



**RESERVE STUDY UPDATE
FOR
SILVERHAWKE HOMEOWNERS ASSOCIATION**



**Management By:
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Prepared By:
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September 23, 2024



EXECUTIVE SUMMARY

SILVERHAWKE HOMEOWNERS ASSOCIATION

September 23, 2024

Starting Reserve Balance 1/1/2024	\$678,682
Projected Fully Funded Reserve Balance 1/1/2024	\$208,046
Percent Fully Funded 1/1/2024	227%
Annual Reserve Contribution 2024	\$9,876

This study is an update to a previous study performed by FDReserve Studies, LLC dated March 15, 2019. This update was performed with a field visit.

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

Following are some key points relative to your study:

1. The study has a fiscal year beginning date of January 1, 2024.
2. The study reflects a beginning balance for the reserve fund of \$678,682 and an annual contribution of \$9,876. The financial information was provided by the association and was not audited. As reflected by the Current Assessment Funding Model Projection in the report, on pages 1-1 and 1-2, the reserve fund is well funded until 2034. Reserve funds are generally considered to be in a healthy condition if the reserve balance is at or above 70% of the fully funded balance.
3. Because of the underfunded condition in later years, based on the current funding, an Alternate Funding Model is included in the report, on pages 1-3 and 1-4, for consideration by the Association. The model suggest annual contribution to the reserve fund of \$15,000 in 2034, \$30,000 in 2035, \$45,000 in 2036, \$60,000 in 2037, \$75,000 in 2038 followed by an annual 5% increase in the annual funding in 2039 through 2045. Other funding alternatives can be prepared if desired by the Board. Note that the study includes a 3% inflation on costs based on current construction cost indexes so some increase in funding over time is recommended to stay even with cost increase from inflation.

4. This study should be compared with the operating budget to make sure there are no overlaps or gaps of items in this study and in the operating budget.
5. The physical assessment of components was based on field reviews conducted on May 9, 2024. The field review consisted of on-site observations of common areas and facilities. No sampling or destructive testing was performed. The on-site observation is not a comprehensive quality inspection. Quantification of assets was accomplished with a combination of on-site measurements, aerial photos and information provided by the association.
6. The consultant has no other involvement with the association that could be considered a conflict of interest. To our knowledge, there are no material issues that have not been disclosed that would cause a distortion of the association's reserve fund.

Report was prepared by:

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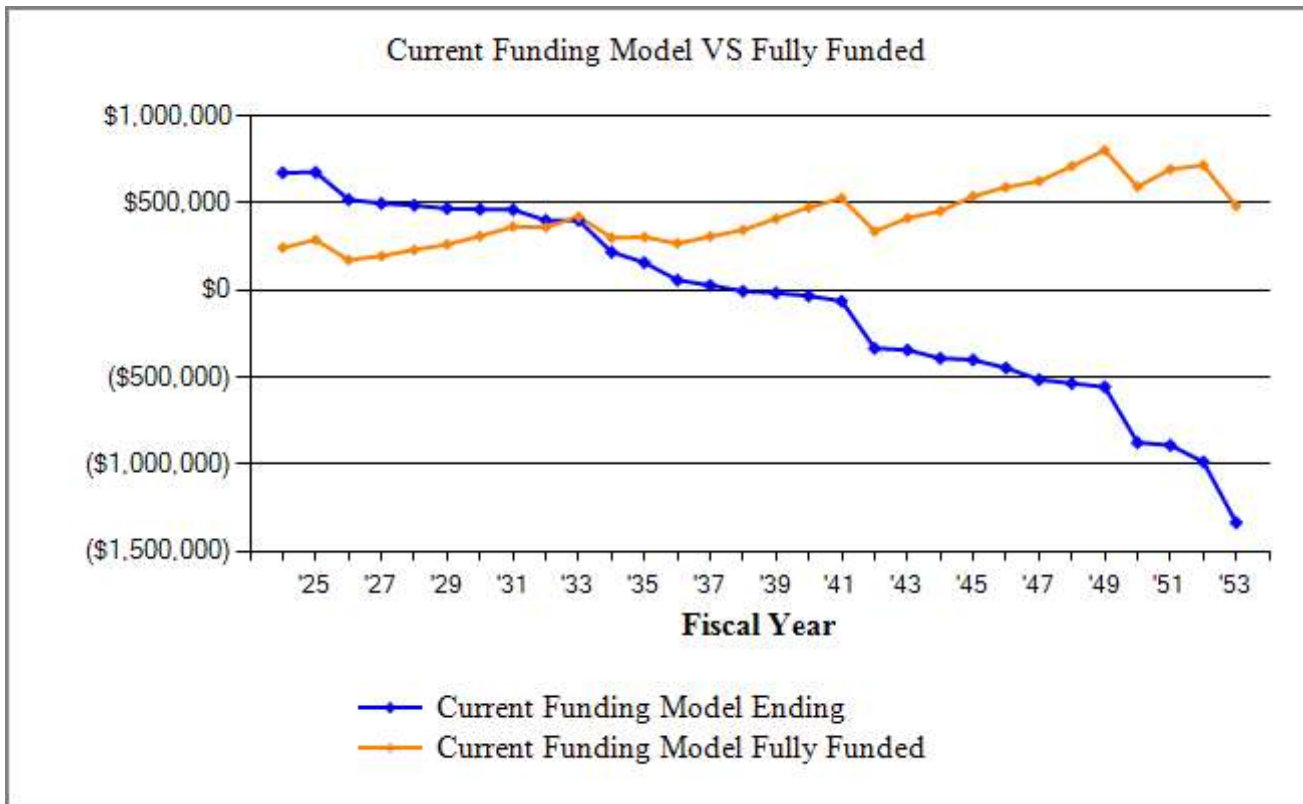
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SILVERHAWKE HOMEOWNERS ASSOCIATION
Current Funding Model Summary

Report Date	September 23, 2024
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	515

<i>Report Parameters</i>	
Inflation	3.00%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	1.00%
Tax Rate on Interest	30.00%
2024 Beginning Balance	\$678,682



This is your current assessment funding model with a 3% annual increase.

<i>Current Assessment Funding Model Summary of Calculations</i>	
Required Monthly Contribution	\$823.00
<i>\$1.60 per unit monthly</i>	
Average Net Monthly Interest Earned	\$389.47
Total Monthly Allocation to Reserves	\$1,212.47
<i>\$2.35 per unit monthly</i>	

SILVERHAWKE HOMEOWNERS ASSOCIATION
Current Funding Model Projection

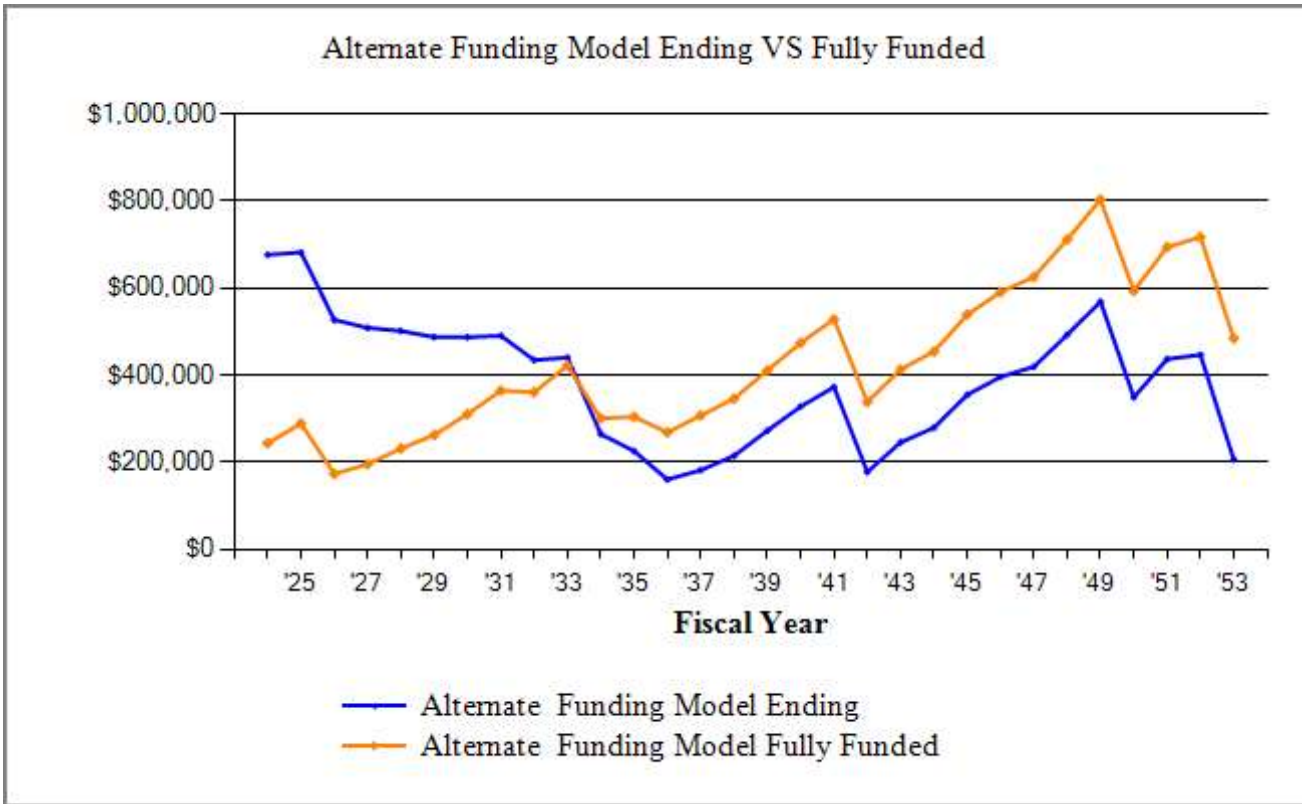
Beginning Balance: \$678,682

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	453,458	9,876	4,674	18,500	674,732	243,977	277%
2025	467,062	9,876	4,693	11,845	677,455	289,303	234%
2026	481,074	9,876	3,594	171,070	519,855	173,499	300%
2027	495,506	9,876	3,443	34,967	498,206	195,959	254%
2028	510,371	9,876	3,366	24,198	487,250	231,783	210%
2029	525,682	9,876	3,239	31,300	469,065	263,012	178%
2030	541,453	9,876	3,206	17,911	464,236	310,665	149%
2031	557,696	9,876	3,194	14,758	462,547	364,741	127%
2032	574,427	9,876	2,765	74,106	401,083	361,110	111%
2033	591,660	9,876	2,763	13,048	400,674	422,113	95%
2034	609,410	9,876	1,492	193,524	218,518	300,964	73%
2035	627,692	9,876	1,076	70,596	158,874	304,799	52%
2036	646,523	9,876	372	111,281	57,841	268,870	22%
2037	665,919	9,876	165	39,650	28,232	307,729	9%
2038	685,896	9,876		43,109	-5,001	346,340	
2039	706,473	9,876		21,033	-16,157	411,062	
2040	727,667	9,876		26,478	-32,759	474,397	
2041	749,497	9,876		39,668	-62,551	528,393	
2042	771,982	9,876		280,319	-332,995	338,558	
2043	795,142	9,876		20,165	-343,284	413,477	
2044	818,996	9,876		57,796	-391,203	454,451	
2045	843,566	9,876		18,603	-399,930	539,666	
2046	868,873	9,876		56,525	-446,579	591,099	
2047	894,939	9,876		76,970	-513,673	625,821	
2048	921,787	9,876		30,492	-534,289	712,345	
2049	949,441	9,876		31,407	-555,820	803,498	
2050	977,924	9,876		328,880	-874,824	594,051	
2051	1,007,262	9,876		24,989	-889,938	694,484	
2052	1,037,479	9,876		106,389	-986,450	717,339	
2053	1,068,604	9,876		358,198	-1,334,772	484,865	

SILVERHAWKE HOMEOWNERS ASSOCIATION
Alternate Funding Model Summary

Report Date	September 23, 2024
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	515

<i>Report Parameters</i>	
Inflation	3.00%
Interest Rate on Reserve Deposit	1.00%
Tax Rate on Interest	30.00%
2024 Beginning Balance	\$678,682



<i>Alternate Funding Model Summary of Calculations</i>	
Required Monthly Contribution <i>\$1.94 per unit monthly</i>	\$1,000.00
Average Net Monthly Interest Earned	\$390.14
Total Monthly Allocation to Reserves <i>\$2.70 per unit monthly</i>	\$1,390.14

SILVERHAWKE HOMEOWNERS ASSOCIATION
Alternate Funding Model Projection

Beginning Balance: \$678,682

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	453,458	12,000	4,682	18,500	676,864	243,977	277%
2025	467,062	12,360	4,717	11,845	682,096	289,303	236%
2026	481,074	12,731	3,637	171,070	527,394	173,499	304%
2027	495,506	13,113	3,508	34,967	509,047	195,959	260%
2028	510,371	13,506	3,456	24,198	501,811	231,783	217%
2029	525,682	13,911	3,357	31,300	487,779	263,012	185%
2030	541,453	14,329	3,354	17,911	487,551	310,665	157%
2031	557,696	14,758	3,376	14,758	490,927	364,741	135%
2032	574,427	15,201	2,985	74,106	435,007	361,110	120%
2033	591,660	15,657	3,023	13,048	440,639	422,113	104%
2034	609,410	16,127	1,797	193,524	265,039	300,964	88%
2035	627,692	30,000	1,479	70,596	225,922	304,799	74%
2036	646,523	45,000	976	111,281	160,618	268,870	60%
2037	665,919	60,000	1,077	39,650	182,045	307,729	59%
2038	685,896	75,000	1,261	43,109	215,197	346,340	62%
2039	706,473	77,250	1,657	21,033	273,071	411,062	66%
2040	727,667	79,567	2,034	26,478	328,195	474,397	69%
2041	749,497	81,955	2,338	39,668	372,819	528,393	71%
2042	771,982	84,413	970	280,319	177,883	338,558	53%
2043	795,142	86,946	1,438	20,165	246,101	413,477	60%
2044	818,996	89,554	1,663	57,796	279,522	454,451	62%
2045	843,566	92,241	2,183	18,603	355,342	539,666	66%
2046	868,873	95,008	2,459	56,525	396,285	591,099	67%
2047	894,939	97,858	2,614	76,970	419,787	625,821	67%
2048	921,787	100,794	3,117	30,492	493,206	712,345	69%
2049	949,441	103,818	3,637	31,407	569,254	803,498	71%
2050	977,924	106,932	2,094	328,880	349,400	594,051	59%
2051	1,007,262	110,140	2,697	24,989	437,247	694,484	63%
2052	1,037,479	113,444	2,755	106,389	447,058	717,339	62%
2053	1,068,604	116,848	1,068	358,198	206,775	484,865	43%

SILVERHAWKE HOMEOWNERS ASSOCIATION
Asset Summary Report

Description	Date In Service	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Equipment									
Backflow Preventers - Replace Asset ID: 1025	2016	2036	5,050	20	0	12	7,200	1 @	5,050.00
Electrical Panels - Replace Asset ID: 1031	1995	2035	7,500	35	5	11	10,382	5 @	1,500.00
Irrigation Controllers & System - Re.. Asset ID: 1021	2010	2028	5,000	18	0	4	5,628	1 @	5,000.00
Fencing/Security									
Masonry Walls - Repair Asset ID: 1027	2023	2026	7,000	3	0	2	7,426	1 @	7,000.00
Furnishings									
Basketball Backboard (Dodge Park) -.. Asset ID: 1011	1995	2026	750	25	6	2	796	1 @	750.00
Dog Stations - Replace Asset ID: 1024	2012	2027	6,500	15	0	3	7,103	10 @	650.00
Park Furnishings (All Parks) - Repla.. Asset ID: 1033	2023	2026	6,500	3	0	2	6,896	1 @	6,500.00
Playstructure (Dodge Park) - Replace Asset ID: 1014	2012	2032	30,000	20	0	8	38,003	1 @	30,000.00
Playstructure (Golden Key Park) - R.. Asset ID: 1009	2015	2035	20,000	20	0	11	27,685	1 @	20,000.00
Playstructure (Saddle Park) - Replace Asset ID: 1005	2016	2036	50,000	20	0	12	71,288	1 @	50,000.00
Shade Sails (Dodge Park) - Replace Asset ID: 1034	2017	2027	15,500	10	0	3	16,937	1 @	15,500.00
Shade Sails (Saddle Park) - Replace Asset ID: 1035	2016	2026	7,500	10	0	2	7,957	1 @	7,500.00
Grounds Components									
Concrete Components - Repair/Repla.. Asset ID: 1032	2025	2025	1,500	3	0	1	1,545	1 @	1,500.00
Drywells - Clean/Inspect Asset ID: 1019	2018	2024	5,000	2	0	0	5,000	1 @	5,000.00
Granite - Replenish Asset ID: 1020	2016	2024	10,000	1	0	0	10,000	1 @	10,000.00
Irrigation System - Refurbish Asset ID: 1028	2023	2053	128,500	30	0	29	302,819	1 @	128,500.00
Storm Water - Repairs Asset ID: 1029	2019	2024	3,500	5	0	0	3,500	1 @	3,500.00
Painting									
Masonry Walls - Paint Asset ID: 1001	2018	2026	124,000	8	0	2	131,552	1 @	124,000.00

SILVERHAWKE HOMEOWNERS ASSOCIATION
Asset Summary Report

Description	Date In Service	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Recreation									
Volleyball Court Sand (San Remo Pa.. Asset ID: 1026	2026	2026	500	5	0	2	530	1 @	500.00
Signs									
Monument Sign - Refurbish Asset ID: 1023	2017	2042	19,158	25	0	18	32,615	1 @	19,158.16

SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report

Backflow Preventers - Replace

		1 LS	@ \$5,050.00
Asset ID	1025	Asset Actual Cost	\$5,050.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$7,200.09
Placed in Service	January 2016		
Useful Life	20		
Replacement Year	2036		
Remaining Life	12		



New backflow preventer at 774 W San Pedro replaced on 3/2017 for a total of \$850. New backflow preventers at Dodge Park and Golden Key Park on 11/2016 totalling \$1100

6 - 3/4" BFP	@	\$300.00	\$1,800.00
2 - 2 " BFP	@	\$1,625.00	<u>\$3,250.00</u>
		Total =	\$5,050.00

Electrical Panels - Replace

		5 EA	@ \$1,500.00
Asset ID	1031	Asset Actual Cost	\$7,500.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$10,381.75
Placed in Service	January 1995		
Useful Life	35		
Adjustment	5		
Replacement Year	2035		
Remaining Life	11		

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Electrical Panels - Replace continued...



Budget for replacing electric panels.

Irrigation Controllers & System - Replace/Repair

			1 LS	@ \$5,000.00
Asset ID	1021	Asset Actual Cost		\$5,000.00
	Grounds	Percent Replacement		100%
Category	Equipment	Future Cost		\$5,627.54
Placed in Service	August 2010			
Useful Life	18			
Replacement Year	2028			
Remaining Life	4			



(1) 36 station Weathermatic SL4800 Smart Timers irrigation controller @ Saddle Park & (1) 24 station Weathermatic SL4800 Smart Timers irrigation controller @ Abilene Park. There are many more smaller controllers located throughout the community - see asset ID 1022.

SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report

Masonry Walls - Repair

		1 LS	@ \$7,000.00
Asset ID	1027	Asset Actual Cost	\$7,000.00
	Grounds	Percent Replacement	100%
Category	Fencing/Security	Future Cost	\$7,426.30
Placed in Service	June 2023		
Useful Life	3		
Replacement Year	2026		
Remaining Life	2		



Budget for demo, removal and re-install of these walls, painted to match every 3 years, where needed.

2023 - Valleywide Masonry repaired walls total \$6,700.

2020 - Custom Fence & Gates performed the above work on approximately 38 LF of walls total \$12,293.

SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report

Basketball Backboard (Dodge Park) - Replace

		1 EA	@ \$750.00
Asset ID	1011	Asset Actual Cost	\$750.00
	Recreation	Percent Replacement	100%
Category	Furnishings	Future Cost	\$795.67
Placed in Service	January 1995		
Useful Life	25		
Adjustment	6		
Replacement Year	2026		
Remaining Life	2		



Fair condition. Located at Dodge Park on east side of N Dodge St between W Scott Ave and W Harvard. This asset is for replacing the metal backboard only not the pole as the pole has a long life.

Dog Stations - Replace

		10 EA	@ \$650.00
Asset ID	1024	Asset Actual Cost	\$6,500.00
	Grounds	Percent Replacement	100%
Category	Furnishings	Future Cost	\$7,102.73
Placed in Service	February 2012		
Useful Life	15		
Replacement Year	2027		
Remaining Life	3		

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Dog Stations - Replace continued...



Good condition. Located throughout community.

Park Furnishings (All Parks) - Replace

Asset ID	1033	1 LS	@ \$6,500.00
Category	Recreation	Asset Actual Cost	\$6,500.00
Placed in Service	Furnishings	Percent Replacement	100%
Useful Life	January 2023	Future Cost	\$6,895.85
Replacement Year	3		
Remaining Life	2026		
	2		



Our inventory indicates there are 13 picnic tables, 10 benches, 5 trash receptacles, and 7 BBQ Grills in the five parks. The current estimated replacement cost for those furnishings is approximately \$32,000. Those furnishings have an estimated useful life of 15 years. This component provides a budget of \$6,500 on a 3 year cycle.

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Playstructure (Dodge Park) - Replace

Asset ID	1014	1 EA	@ \$30,000.00
Category	Recreation	Asset Actual Cost	\$30,000.00
Placed in Service	January 2012	Percent Replacement	100%
Useful Life	20	Future Cost	\$38,003.10
Replacement Year	2032		
Remaining Life	8		



Good condition including paint, sand, turf. Located at Dodge Park on east side of N Dodge St between W Scott Ave and W Harvard. Playworld Systems playstructure. This asset includes provisions for sand replenishment on an "as needed" basis. Date placed in service unknown, replacement based on current condition.

Playstructure (Golden Key Park) - Replace

Asset ID	1009	1 EA	@ \$20,000.00
Category	Recreation	Asset Actual Cost	\$20,000.00
Placed in Service	January 2015	Percent Replacement	100%
Useful Life	20	Future Cost	\$27,684.68
Replacement Year	2035		
Remaining Life	11		

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Playstructure (Golden Key Park) - Replace continued...



Good condition. Original Playworld park equipment located at Golden Key Park on west side of N Golden Key between W Encinas and W San Angelo. Placed in service unknown, adjusted to reflect current condition. This asset includes a provision for sand replenishment on an "as needed" basis.

2021 - Tot Lot Care installed new sliding pole total \$1,650. Anticipate full replacement in the future.

Playstructure (Saddle Park) - Replace

Asset ID	1005	1 EA	@ \$50,000.00
Category	Recreation	Asset Actual Cost	\$50,000.00
Placed in Service	Furnishings	Percent Replacement	100%
Useful Life	November 2016	Future Cost	\$71,288.04
Replacement Year	20		
Remaining Life	2036		
	12		



New condition on paint, sand, turf and shade sail. Located at Saddle Park along west side of N Saddle St between W Scott & W Harvard. Playworld Systems playstructure. This asset includes provisions for sand replenishment, turf coating and shade sail replacement on an "as

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Playstructure (Saddle Park) - Replace continued...

needed" basis.

Shade Sails (Dodge Park) - Replace

Asset ID	1034	1 LS	@ \$15,500.00
Category	Recreation	Asset Actual Cost	\$15,500.00
Placed in Service	Furnishings	Percent Replacement	100%
Useful Life	January 2017	Future Cost	\$16,937.27
Replacement Year	10		
Remaining Life	2027		
	3		



Shade sails installed in 2017.

Shade Sails (Saddle Park) - Replace

Asset ID	1035	1 LS	@ \$7,500.00
Category	Recreation	Asset Actual Cost	\$7,500.00
Placed in Service	Furnishings	Percent Replacement	100%
Useful Life	January 2016	Future Cost	\$7,956.75
Replacement Year	10		
Remaining Life	2026		
	2		

SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report

Shade Sails (Saddle Park) - Replace continued...



Shade sails installed in 2016.

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Concrete Components - Repair/Replace Sections

Asset ID	1032	1 LS	@ \$1,500.00
	Grounds	Asset Actual Cost	\$1,500.00
Category	Grounds Components	Percent Replacement	100%
Placed in Service	January 2025	Future Cost	\$1,545.00
Useful Life	3		
Replacement Year	2025		
Remaining Life	1		



Budget to repair and/or replace sections of concrete components.

Drywells - Clean/Inspect

Asset ID	1019	1 LS	@ \$5,000.00
	Grounds	Asset Actual Cost	\$5,000.00
Category	Grounds Components	Percent Replacement	100%
Placed in Service	December 2018	Future Cost	\$5,000.00
Useful Life	2		
Replacement Year	2024		
Remaining Life	0		



This asset is for \$5000 every 2 years for inspection and cleanout on an "as needed" basis.

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Drywells - Clean/Inspect continued...

2019 - StormWater Pros hydrovac clean headwall No 44 total \$900.

2018 - StormWater Pros hydrovac clean drywell No 49, hydrovac blubbler No 48B and construct (4) new cement collars at Nos 4, 17, 27, 47 and (2) new cement collars at srywell interceptors Nos 17 & 47 total \$4,700.

Granite - Replenish

			1 LS	@ \$10,000.00
Asset ID	1020	Asset Actual Cost		\$10,000.00
	Grounds	Percent Replacement		100%
Category	Grounds Components	Future Cost		\$10,000.00
Placed in Service	October 2016			
Useful Life	1			
Replacement Year	2024			
Remaining Life	0			



Fair condition. This asset is for granite replenishment for \$10,000 every year where needed. River rock added at north end of Dodge Park on 10/2016 for a total of \$3300.

Irrigation System - Refurbish

			1 LS	@ \$128,500.00
Asset ID	1028	Asset Actual Cost		\$128,500.00
	Grounds	Percent Replacement		100%
Category	Grounds Components	Future Cost		\$302,818.67
Placed in Service	June 2023			
Useful Life	30			
Replacement Year	2053			
Remaining Life	29			

2021 - Genesis Landscape Solutions proposal to install new emitter manifolds total \$128,496.
Blue Zone - \$34,694

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Irrigation System - Refurbish continued...

Red Zone - \$28,912

Yellow Zone - \$33,409

Orange Zone - \$31,496

Storm Water - Repairs

Asset ID	1029	1 LS	@ \$3,500.00
Category	Grounds	Asset Actual Cost	\$3,500.00
Placed in Service	March 2019	Percent Replacement	100%
Useful Life	5	Future Cost	\$3,500.00
Replacement Year	2024		
Remaining Life	0		



2019 - Storm Water Pros construct shotcrete on headwall/apron and sides #12 and hydrovac cleaning total \$3,500.

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Masonry Walls - Paint

		1 LS @ \$124,000.00
Asset ID	1001	Asset Actual Cost \$124,000.00
	Grounds	Percent Replacement 100%
Category	Painting	Future Cost \$131,551.60
Placed in Service	April 2018	
Useful Life	8	
Replacement Year	2026	
Remaining Life	2	



Good condition. This asset includes repair and painting of stucco masonry walls. Approximately 109,000 SF of community walls. Walls painted in 2018 for a total of \$106,849.98.

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report**

Volleyball Court Sand (San Remo Park) - Fill

			1 LS	@ \$500.00
Asset ID	1026	Asset Actual Cost		\$500.00
	Recreation	Percent Replacement		100%
Category	Recreation	Future Cost		\$530.45
Placed in Service	January 2026			
Useful Life	5			
Replacement Year	2026			
Remaining Life	2			



Good condition. Located at San Remo Park end of W San Remo Ct.

SILVERHAWKE HOMEOWNERS ASSOCIATION
Detail Report

Monument Sign - Refurbish

		1 LS	@ \$19,158.16
Asset ID	1023	Asset Actual Cost	\$19,158.16
	Grounds	Percent Replacement	100%
Category	Signs	Future Cost	\$32,615.48
Placed in Service	January 2017		
Useful Life	25		
Replacement Year	2042		
Remaining Life	18		



New condition. (3) new signs installed in 2017 for a total of \$16,525.71. Etched tile on aluminum backing.

SILVERHAWKE HOMEOWNERS ASSOCIATION

Detail Index

Asset ID	Description	Replacement	Page
Equipment			
1025	Backflow Preventers - Replace	2036	1-7
1031	Electrical Panels - Replace	2035	1-7
1021	Irrigation Controllers & System - Replace/Repair	2028	1-8
Fencing/Security			
1027	Masonry Walls - Repair	2026	1-9
Furnishings			
1011	Basketball Backboard (Dodge Park) - Replace	2026	1-10
1024	Dog Stations - Replace	2027	1-10
1033	Park Furnishings (All Parks) - Replace	2026	1-11
1014	Playstructure (Dodge Park) - Replace	2032	1-12
1009	Playstructure (Golden Key Park) - Replace	2035	1-12
1005	Playstructure (Saddle Park) - Replace	2036	1-13
1034	Shade Sails (Dodge Park) - Replace	2027	1-14
1035	Shade Sails (Saddle Park) - Replace	2026	1-14
Grounds Components			
1032	Concrete Components - Repair/Replace Sections	2025	1-16
1019	Drywells - Clean/Inspect	2024	1-16
1020	Granite - Replenish	2024	1-17
1028	Irrigation System - Refurbish	2053	1-17
1029	Storm Water - Repairs	2024	1-18
Painting			
1001	Masonry Walls - Paint	2026	1-19
Recreation			
1026	Volleyball Court Sand (San Remo Park) - Fill	2026	1-20
Signs			
1023	Monument Sign - Refurbish	2042	1-21
	Total Funded Assets	20	
	Total Unfunded Assets	<u>0</u>	
	Total Assets	20	

SILVERHAWKE HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2024	
Grounds Components	
1019 Drywells - Clean/Inspect	5,000
1020 Granite - Replenish	10,000
1029 Storm Water - Repairs	3,500
Total for 2024	\$18,500
Replacement Year 2025	
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	1,545
1020 Granite - Replenish	10,300
Total for 2025	\$11,845
Replacement Year 2026	
Fencing/Security	
1027 Masonry Walls - Repair	7,426
Furnishings	
1011 Basketball Backboard (Dodge Park) - Replace	796
1033 Park Furnishings (All Parks) - Replace	6,896
1035 Shade Sails (Saddle Park) - Replace	7,957
Grounds Components	
1019 Drywells - Clean/Inspect	5,304
1020 Granite - Replenish	10,609
Painting	
1001 Masonry Walls - Paint	131,552
Recreation	
1026 Volleyball Court Sand (San Remo Park) - Fill	530
Total for 2026	\$171,070
Replacement Year 2027	
Furnishings	
1024 Dog Stations - Replace	7,103
1034 Shade Sails (Dodge Park) - Replace	16,937
Grounds Components	
1020 Granite - Replenish	10,927
Total for 2027	\$34,967

SILVERHAWKE HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2028	
Equipment	
1021 Irrigation Controllers & System - Replace/Repair	5,628
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	1,688
1019 Drywells - Clean/Inspect	5,628
1020 Granite - Replenish	11,255
Total for 2028	\$24,198
Replacement Year 2029	
Fencing/Security	
1027 Masonry Walls - Repair	8,115
Furnishings	
1033 Park Furnishings (All Parks) - Replace	7,535
Grounds Components	
1020 Granite - Replenish	11,593
1029 Storm Water - Repairs	4,057
Total for 2029	\$31,300
Replacement Year 2030	
Grounds Components	
1019 Drywells - Clean/Inspect	5,970
1020 Granite - Replenish	11,941
Total for 2030	\$17,911
Replacement Year 2031	
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	1,845
1020 Granite - Replenish	12,299
Recreation	
1026 Volleyball Court Sand (San Remo Park) - Fill	615
Total for 2031	\$14,758
Replacement Year 2032	
Fencing/Security	
1027 Masonry Walls - Repair	8,867

SILVERHAWKE HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
<i>Replacement Year 2032 continued...</i>	
Furnishings	
1033 Park Furnishings (All Parks) - Replace	8,234
1014 Playstructure (Dodge Park) - Replace	38,003
Grounds Components	
1019 Drywells - Clean/Inspect	6,334
1020 Granite - Replenish	12,668
Total for 2032	<u>\$74,106</u>
 Replacement Year 2033	
Grounds Components	
1020 Granite - Replenish	13,048
Total for 2033	<u>\$13,048</u>
 Replacement Year 2034	
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	2,016
1019 Drywells - Clean/Inspect	6,720
1020 Granite - Replenish	13,439
1029 Storm Water - Repairs	4,704
Painting	
1001 Masonry Walls - Paint	166,646
Total for 2034	<u>\$193,524</u>
 Replacement Year 2035	
Equipment	
1031 Electrical Panels - Replace	10,382
Fencing/Security	
1027 Masonry Walls - Repair	9,690
Furnishings	
1033 Park Furnishings (All Parks) - Replace	8,998
1009 Playstructure (Golden Key Park) - Replace	27,685
Grounds Components	
1020 Granite - Replenish	13,842
Total for 2035	<u>\$70,596</u>

SILVERHAWKE HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2036	
Equipment	
1025 Backflow Preventers - Replace	7,200
Furnishings	
1005 Playstructure (Saddle Park) - Replace	71,288
1035 Shade Sails (Saddle Park) - Replace	10,693
Grounds Components	
1019 Drywells - Clean/Inspect	7,129
1020 Granite - Replenish	14,258
Recreation	
1026 Volleyball Court Sand (San Remo Park) - Fill	713
Total for 2036	\$111,281
Replacement Year 2037	
Furnishings	
1034 Shade Sails (Dodge Park) - Replace	22,762
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	2,203
1020 Granite - Replenish	14,685
Total for 2037	\$39,650
Replacement Year 2038	
Fencing/Security	
1027 Masonry Walls - Repair	10,588
Furnishings	
1033 Park Furnishings (All Parks) - Replace	9,832
Grounds Components	
1019 Drywells - Clean/Inspect	7,563
1020 Granite - Replenish	15,126
Total for 2038	\$43,109
Replacement Year 2039	
Grounds Components	
1020 Granite - Replenish	15,580
1029 Storm Water - Repairs	5,453
Total for 2039	\$21,033

SILVERHAWKE HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2040	
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	2,407
1019 Drywells - Clean/Inspect	8,024
1020 Granite - Replenish	16,047
Total for 2040	\$26,478
Replacement Year 2041	
Fencing/Security	
1027 Masonry Walls - Repair	11,570
Furnishings	
1033 Park Furnishings (All Parks) - Replace	10,744
Grounds Components	
1020 Granite - Replenish	16,528
Recreation	
1026 Volleyball Court Sand (San Remo Park) - Fill	826
Total for 2041	\$39,668
Replacement Year 2042	
Furnishings	
1024 Dog Stations - Replace	11,066
Grounds Components	
1019 Drywells - Clean/Inspect	8,512
1020 Granite - Replenish	17,024
Painting	
1001 Masonry Walls - Paint	211,102
Signs	
1023 Monument Sign - Refurbish	32,615
Total for 2042	\$280,319
Replacement Year 2043	
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	2,630
1020 Granite - Replenish	17,535
Total for 2043	\$20,165

SILVERHAWKE HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2044	
Fencing/Security	
1027 Masonry Walls - Repair	12,643
Furnishings	
1033 Park Furnishings (All Parks) - Replace	11,740
Grounds Components	
1019 Drywells - Clean/Inspect	9,031
1020 Granite - Replenish	18,061
1029 Storm Water - Repairs	6,321
Total for 2044	<u>\$57,796</u>
 Replacement Year 2045	
Grounds Components	
1020 Granite - Replenish	18,603
Total for 2045	<u>\$18,603</u>
 Replacement Year 2046	
Equipment	
1021 Irrigation Controllers & System - Replace/Repair	9,581
Furnishings	
1035 Shade Sails (Saddle Park) - Replace	14,371
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	2,874
1019 Drywells - Clean/Inspect	9,581
1020 Granite - Replenish	19,161
Recreation	
1026 Volleyball Court Sand (San Remo Park) - Fill	958
Total for 2046	<u>\$56,525</u>
 Replacement Year 2047	
Fencing/Security	
1027 Masonry Walls - Repair	13,815
Furnishings	
1033 Park Furnishings (All Parks) - Replace	12,828
1034 Shade Sails (Dodge Park) - Replace	30,591

SILVERHAWKE HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
<i>Replacement Year 2047 continued...</i>	
Grounds Components	
1020 Granite - Replenish	19,736
Total for 2047	<u>\$76,970</u>
 Replacement Year 2048	
Grounds Components	
1019 Drywells - Clean/Inspect	10,164
1020 Granite - Replenish	20,328
Total for 2048	<u>\$30,492</u>
 Replacement Year 2049	
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	3,141
1020 Granite - Replenish	20,938
1029 Storm Water - Repairs	7,328
Total for 2049	<u>\$31,407</u>
 Replacement Year 2050	
Fencing/Security	
1027 Masonry Walls - Repair	15,096
Furnishings	
1033 Park Furnishings (All Parks) - Replace	14,018
Grounds Components	
1019 Drywells - Clean/Inspect	10,783
1020 Granite - Replenish	21,566
Painting	
1001 Masonry Walls - Paint	267,417
Total for 2050	<u>\$328,880</u>
 Replacement Year 2051	
Furnishings	
1011 Basketball Backboard (Dodge Park) - Replace	1,666
Grounds Components	
1020 Granite - Replenish	22,213

SILVERHAWKE HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
<i>Replacement Year 2051 continued...</i>	
Recreation	
1026 Volleyball Court Sand (San Remo Park) - Fill	1,111
Total for 2051	<u>\$24,989</u>
 Replacement Year 2052	
Furnishings	
1014 Playstructure (Dodge Park) - Replace	68,638
Grounds Components	
1032 Concrete Components - Repair/Replace Sections	3,432
1019 Drywells - Clean/Inspect	11,440
1020 Granite - Replenish	22,879
Total for 2052	<u>\$106,389</u>
 Replacement Year 2053	
Fencing/Security	
1027 Masonry Walls - Repair	16,496
Furnishings	
1033 Park Furnishings (All Parks) - Replace	15,318
Grounds Components	
1020 Granite - Replenish	23,566
1028 Irrigation System - Refurbish	302,819
Total for 2053	<u>\$358,198</u>

SILVERHAWKE HOMEOWNERS ASSOCIATION
Spread Sheet

ID Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Equipment										
1025 Backflow Preventers - Replace										
1031 Electrical Panels - Replace										
1021 Irrigation Controllers & System - Replace/Re..					5,628					
Equipment Total:					5,628					
Fencing/Security										
1027 Masonry Walls - Repair			7,426			8,115			8,867	
Fencing/Security Total:			7,426			8,115			8,867	
Furnishings										
1011 Basketball Backboard (Dodge Park) - Replace			796							
1024 Dog Stations - Replace				7,103						
1033 Park Furnishings (All Parks) - Replace			6,896			7,535			8,234	
1014 Playstructure (Dodge Park) - Replace									38,003	
1009 Playstructure (Golden Key Park) - Replace										
1005 Playstructure (Saddle Park) - Replace										
1034 Shade Sails (Dodge Park) - Replace				16,937						
1035 Shade Sails (Saddle Park) - Replace			7,957							
Furnishings Total:			15,648	24,040		7,535			46,237	
Grounds Components										
1032 Concrete Components - Repair/Replace Secti..		1,545			1,688			1,845		
1019 Drywells - Clean/Inspect	5,000		5,304		5,628		5,970		6,334	
1020 Granite - Replenish	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
1028 Irrigation System - Refurbish										
1029 Storm Water - Repairs	3,500					4,057				
Grounds Components Total:	18,500	11,845	15,913	10,927	18,571	15,650	17,911	14,144	19,002	13,048
Painting										
1001 Masonry Walls - Paint			131,552							
Painting Total:			131,552							
Recreation										
1026 Volleyball Court Sand (San Remo Park) - Fill			530					615		
Recreation Total:			530					615		

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Spread Sheet**

ID Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Signs										
1023 Monument Sign - Refurbish										
Signs Total:										
Year Total:	18,500	11,845	171,070	34,967	24,198	31,300	17,911	14,758	74,106	13,048

SILVERHAWKE HOMEOWNERS ASSOCIATION
Spread Sheet

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
ID Description										
Equipment										
1025 Backflow Preventers - Replace			7,200							
1031 Electrical Panels - Replace		10,382								
1021 Irrigation Controllers & System - Replace/Re..										
Equipment Total:		10,382	7,200							
Fencing/Security										
1027 Masonry Walls - Repair		9,690			10,588			11,570		
Fencing/Security Total:		9,690			10,588			11,570		
Furnishings										
1011 Basketball Backboard (Dodge Park) - Replace										
1024 Dog Stations - Replace									11,066	
1033 Park Furnishings (All Parks) - Replace		8,998			9,832			10,744		
1014 Playstructure (Dodge Park) - Replace										
1009 Playstructure (Golden Key Park) - Replace		27,685								
1005 Playstructure (Saddle Park) - Replace			71,288							
1034 Shade Sails (Dodge Park) - Replace				22,762						
1035 Shade Sails (Saddle Park) - Replace			10,693							
Furnishings Total:		36,682	81,981	22,762	9,832			10,744	11,066	
Grounds Components										
1032 Concrete Components - Repair/Replace Secti..	2,016			2,203			2,407			2,630
1019 Drywells - Clean/Inspect	6,720		7,129		7,563		8,024		8,512	
1020 Granite - Replenish	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535
1028 Irrigation System - Refurbish										
1029 Storm Water - Repairs	4,704					5,453				
Grounds Components Total:	26,878	13,842	21,386	16,888	22,689	21,033	26,478	16,528	25,536	20,165
Painting										
1001 Masonry Walls - Paint	166,646								211,102	
Painting Total:	166,646								211,102	
Recreation										
1026 Volleyball Court Sand (San Remo Park) - Fill			713					826		
Recreation Total:			713					826		

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Spread Sheet**

ID Description	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Signs										
1023 Monument Sign - Refurbish									32,615	
Signs Total:									32,615	
Year Total:	193,524	70,596	111,281	39,650	43,109	21,033	26,478	39,668	280,319	20,165

SILVERHAWKE HOMEOWNERS ASSOCIATION
Spread Sheet

ID Description	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Equipment										
1025 Backflow Preventers - Replace										
1031 Electrical Panels - Replace										
1021 Irrigation Controllers & System - Replace/Re..			9,581							
Equipment Total:			9,581							
Fencing/Security										
1027 Masonry Walls - Repair	12,643			13,815			15,096			16,496
Fencing/Security Total:	12,643			13,815			15,096			16,496
Furnishings										
1011 Basketball Backboard (Dodge Park) - Replace								1,666		
1024 Dog Stations - Replace										
1033 Park Furnishings (All Parks) - Replace	11,740			12,828			14,018			15,318
1014 Playstructure (Dodge Park) - Replace								68,638		
1009 Playstructure (Golden Key Park) - Replace										
1005 Playstructure (Saddle Park) - Replace										
1034 Shade Sails (Dodge Park) - Replace				30,591						
1035 Shade Sails (Saddle Park) - Replace			14,371							
Furnishings Total:	11,740		14,371	43,419			14,018	1,666	68,638	15,318
Grounds Components										
1032 Concrete Components - Repair/Replace Secti..			2,874			3,141			3,432	
1019 Drywells - Clean/Inspect	9,031		9,581		10,164		10,783		11,440	
1020 Granite - Replenish	18,061	18,603	19,161	19,736	20,328	20,938	21,566	22,213	22,879	23,566
1028 Irrigation System - Refurbish										302,819
1029 Storm Water - Repairs	6,321					7,328				
Grounds Components Total:	33,413	18,603	31,616	19,736	30,492	31,407	32,349	22,213	37,751	326,384
Painting										
1001 Masonry Walls - Paint							267,417			
Painting Total:							267,417			
Recreation										
1026 Volleyball Court Sand (San Remo Park) - Fill			958					1,111		
Recreation Total:			958					1,111		

**SILVERHAWKE HOMEOWNERS ASSOCIATION
Spread Sheet**

ID Description	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Signs										
1023 Monument Sign - Refurbish										
Signs Total:										
Year Total:	57,796	18,603	56,525	76,970	30,492	31,407	328,880	24,989	106,389	358,198

SILVERHAWKE HOMEOWNERS ASSOCIATION

Part One

Important Information

The client shall have the right to reproduce and distribute copies of this report, or the information contained within, as may be required for compliance with all applicable regulations.

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors and vendors and our own experience with local costs. We also may rely on various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional, if needed.

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

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

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

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

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

SILVERHAWKE HOMEOWNERS ASSOCIATION

Part One

Part I

Document

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

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

Funding Options

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

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

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an

SILVERHAWKE HOMEOWNERS ASSOCIATION

Part One

association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major “reserve” expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association’s overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

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

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the “fund status and “funding plan.”

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

The Reserve Study: A Physical and a Financial Analysis

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

Physical Analysis

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association’s major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

Developing a Component List

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

SILVERHAWKE HOMEOWNERS ASSOCIATION

Part One

Operational Expenses

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

Reserve Expenses

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

Budgeting is Normally Excluded

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

Financial Analysis

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

Preparing the Reserve Study

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

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

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Funding Methods

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

The cash flow method develops a reserve-funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a “window” in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The Threshold and the Current Assessment funding models are based upon the cash flow method.

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

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Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

Full Funding---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

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

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

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

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

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

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

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Component Funding Model Distribution of Accumulated Reserves

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

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

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

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

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

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

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

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

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

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immediately.

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

Funding Reserves

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

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

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Users' Guide to your Reserve Analysis Study

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

Report Summaries

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

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

Detail Reports

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

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

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

Projections

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

Definitions

Report I.D.

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

Budget Year Beginning/Ending

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

Number of Units and/or Phases

If applicable, the number of units and/or phases included in this version of the report.

Inflation

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

Annual Assessment Increase

This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000

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per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

Investment Yield Before Taxes

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

Taxes on Interest Yield

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

Projected Reserve Balance

The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

Percent Fully Funded

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

Phase Increment Detail and/or Age

Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

Monthly Assessment

The assessment to reserves required by the association each month.

Interest Contribution (After Taxes)

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

Total Monthly Allocation

The sum of the monthly assessment and interest contribution figures.

Group and Category

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

Percentage of Replacement or Repairs

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

Placed-In-Service Date

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

Estimated Useful Life

The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into

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consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

Adjustment to Useful Life

Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

Estimated Remaining Life

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

Replacement Year

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

Annual Fixed Reserves

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

Fixed Assessment

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

Salvage Value

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

One-Time Replacement

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

Current Replacement Cost

The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

Future Replacement Cost

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

Component Inventory

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

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A Multi-Purpose Tool

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

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

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