over the years.
4. Assist board members and officials in doing their fiduciary duty.

DATA TABLES APPENDIX

Exeter Place 2018 Reserve Study

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Starting Balance	\$112,440	\$108,130	\$111,779	\$103,378	\$107,347	\$138,378	\$166,280	\$199,333	\$233,784	\$230,560
FFB	\$145,397	\$159,643	\$183,009	\$194,224	\$219,026	\$247,887	\$268,662	\$295,159	\$324,840	\$316,779
% Funded	77%	68%	61%	53%	49%	56%	62%	68%	72%	73%
Rating	Strong	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Strong	Strong
RC	\$7,680	\$7,680	\$7,680	\$7,680	\$37,632	\$38,008	\$38,388	\$38,772	\$39,160	\$39,552
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$1,097	\$1,094	\$1,070	\$1,048	\$1,223	\$3,016	\$3,620	\$4,288	\$4,597	\$4,881
Expenses	\$13,088	\$5,125	\$17,151	\$4,760	\$7,823	\$13,123	\$8,955	\$8,609	\$46,981	\$12,552
Ending Balance	\$108,130	\$111,779	\$103,378	\$107,347	\$138,378	\$166,280	\$199,333	\$233,784	\$230,560	\$262,441
Year	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Starting Balance	\$262,441	\$285,591	\$321,061	\$344,431	\$373,585	\$248,747	\$289,778	\$321,825	\$366,562	\$388,936
FFB	\$344,857	\$362,007	\$392,030	\$410,184	\$434,652	\$303,339	\$340,875	\$369,867	\$412,357	\$432,821
% Funded	76%	79%	82%	84%	86%	82%	85%	87%	89%	90%
Rating	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
RC	\$39,947	\$40,347	\$40,750	\$41,158	\$41,569	\$41,985	\$42,405	\$42,829	\$43,257	\$43,690
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$8,099	\$8,965	\$9,835	\$10,611	\$9,197	\$7,958	\$9,038	\$10,173	\$11,165	\$11,929
Expenses	\$24,896	\$13,842	\$27,214	\$22,615	\$175,604	\$8,912	\$19,397	\$8,264	\$32,048	\$26,303
Ending Balance	\$285,591	\$321,061	\$344,431	\$373,585	\$248,747	\$289,778	\$321,825	\$366,562	\$388,936	\$418,252
Year	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Starting Balance	\$418,252	\$458,562	\$499,768	\$541,974	\$589,355	\$370,637	\$375,062	\$315,819	\$347,565	\$390,032
FFB	\$461,051	\$501,211	\$543,113	\$586,919	\$636,931	\$417,930	\$426,458	\$371,538	\$410,186	\$461,029
% Funded	91%	91%	92%	92%	93%	89%	88%	85%	85%	85%
Rating	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
RC	\$44,126	\$44,568	\$45,013	\$45,464	\$45,918	\$46,377	\$46,841	\$47,310	\$47,783	\$48,260
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$12,958	\$14,163	\$15,395	\$16,719	\$14,187	\$11,020	\$10,210	\$9,804	\$10,900	\$11,640
Expenses	\$16,774	\$17,524	\$18,203	\$14,802	\$278,823	\$52,973	\$116,294	\$25,367	\$16,216	\$52,316
Ending Balance	\$458,562	\$499,768	\$541,974	\$589,355	\$370,637	\$375,062	\$315,819	\$347,565	\$390,032	\$397,617

FULL FUNDING GOAL

Exeter Place 2018 Reserve Study

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Starting Balance	\$112,440	\$108,130	\$111,779	\$103,378	\$107,347	\$135,291	\$159,997	\$189,759	\$220,822	\$214,110
FFB	\$145,397	\$159,643	\$183,009	\$194,224	\$219,026	\$247,887	\$268,662	\$295,159	\$324,840	\$316,779
% Funded	77%	68%	61%	53%	49%	55%	60%	64%	68%	68%
Rating	Strong	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair
RC	\$7,680	\$7,680	\$7,680	\$7,680	\$34,560	\$34,906	\$35,255	\$35,607	\$35,963	\$36,323
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$1,097	\$1,094	\$1,070	\$1,048	\$1,207	\$2,924	\$3,463	\$4,065	\$4,306	\$4,520
Expenses	\$13,088	\$5,125	\$17,151	\$4,760	\$7,823	\$13,123	\$8,955	\$8,609	\$46,981	\$12,552
Ending Balance	\$108,130	\$111,779	\$103,378	\$107,347	\$135,291	\$159,997	\$189,759	\$220,822	\$214,110	\$242,401
Year	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Starting Balance	\$242,401	\$261,640	\$293,048	\$312,202	\$336,978	\$207,598	\$243,916	\$271,073	\$310,740	\$327,855
FFB	\$344,857	\$362,007	\$392,030	\$410,184	\$434,652	\$303,339	\$340,875	\$369,867	\$412,357	\$432,821
% Funded	70%	72%	75%	76%	78%	68%	72%	73%	75%	76%
Rating	Strong	Strong	Strong	Strong	Strong	Fair	Strong	Strong	Strong	Strong
RC	\$36,686	\$37,053	\$37,424	\$37,798	\$38,176	\$38,557	\$38,943	\$39,333	\$39,726	\$40,123
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$7,449	\$8,197	\$8,945	\$9,594	\$8,048	\$6,673	\$7,611	\$8,598	\$9,437	\$10,043
Expenses	\$24,896	\$13,842	\$27,214	\$22,615	\$175,604	\$8,912	\$19,397	\$8,264	\$32,048	\$26,303
Ending Balance	\$261,640	\$293,048	\$312,202	\$336,978	\$207,598	\$243,916	\$271,073	\$310,740	\$327,855	\$351,718
Year	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Starting Balance	\$351,718	\$386,376	\$421,724	\$457,859	\$498,949	\$273,714	\$271,389	\$205,155	\$229,661	\$264,632
FFB	\$461,051	\$501,211	\$543,113	\$586,919	\$636,931	\$417,930	\$426,458	\$371,538	\$410,186	\$461,029
% Funded	76%	77%	78%	78%	78%	65%	64%	55%	56%	57%
Rating	Strong	Strong	Strong	Strong	Strong	Fair	Fair	Fair	Fair	Fair
RC	\$40,524	\$40,930	\$41,339	\$41,752	\$42,170	\$42,591	\$43,017	\$43,448	\$43,882	\$44,321
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$10,908	\$11,942	\$12,999	\$14,140	\$11,419	\$8,056	\$7,043	\$6,426	\$7,305	\$7,819
Expenses	\$16,774	\$17,524	\$18,203	\$14,802	\$278,823	\$52,973	\$116,294	\$25,367	\$16,216	\$52,316
Ending Balance	\$386,376	\$421,724	\$457,859	\$498,949	\$273,714	\$271,389	\$205,155	\$229,661	\$264,632	\$264,456

THRESHOLD FUNDING GOAL

Exeter Place 2018 Reserve Study

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Starting Balance	\$112,440	\$108,130	\$111,779	\$103,378	\$107,347	\$131,431	\$152,143	\$177,792	\$204,620	\$193,548
FFB	\$145,397	\$159,643	\$183,009	\$194,224	\$219,026	\$247,887	\$268,662	\$295,159	\$324,840	\$316,779
% Funded	77%	68%	61%	53%	49%	53%	57%	60%	63%	61%
Rating	Strong	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair
RC	\$7,680	\$7,680	\$7,680	\$7,680	\$30,720	\$31,027	\$31,337	\$31,651	\$31,967	\$32,287
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$1,097	\$1,094	\$1,070	\$1,048	\$1,188	\$2,808	\$3,267	\$3,786	\$3,942	\$4,068
Expenses	\$13,088	\$5,125	\$17,151	\$4,760	\$7,823	\$13,123	\$8,955	\$8,609	\$46,981	\$12,552
Ending Balance	\$108,130	\$111,779	\$103,378	\$107,347	\$131,431	\$152,143	\$177,792	\$204,620	\$193,548	\$217,352
Year	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Starting Balance	\$217,352	\$231,702	\$258,033	\$271,916	\$291,221	\$156,162	\$186,589	\$207,634	\$240,962	\$251,503
FFB	\$344,857	\$362,007	\$392,030	\$410,184	\$434,652	\$303,339	\$340,875	\$369,867	\$412,357	\$432,821
% Funded	63%	64%	66%	66%	67%	51%	55%	56%	58%	58%
Rating	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair
RC	\$32,610	\$32,936	\$33,265	\$33,598	\$33,934	\$34,273	\$34,616	\$34,962	\$35,312	\$35,665
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$6,636	\$7,237	\$7,832	\$8,322	\$6,612	\$5,065	\$5,826	\$6,629	\$7,278	\$7,686
Expenses	\$24,896	\$13,842	\$27,214	\$22,615	\$175,604	\$8,912	\$19,397	\$8,264	\$32,048	\$26,303
Ending Balance	\$231,702	\$258,033	\$271,916	\$291,221	\$156,162	\$186,589	\$207,634	\$240,962	\$251,503	\$268,551
Year	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Starting Balance	\$268,551	\$296,144	\$324,169	\$352,714	\$385,942	\$152,561	\$141,798	\$66,824	\$82,281	\$107,882
FFB	\$461,051	\$501,211	\$543,113	\$586,919	\$636,931	\$417,930	\$426,458	\$371,538	\$410,186	\$461,029
% Funded	58%	59%	60%	60%	61%	37%	33%	18%	20%	23%
Rating	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Weak	Weak	Weak
RC	\$36,022	\$36,382	\$36,746	\$37,113	\$37,484	\$37,859	\$38,238	\$38,620	\$39,006	\$39,396
SA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$8,345	\$9,167	\$10,003	\$10,916	\$7,958	\$4,350	\$3,083	\$2,204	\$2,810	\$3,043
Expenses	\$16,774	\$17,524	\$18,203	\$14,802	\$278,823	\$52,973	\$116,294	\$25,367	\$16,216	\$52,316
Ending Balance	\$296,144	\$324,169	\$352,714	\$385,942	\$152,561	\$141,798	\$66,824	\$82,281	\$107,882	\$98,005

BASELINE FUNDING GOAL

TABLE 1. RESERVE COMPONENT LIST

ITEM #	CATEGORY	LOCATION	RESERVE ASSET DESCRIPTION	QTY	% FUNDED	UOM	EST. LIFE	RUL	CURRENT COST	UNIT COST	IN-SVC YR	REPL YR	FUTURE COST
1	COMMON AREA	Roads + Parking Areas	Asphalt - Remove & Replace	47,250	100%	Sq. Ft.	30	24	\$127,575	\$2.70	2012	2042	\$230,748
2	COMMON AREA	Roads + Parking Areas	Asphalt - Mill & Overlay	47,250	100%	Sq. Ft.	20	14	\$70,875	\$1.50	2012	2032	\$100,145
3	COMMON AREA	Roads + Parking Areas	Asphalt - Seal/Repair	47,250	100%	Sq. Ft.	4	0	\$7,088	\$0.15	2014	2018	\$7,823
4	COMMON AREA	Turf Common Areas	Drywells - Cleanout	5	100%	Unit	5	1	\$5,000	\$1,000	2013	2019	\$5,125
5	COMMON AREA	Turf Common Areas	Drywells - Partial Replace	1	100%	Unit	25	19	\$15,000	\$15,000	2012	2037	\$23,980
6	COMMON AREA	Landscaped Areas	Landscape Granite - Replenish	130	100%	Tons	8	2	\$7,800	\$60.00	2012	2020	\$8,195
7	COMMON AREA	Landscaped Areas	Irrigation System - Refurbish	1	100%	LF	30	26	\$32,600	\$32,600	2014	2044	\$61,950
8	COMMON AREA	Landscaped Areas	Tree Removals - (Allowance)	1	100%	LS	3	0	\$2,500	\$2,500	1993	2018	\$2,692
9	COMMON AREA	Throughout Community	Backflow Preventers - Replace	5	100%	Unit	30	5	\$4,250	\$850	1993	2023	\$4,808
10	COMMON AREA	Entrance + Pool Area	Outdoor Lighting - Replace	14	100%	Lights	20	9	\$5,200	\$371	2007	2027	\$6,494
11	COMMON AREA	Perimeter	Walls - Repaint + Repair	14,500	100%	Sq. Ft.	8	2	\$8,525	\$0.59	2012	2020	\$8,957
12	COMMON AREA	Entrance	Monument Signs - Replace	2	100%	Unit	20	14	\$6,000	\$3,000	2012	2032	\$8,478
13	COMMON AREA	Alma School Rd	Pedestrian Gate - Replace	1	100%	Unit	26	23	\$500	\$500	2015	2041	\$882
14	COMMON AREA	Rio Salado Pkwy.	Fire Gates - Replace	2	100%	Unit	26	23	\$2,000	\$1,000	2015	2041	\$3,529
15	COMMON AREA	Throughout Community	Fire Hydrants - Replace	5	100%	Unit	30	25	\$25,300	\$5,060	2013	2043	\$46,905
16	COMMON AREA	Throughout Community	Sewer Line - Repairs	1	5%	Unit	20	14	\$220	\$4,400	2012	2032	\$311
17	COMMON AREA	Throughout Community	Water Line - Repairs	1	100%	Unit	20	14	\$39,000	\$39,000	2012	2032	\$55,106
18	COMMON AREA	Community Entrance	Stamped Concrete - Replace	2,370	100%	Sq. Ft.	30	8	\$30,000	\$12.66	1986	2026	\$36,552
19	COMMON AREA	Common Areas	Mailboxes - Replace	5	100%	CBUs	20	7	\$7,000	\$1,400	2005	2025	\$8,321
20	POOL AREA	Pool Perimeter	Metal Fence - Replace	65	100%	LF	26	13	\$2,600	\$40	2005	2031	\$3,584
21	POOL AREA	Pool Perimeter	Pool Gates - Replace	2	100%	EA	26	13	\$800	\$400	2005	2031	\$1,103
22	POOL AREA	Pool Area	Pool Deck - Seal/Repair	1,600	100%	Sq. Ft.	6	3	\$1,920	\$1.20	2015	2021	\$2,068
23	POOL AREA	Pool Area	Pool Deck - Resurface	1,600	100%	Sq. Ft.	16	13	\$12,000	\$7.50	2015	2031	\$16,542
24	POOL AREA	Pool Area	Pool - Resurface	1	100%	Unit	10	7	\$9,500	\$9,500	2015	2025	\$11,293
25	POOL AREA	Pool Equipment Area	Pool Filter - Replace	1	100%	Unit	15	0	\$1,300	\$1,300	2001	2018	\$1,883
26	POOL AREA	Gazebo Roof	Tile Roof - Refurbish	460	100%	Sq. Ft.	30	5	\$2,070	\$4.50	1986	2023	\$2,342
27	POOL AREA	Pool Area	Pool Furniture - Replace	17	100%	Pieces	6	5	5,000	\$294	2017	2023	\$5,657
28	POOL AREA	Pool Equipment Area	Pool Pumps - Replace	3	100%	Unit	10	0	\$2,200	\$733	2006	2018	\$2,816
28	Total Components								\$433,823				

TABLE 2. CONTRIBUTION CALCULATION DETAIL

ITEM #	RESERVE ASSET DESCRIPTION	EL	RL	COST	FFB	FUND ALLOCATION	RC ALLOCATION	RC CALCS	FFB CUMULATE	DETERIORATION	SIGNIFICANCE
1	Asphalt - Remove & Replace	30	24	\$127,575	\$25,515	\$25,515	\$116	\$4,253	\$25,515	\$4,253	18.14%
2	Asphalt - Mill & Overlay	20	14	\$70,875	\$21,263	\$21,263	\$97	\$3,544	\$46,778	\$3,544	15.12%
3	Asphalt - Seal/Repair	4	0	\$7,088	\$7,088	\$7,088	\$48	\$1,772	\$53,865	\$1,772	7.56%
4	Drywells - Cleanout	5	1	\$5,000	\$4,000	\$4,000	\$27	\$1,000	\$57,865	\$1,000	4.27%
5	Drywells - Partial Replace	25	19	\$15,000	\$3,600	\$3,600	\$16	\$600	\$61,465	\$600	2.56%
6	Landscape Granite - Replenish	8	2	\$7,800	\$5,850	\$5,850	\$27	\$975	\$67,315	\$975	4.16%
7	Irrigation System - Refurbish	30	26	\$32,600	\$4,347	\$4,347	\$30	\$1,087	\$71,662	\$1,087	4.64%
8	Tree Removals - (Allowance)	3	0	\$2,500	\$2,500	\$2,500	\$23	\$833	\$74,162	\$833	3.56%
9	Backflow Preventers - Replace	30	5	\$4,250	\$3,542	\$3,542	\$4	\$142	\$77,703	\$142	0.60%
10	Outdoor Lighting - Replace	20	9	\$5,200	\$2,860	\$2,860	\$7	\$260	\$80,563	\$260	1.11%
11	Walls - Repaint + Repair	8	2	\$8,525	\$6,394	\$6,394	\$29	\$1,066	\$86,957	\$1,066	4.55%
12	Monument Signs - Replace	20	14	\$6,000	\$1,800	\$1,800	\$8	\$300	\$88,757	\$300	1.28%
13	Pedestrian Gate - Replace	26	23	\$500	\$58	\$58	\$1	\$19	\$88,815	\$19	0.08%
14	Fire Gates - Replace	26	23	\$2,000	\$231	\$231	\$2	\$77	\$89,046	\$77	0.33%
15	Fire Hydrants - Replace	30	25	\$25,300	\$4,217	\$4,217	\$23	\$843	\$93,262	\$843	3.60%
16	Sewer Line - Repairs	20	14	\$220	\$66	\$66	\$0	\$11	\$93,328	\$11	0.05%
17	Water Line - Repairs	20	14	\$39,000	\$11,700	\$11,700	\$53	\$1,950	\$105,028	\$1,950	8.32%
18	Stamped Concrete - Replace	30	8	\$30,000	\$22,000	\$7,412	\$27	\$1,000	\$127,028	\$1,000	4.27%
19	Mailboxes - Replace	20	7	\$7,000	\$4,550	\$0	\$10	\$350	\$131,578	\$350	1.49%
20	Metal Fence - Replace	26	13	\$2,600	\$1,300	\$0	\$3	\$100	\$132,878	\$100	0.43%
21	Pool Gates - Replace	26	13	\$800	\$400	\$0	\$1	\$31	\$133,278	\$31	0.13%
22	Pool Deck - Seal/Repair	6	3	\$1,920	\$960	\$0	\$9	\$320	\$134,238	\$320	1.37%
23	Pool Deck - Resurface	16	13	\$12,000	\$2,250	\$0	\$20	\$750	\$136,488	\$750	3.20%
24	Pool - Resurface	10	7	\$9,500	\$2,850	\$0	\$26	\$950	\$139,338	\$950	4.05%
25	Pool Filter - Replace	15	0	\$1,300	\$1,300	\$0	\$2	\$87	\$140,638	\$87	0.37%
26	Tile Roof - Refurbish	30	5	\$2,070	\$1,725	\$0	\$2	\$69	\$142,363	\$69	0.29%
27	Pool Furniture - Replace	6	5	\$5,000	\$833	\$0	\$23	\$833	\$143,197	\$833	3.56%
28	Pool Pumps - Replace	10	0	\$2,200	\$2,200	\$0	\$6	\$220	\$145,397	\$220	0.94%
28	Total Components			\$433,823	\$145,397	\$112,440	\$640	\$23,441		\$23,441	100.00%

TABLE 3. ANNUAL EXPENSE PROJECTIONS YEARS 1-10

ITEM #	SUB-CATEGORY	RESERVE ASSET DESCRIPTION	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
1	Roads + Parking Areas	Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Roads + Parking Areas	Asphalt - Mill & Overlay	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Roads + Parking Areas	Asphalt - Seal/Repair	\$7,088	\$0	\$0	\$0	\$7,823	\$0	\$0	\$0	\$8,978	\$0
4	Turf Common Areas	Drywells - Cleanout	\$0	\$5,125	\$0	\$0	\$0	\$0	\$5,970	\$0	\$0	\$0
5	Turf Common Areas	Drywells - Partial Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Landscaped Areas	Landscape Granite - Replenish	\$0	\$0	\$8,195	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	Landscaped Areas	Irrigation System - Refurbish	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Landscaped Areas	Tree Removals - (Allowance)	\$2,500	\$0	\$0	\$2,692	\$0	\$0	\$2,985	\$0	\$0	\$3,262
9	Throughout Community	Backflow Preventers - Replace	\$0	\$0	\$0	\$0	\$0	\$4,927	\$0	\$0	\$0	\$0
10	Entrance + Pool Area	Outdoor Lighting - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,785
11	Perimeter	Walls - Repaint + Repair	\$0	\$0	\$8,957	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	Entrance	Monument Signs - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	Alma School Rd	Pedestrian Gate - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Rio Salado Pkwy.	Fire Gates - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	Throughout Community	Fire Hydrants - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Throughout Community	Sewer Line - Repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Throughout Community	Water Line - Repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Community Entrance	Stamped Concrete - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$38,003	\$0
19	Common Areas	Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,609	\$0	\$0
20	Pool Perimeter	Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Pool Perimeter	Pool Gates - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Pool Area	Pool Deck - Seal/Repair	\$0	\$0	\$0	\$2,068	\$0	\$0	\$0	\$0	\$0	\$2,505
23	Pool Area	Pool Deck - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24	Pool Area	Pool - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Pool Equipment Area	Pool Filter - Replace	\$1,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Gazebo Roof	Tile Roof - Refurbish	\$0	\$0	\$0	\$0	\$0	\$2,400	\$0	\$0	\$0	\$0
27	Pool Area	Pool Furniture - Replace	\$0	\$0	\$0	\$0	\$0	\$5,796	\$0	\$0	\$0	\$0
28	Pool Equipment Area	Pool Pumps - Replace	\$2,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses			\$13,088	\$5,125	\$17,151	\$4,760	\$7,823	\$13,123	\$8,955	\$8,609	\$46,981	\$12,552

TABLE 4. ANNUAL EXPENSE PROJECTIONS YEARS 11-20

ITEM #	SUB-CATEGORY	RESERVE ASSET DESCRIPTION	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
1	Roads + Parking Areas	Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Roads + Parking Areas	Asphalt - Mill & Overlay	\$0	\$0	\$0	\$0	\$107,205	\$0	\$0	\$0	\$0	\$0
3	Roads + Parking Areas	Asphalt - Seal/Repair	\$0	\$0	\$10,105	\$0	\$0	\$0	\$11,373	\$0	\$0	\$0
4	Turf Common Areas	Drywells - Cleanout	\$0	\$6,921	\$0	\$0	\$0	\$0	\$8,024	\$0	\$0	\$0
5	Turf Common Areas	Drywells - Partial Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,303
6	Landscaped Areas	Landscape Granite - Replenish	\$10,483	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,279	\$0
7	Landscaped Areas	Irrigation System - Refurbish	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Landscaped Areas	Tree Removals - (Allowance)	\$0	\$0	\$3,564	\$0	\$0	\$3,895	\$0	\$0	\$4,256	\$0
9	Throughout Community	Backflow Preventers - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Entrance + Pool Area	Outdoor Lighting - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Perimeter	Walls - Repaint + Repair	\$11,457	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,513	\$0
12	Entrance	Monument Signs - Replace	\$0	\$0	\$0	\$0	\$9,076	\$0	\$0	\$0	\$0	\$0
13	Alma School Rd	Pedestrian Gate - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Rio Salado Pkwy.	Fire Gates - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	Throughout Community	Fire Hydrants - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Throughout Community	Sewer Line - Repairs	\$0	\$0	\$0	\$0	\$333	\$0	\$0	\$0	\$0	\$0
17	Throughout Community	Water Line - Repairs	\$0	\$0	\$0	\$0	\$58,991	\$0	\$0	\$0	\$0	\$0
18	Community Entrance	Stamped Concrete - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Common Areas	Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Pool Perimeter	Metal Fence - Replace	\$0	\$0	\$0	\$3,818	\$0	\$0	\$0	\$0	\$0	\$0
21	Pool Perimeter	Pool Gates - Replace	\$0	\$0	\$0	\$1,175	\$0	\$0	\$0	\$0	\$0	\$0
22	Pool Area	Pool Deck - Seal/Repair	\$0	\$0	\$0	\$0	\$0	\$2,991	\$0	\$0	\$0	\$0
23	Pool Area	Pool Deck - Resurface	\$0	\$0	\$0	\$17,622	\$0	\$0	\$0	\$0	\$0	\$0
24	Pool Area	Pool - Resurface	\$0	\$0	\$13,545	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Pool Equipment Area	Pool Filter - Replace	\$0	\$0	\$0	\$0	\$0	\$2,025	\$0	\$0	\$0	\$0
26	Gazebo Roof	Tile Roof - Refurbish	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27	Pool Area	Pool Furniture - Replace	\$0	\$6,921	\$0	\$0	\$0	\$0	\$0	\$8,264	\$0	\$0
28	Pool Equipment Area	Pool Pumps - Replace	\$2,957	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses			\$24,896	\$13,842	\$27,214	\$22,615	\$175,604	\$8,912	\$19,397	\$8,264	\$32,048	\$26,303

TABLE 5. ANNUAL EXPENSE PROJECTIONS YEARS 21-30

ITEM #	SUB-CATEGORY	RESERVE ASSET DESCRIPTION	2038	2039	2040	2041	2042	2043	2044	2045	2046
1	Roads + Parking Areas	Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$259,334	\$0	\$0	\$0	\$0
2	Roads + Parking Areas	Asphalt - Mill & Overlay	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Roads + Parking Areas	Asphalt - Seal/Repair	\$12,801	\$0	\$0	\$0	\$14,407	\$0	\$0	\$0	\$16,216
4	Turf Common Areas	Drywells - Cleanout	\$0	\$9,301	\$0	\$0	\$0	\$0	\$10,783	\$0	\$0
5	Turf Common Areas	Drywells - Partial Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Landscaped Areas	Landscape Granite - Replenish	\$0	\$0	\$0	\$0	\$0	\$0	\$16,821	\$0	\$0
7	Landscaped Areas	Irrigation System - Refurbish	\$0	\$0	\$0	\$0	\$0	\$0	\$70,305	\$0	\$0
8	Landscaped Areas	Tree Removals - (Allowance)	\$0	\$4,651	\$0	\$0	\$5,082	\$0	\$0	\$5,553	\$0
9	Throughout Community	Backflow Preventers - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Entrance + Pool Area	Outdoor Lighting - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Perimeter	Walls - Repaint + Repair	\$0	\$0	\$0	\$0	\$0	\$0	\$18,385	\$0	\$0
12	Entrance	Monument Signs - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	Alma School Rd	Pedestrian Gate - Replace	\$0	\$0	\$0	\$987	\$0	\$0	\$0	\$0	\$0
14	Rio Salado Pkwy.	Fire Gates - Replace	\$0	\$0	\$0	\$3,947	\$0	\$0	\$0	\$0	\$0
15	Throughout Community	Fire Hydrants - Replace	\$0	\$0	\$0	\$0	\$0	\$52,973	\$0	\$0	\$0
16	Throughout Community	Sewer Line - Repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Throughout Community	Water Line - Repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Community Entrance	Stamped Concrete - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Common Areas	Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,549	\$0
20	Pool Perimeter	Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Pool Perimeter	Pool Gates - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Pool Area	Pool Deck - Seal/Repair	\$0	\$3,572	\$0	\$0	\$0	\$0	\$0	\$4,265	\$0
23	Pool Area	Pool Deck - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24	Pool Area	Pool - Resurface	\$0	\$0	\$18,203	\$0	\$0	\$0	\$0	\$0	\$0
25	Pool Equipment Area	Pool Filter - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Gazebo Roof	Tile Roof - Refurbish	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27	Pool Area	Pool Furniture - Replace	\$0	\$0	\$0	\$9,868	\$0	\$0	\$0	\$0	\$0
28	Pool Equipment Area	Pool Pumps - Replace	\$3,973	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses			\$16,774	\$17,524	\$18,203	\$14,802	\$278,823	\$52,973	\$116,294	\$25,367	\$16,216

Disclosures

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

Physical Analysis:

Capital Reserve Analysts did not conduct a physical inspection.

Completeness:

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

Reliance on Client Data:

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

Scope:

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

Reserve Balance:

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

Reserve Projects:

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

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

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

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

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

Definitions

CASH FLOW METHOD: A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different

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

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

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

CURRENT REPLACEMENT COST: See "Replacement Cost."

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

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

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

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

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

FFB = Current Cost X Effective Age / Useful Life

Or

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

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

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

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

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

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

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

Exeter Place 2018 Reserve Study

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

Funding Principles:

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

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

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

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

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

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

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

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

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The

Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis. "Our budget and finance committee is soliciting proposals to update our Reserve Study for next year's budget."