RESERVE STUDY UPDATE

FOR

CAREFREE MOUNTAIN ESTATES

Management By:
Vision Community Management
16625 S Desert Foothills Pkwy
Phoenix, AZ 85048

Prepared By:
FDReserve Studies, LLC
Goodyear, AZ 85338

June 3, 2026

EXECUTIVE SUMMARY

CAREFREE MOUNTAIN ESTATES

June 3, 2026

Starting Reserve Balance 1/1/2026	$545,909
Projected Fully Funded Reserve Balance 1/1/2026	$754,560
Percent Fully Funded 1/1/2026	71%
Annual Reserve Contribution 2026	$45,000

This study is an update from Advanced Reserve Solutions previous study dated March 23, 2020. 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 an observation and assessment of the condition of the reserve fund based on a field assessment of the condition of the assets of the association, a projection of the useful life and remaining useful life of those assets, and the replacement costs for those assets. The 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, 2026.

2. The study reflects a beginning balance for the reserve fund of $545,909 and an annual contribution of $45,000. 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 underfunded. Per the PMIS 20-year pavement plan, the pavement is scheduled to be removed and replaced in 2026. The cost of that work will exceed the available reserves by approximately $130,0000. Reserve funds are generally considered to be in a healthy condition if the reserve balance is at or above 70% of the fully funded balance.

3. Because of the underfunded condition, an Alternate Funding Model is included in the report, on pages 1-3 and 1-4, for consideration by the Association. The model suggests annual contributions of $175,000 in 2026, $125,000 in 2027, $35,000 in 2028 and following years. **It should be noted that the last pavement expense in the PMIS 20-Year Pavement Plan is in 2045. The reserve study does not include any pavement cost beyond 2045 so the**

projections in the later years do not reflect the total needs for future maintenance. Note that the study includes a 4% 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 January 30, 2026. 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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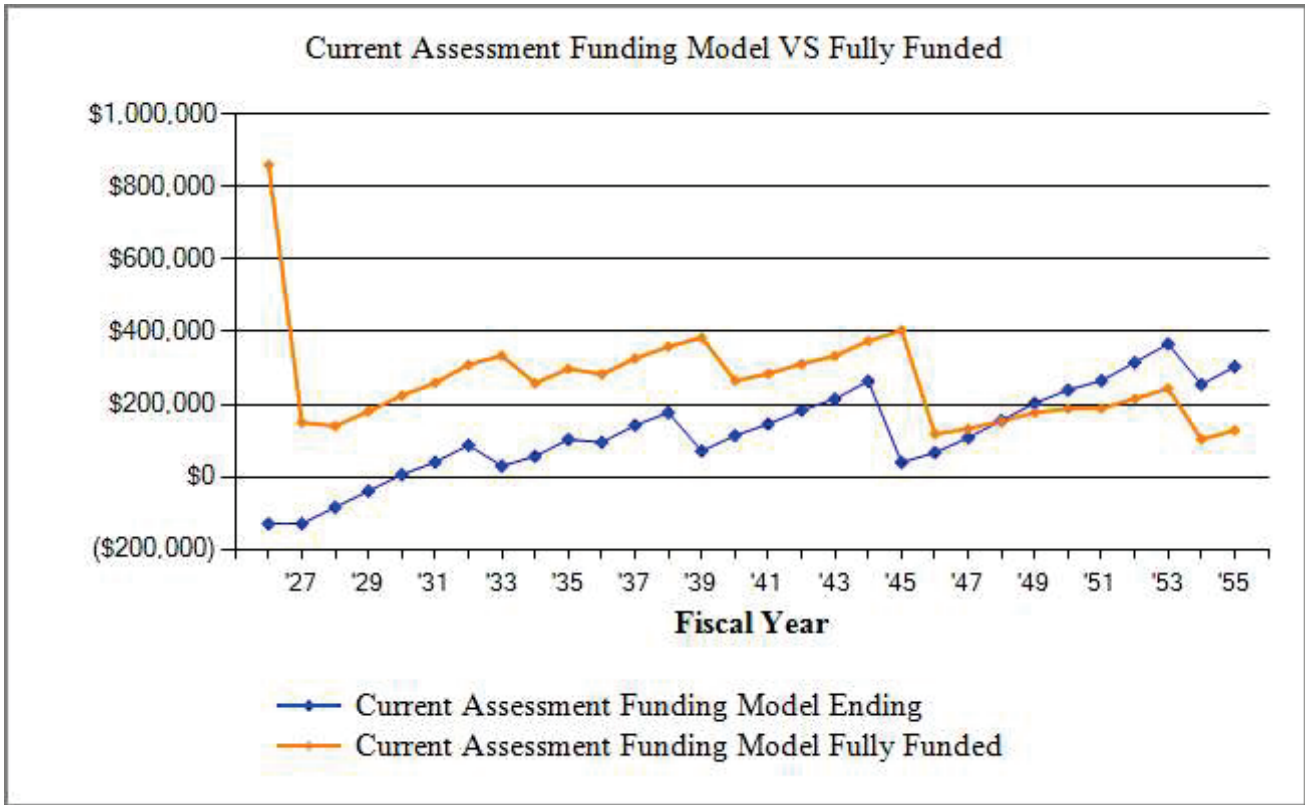
CAREFREE MOUNTAIN ESTATES
Current Assessment Funding Model Summary

Report Date	June 3, 2026
Budget Year Beginning	January 1, 2026
Budget Year Ending	December 31, 2026
Total Units	72

Report Parameters

Inflation	4.00%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	2.45%
Tax Rate on Interest	30.00%
Contingency	2.00%
2026 Beginning Balance	$545,909



urrent Assessment Funding Model

Current Assessment Funding Model Summary of Calculations

Required Monthly Contribution	$3,750.00
$52.08 per unit monthly	
Average Net Monthly Interest Earned	$0.00
Total Monthly Allocation to Reserves	$3,750.00
$52.08 per unit monthly	

CAREFREE MOUNTAIN ESTATES
Current Assessment Funding Model Projection

Beginning Balance: $545,909

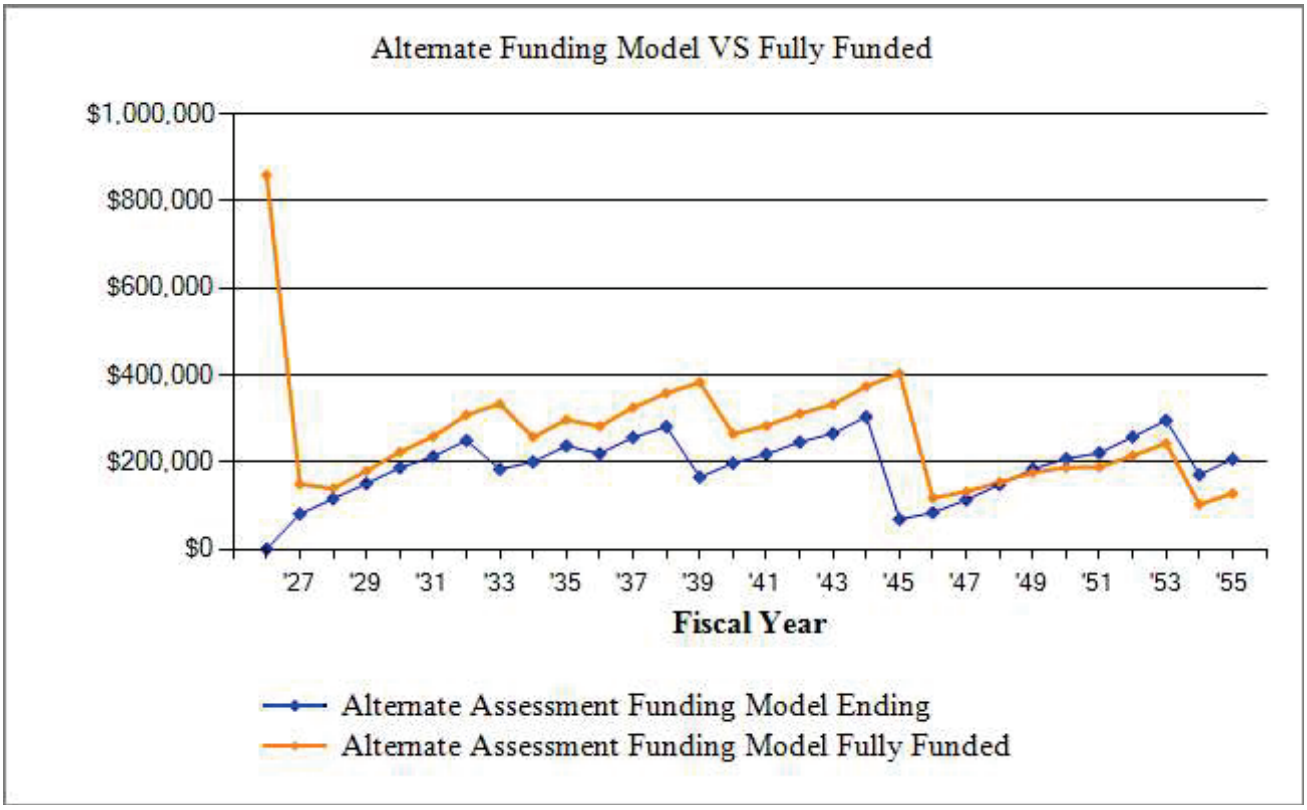
Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2026	1,125,266	45,000		720,000	-129,091	860,035	
2027	438,116	45,000		44,720	-128,811	149,956	
2028	409,132	45,000			-83,811	140,101	
2029	425,497	45,000			-38,811	180,527	
2030	442,517	45,000			6,189	223,963	3%
2031	460,218	45,000	343	10,646	40,886	259,292	16%
2032	478,627	45,000	1,127		87,013	308,834	28%
2033	497,772	45,000	160	102,051	30,123	334,195	9%
2034	425,578	45,000	610	19,160	56,573	257,941	22%
2035	442,601	45,000	1,398		102,971	297,804	35%
2036	460,305	45,000	1,263	54,205	95,029	282,942	34%
2037	478,717	45,000	2,063		142,092	326,216	44%
2038	497,866	45,000	2,655	12,808	176,939	358,949	49%
2039	517,780	45,000	858	151,597	71,200	383,726	19%
2040	393,377	45,000	1,584	3,896	113,887	265,150	43%
2041	409,112	45,000	2,116	15,758	145,245	284,150	51%
2042	425,477	45,000	2,769	9,365	183,649	311,698	59%
2043	442,496	45,000	3,297	17,241	214,705	333,036	64%
2044	460,196	45,000	4,132		263,836	374,605	70%
2045	478,603	45,000	330	269,045	40,122	403,944	10%
2046	217,941	45,000	782	19,172	66,732	117,875	57%
2047	226,659	45,000	1,485	5,127	108,090	132,677	81%
2048	235,725	45,000	2,289		155,379	154,132	101%
2049	245,154	45,000	3,106		203,485	177,091	115%
2050	254,960	45,000	3,716	12,817	239,384	188,045	127%
2051	265,159	45,000	4,155	23,326	265,213	188,986	140%
2052	275,765	45,000	5,005		315,217	215,436	146%
2053	286,796	45,000	5,869		366,086	243,700	150%
2054	298,268	45,000	3,969	160,787	254,268	103,317	246%
2055	310,198	45,000	4,815		304,083	128,699	236%

CAREFREE MOUNTAIN ESTATES
Alternate Funding Model Summary

Report Date	June 3, 2026
Budget Year Beginning	January 1, 2026
Budget Year Ending	December 31, 2026
Total Units	72

Report Parameters

Inflation	4.00%
Interest Rate on Reserve Deposit	2.45%
Tax Rate on Interest	30.00%
Contingency	2.00%
2026 Beginning Balance	$545,909



Alternate Funding Model Summary of Calculations

Required Monthly Contribution	$14,583.33
$202.55 per unit monthly	
Average Net Monthly Interest Earned	$0.00
Total Monthly Allocation to Reserves	$14,583.33
$202.55 per unit monthly	

CAREFREE MOUNTAIN ESTATES
Alternate Funding Model Projection

Beginning Balance: $545,909

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2026	1,125,266	175,000		720,000	909	860,035	0%
2027	438,116	125,000	410	44,720	81,599	149,956	54%
2028	409,132	33,000	1,719		116,318	140,101	83%
2029	425,497	33,000	2,319		151,636	180,527	84%
2030	442,517	33,000	2,929		187,566	223,963	84%
2031	460,218	33,000	3,366	10,646	213,286	259,292	82%
2032	478,627	33,000	3,995		250,281	308,834	81%
2033	497,772	33,000	2,870	102,051	184,101	334,195	55%
2034	425,578	33,000	3,159	19,160	201,100	257,941	78%
2035	442,601	33,000	3,784		237,885	297,804	80%
2036	460,305	33,000	3,483	54,205	220,163	282,942	78%
2037	478,717	33,000	4,114		257,277	326,216	79%
2038	497,866	33,000	4,534	12,808	282,002	358,949	79%
2039	517,780	33,000	2,562	151,597	165,967	383,726	43%
2040	393,377	33,000	3,110	3,896	198,181	265,150	75%
2041	409,112	33,000	3,461	15,758	218,884	284,150	77%
2042	425,477	33,000	3,930	9,365	246,449	311,698	79%
2043	442,496	33,000	4,270	17,241	266,478	333,036	80%
2044	460,196	33,000	4,914		304,392	374,605	81%
2045	478,603	33,000	919	269,045	69,267	403,944	17%
2046	217,941	33,000	1,174	19,172	84,268	117,875	71%
2047	226,659	33,000	1,676	5,127	113,817	132,677	86%
2048	235,725	33,000	2,276		149,093	154,132	97%
2049	245,154	33,000	2,885		184,978	177,091	104%
2050	254,960	33,000	3,284	12,817	208,446	188,045	111%
2051	265,159	33,000	3,508	23,326	221,628	188,986	117%
2052	275,765	33,000	4,139		258,767	215,436	120%
2053	286,796	33,000	4,781		296,548	243,700	122%
2054	298,268	33,000	2,655	160,787	171,415	103,317	166%
2055	310,198	33,000	3,271		207,686	128,699	161%

CAREFREE MOUNTAIN ESTATES
Asset Summary Report

Description	Asset ID	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Streets/Asphalt									
Asphalt (2026) - Remove & Repave Asset ID: 1002	2026	2026	704,000	1	0	0	704,000	1 @	704,000.00
Asphalt (2027) - Seal Coat Asset ID: 1001	2027	2027	43,000	1	0	1	44,720	1 @	43,000.00
Asphalt (2033) - Curb Crack Seal/Se.. Asset ID: 1003	2033	2033	67,300	1	0	7	88,562	1 @	67,300.00
Asphalt (2039) - Crack Seal/Seal Coa.. Asset ID: 1019	2039	2039	83,800	1	0	13	139,533	1 @	83,800.00
Asphalt (2045) - Curb & Crack Seal/.. Asset ID: 1020	2045	2045	127,700	1	0	19	269,045	1 @	127,700.00
Painting									
Metal Components - Paint Asset ID: 1005	2019	2026	2,250	7	0	0	2,250	1 @	2,250.00
Stucco Masonry Walls - Small Repai.. Asset ID: 1004	2019	2026	5,000	8	-1	0	5,000	1 @	5,000.00
Fencing/Security									
Vehicle Gates - Replace Asset ID: 1006	1993	2038	8,000	40	5	12	12,808	1 @	8,000.00
Lighting									
Landscape Lighting - Upgrade Asset ID: 1007	2023	2043	8,851	20	0	17	17,241	1 @	8,851.09
Equipment									
Electric Panels - Upgrade/Replace Asset ID: 1012	1993	2033	8,000	40	0	7	10,527	1 @	8,000.00
Gate Access System - Replace Asset ID: 1008	2021	2039	7,245	18	0	13	12,064	1 @	7,245.46
Gate Operators - Replace Asset ID: 1009	2018	2036	27,869	18	0	10	41,253	4 @	6,967.24
Irrigation System - Refurbish Asset ID: 1015	*1015*	*Unfunded*							
Grounds Components									
Arbor - Care Asset ID: 1017	1993	2026	8,750	5	0	0	8,750	1 @	8,750.00
Concrete Components - Repair Asset ID: 1010	*1010*	*Unfunded*							
Granite - Replenishment Asset ID: 1013	*1013*	*Unfunded*							
Signs									
Directional Signs - Replace Asset ID: 1018	2014	2034	9,000	20	0	8	12,317	1 @	9,000.00
Monument Sign - Refurbish Asset ID: 1016	2024	2054	14,500	30	0	28	43,481	1 @	14,500.00

CAREFREE MOUNTAIN ESTATES
Detail Report

Asphalt (2026) - Remove & Repave

		1 LS	@ $704,000.00
Asset ID	1002	Asset Actual Cost	$704,000.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	$704,000.00
Placed in Service	January 2026		
Useful Life	1		
Replacement Year	2026		
Remaining Life	0		

Per Pat McDonald with PMIS, Inc, budget of $704,000 to remove 2.5" existing material, grade and compact pulverized material, then repave with appox 2.5" with fiber includes adjust utilities, cememnt stablize (contingency) and restripe/replace reflectors.

Asphalt (2027) - Seal Coat

		1 LS	@ $43,000.00
Asset ID	1001	Asset Actual Cost	$43,000.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	$44,720.00
Placed in Service	January 2027		
Useful Life	1		
Replacement Year	2027		
Remaining Life	1		

PMIS, Inc, recommends budget of $43,000 to apply modified polymer seal coat, 2 coats. Approximately 200,904 SF of asphalt.

CAREFREE MOUNTAIN ESTATES
Detail Report

Asphalt (2033) - Curb Crack Seal/SealCoat/Restripe

		1 LS	@ $67,300.00
Asset ID	1003	Asset Actual Cost	$67,300.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	$88,562.21
Placed in Service	January 2033		
Useful Life	1		
Replacement Year	2033		
Remaining Life	7		


PMIS, Inc, recommends budget of $67,300 to crack seal curb line, and apply modified polymer Seal Coat 2 coats along with restripe/replace reflectors.

Asphalt (2039) - Crack Seal/Seal Coat/Restripe

		1 LS	@ $83,800.00
Asset ID	1019	Asset Actual Cost	$83,800.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	$139,533.16
Placed in Service	January 2039		
Useful Life	1		
Replacement Year	2039		
Remaining Life	13		


PMIS, Inc, recommends budget of $83,800 to crack seal, apply modified polymer Seal Coat 2

Asphalt (2039) - Crack Seal/Seal Coat/Restripe continued...

coats along with restripe/replace reflectors.

Asphalt (2045) - Curb & Crack Seal/Seal Coat/Restripe

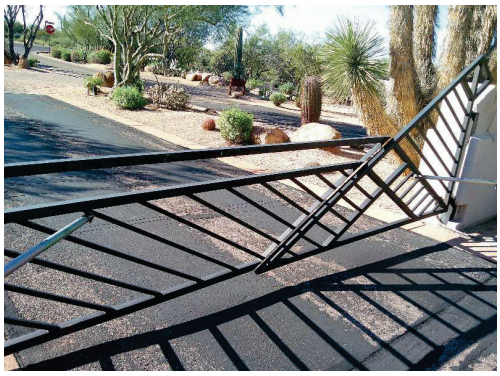
		1 LS	@ $127,700.00
Asset ID	1020	Asset Actual Cost	$127,700.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	$269,044.64
Placed in Service	January 2045		
Useful Life	1		
Replacement Year	2045		
Remaining Life	19		

PMIS, Inc, recommends budget of $127,700 to crack seal, crack seal curb line, apply modified polymer Seal Coat 2 coats along with restripe/replace reflectors.

CAREFREE MOUNTAIN ESTATES
Detail Report

Metal Components - Paint

		1 LS	@ $2,250.00
Asset ID	1005	Asset Actual Cost	$2,250.00
	Grounds	Percent Replacement	100%
Category	Painting	Future Cost	$2,250.00
Placed in Service	January 2019		
Useful Life	7		
Replacement Year	2026		
Remaining Life	0		



Poor condition. Budget to paint metal components.

Stucco Masonry Walls - Small Repairs & Paint

		1 LS	@ $5,000.00
Asset ID	1004	Asset Actual Cost	$5,000.00
	Grounds	Percent Replacement	100%
Category	Painting	Future Cost	$5,000.00
Placed in Service	January 2019		
Useful Life	8		
Adjustment	-1		
Replacement Year	2026		
Remaining Life	0		

Poor condition. Budget to make small repairs and paint the stucco masonry walls

CAREFREE MOUNTAIN ESTATES
Detail Report

Vehicle Gates - Replace

		1 LS	@ $8,000.00
Asset ID	1006	Asset Actual Cost	$8,000.00
	Grounds	Percent Replacement	100%
Category	Fencing/Security	Future Cost	$12,808.26
Placed in Service	January 1993		
Useful Life	40		
Adjustment	5		
Replacement Year	2038		
Remaining Life	12		

Budget to replace the custom metal vehicle gates below:

1 - 3'3" x 8'9" vehicle gate

1 - 5'2" x 12'0" vehicle gate

1 - 5'8" x 11'0" vehicle gate

1 - 4'0" x 3'7" pedestrian gate

1 - 3'0" x 12'0" vehicle gate

CAREFREE MOUNTAIN ESTATES
Detail Report

Landscape Lighting - Upgrade

		1 LS	@ $8,851.09
Asset ID	1007	Asset Actual Cost	$8,851.09
	Grounds	Percent Replacement	100%
Category	Lighting	Future Cost	$17,241.04
Placed in Service	July 2023		
Useful Life	20		
Replacement Year	2043		
Remaining Life	17		

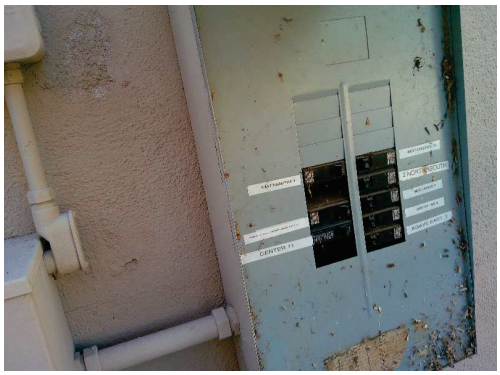
Budget to upgrade landscape lighting including electric runs, breakers, fixtures, etc.

2023 - Alert Lighting installed (75) lights through out the communiy for $7,087 & (10) additional lights for $983 total $ 8,070.

CAREFREE MOUNTAIN ESTATES
Detail Report

Electric Panels - Upgrade/Replace

		1 LS	@ $8,000.00
Asset ID	1012	Asset Actual Cost	$8,000.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	$10,527.45
Placed in Service	January 1993		
Useful Life	40		
Replacement Year	2033		
Remaining Life	7		



Budget to upgrade and/or replace the (1) wall mount electric panel and (1) electric pedestal.

Gate Access System - Replace

		1 EA	@ $7,245.46
Asset ID	1008	Asset Actual Cost	$7,245.46
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	$12,064.22
Placed in Service	August 2021		
Useful Life	18		
Replacement Year	2039		
Remaining Life	13		

Working condition. Budget to replace the DoorKing (1837 TEU) gate access system.

CAREFREE MOUNTAIN ESTATES
Detail Report

Gate Operators - Replace

		4 EA	@ $6,967.24
Asset ID	1009	Asset Actual Cost	$27,868.96
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	$41,252.87
Placed in Service	January 2018		
Useful Life	18		
Replacement Year	2036		
Remaining Life	10		

Working condition. Budget to replace (4) HySecurity, Swing Smart DC20 swing gate operators, mfg date 2/13/2018.

Irrigation System - Refurbish

Asset ID	1015	Asset Actual Cost	
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	
Placed in Service	January 1993		
No Useful Life			

Entire irrigation system has been turned off.

Budget to refurbish the irrigation system including but not limited to: valves, controllers, wiring, pipes, etc.

CAREFREE MOUNTAIN ESTATES
Detail Report

Arbor - Care

		1 LS	@ $8,750.00
Asset ID	1017	Asset Actual Cost	$8,750.00
	Grounds	Percent Replacement	100%
Category	Grounds Components	Future Cost	$8,750.00
Placed in Service	January 1993		
Useful Life	5		
Replacement Year	2026		
Remaining Life	0		

Budget to remove, replace and trim any and all cacti, plantings and trees where needed.

Concrete Components - Repair

Asset ID	1010	Asset Actual Cost	
	Grounds	Percent Replacement	100%
Category	Grounds Components	Future Cost	
Placed in Service	January 1993		
No Useful Life			

Unfunded. It is anticipated that any repairs and/or replacement sections would be addressed immediately due to safety concerns out of operations budget. If the HOA would like to add in this reserve expense, it would be our pleasure, provided they supply the cost, useful life and date to start.

CAREFREE MOUNTAIN ESTATES
Detail Report

Granite - Replenishment

Asset ID	1013	Asset Actual Cost	
	Grounds	Percent Replacement	100%
Category	Grounds Components	Future Cost	
Placed in Service	January 1993		
No Useful Life			

Unfunded. Budget to replenish landscape granite as this is a minimal amount and is normally considered an operating expense annually. If the HOA would like to add in this reserve expense, it would be our pleasure, provided they supply the cost, useful life and date to start.

CAREFREE MOUNTAIN ESTATES
Detail Report

Directional Signs - Replace

		1 LS	@ $9,000.00
Asset ID	1018	Asset Actual Cost	$9,000.00
	Grounds	Percent Replacement	100%
Category	Signs	Future Cost	$12,317.12
Placed in Service	January 2014		
Useful Life	20		
Replacement Year	2034		
Remaining Life	8		

Good condition. Budget to replace the directional signs including but not limited to stop signs, mph signs, street signs, etc.

Monument Sign - Refurbish

		1 EA	@ $14,500.00
Asset ID	1016	Asset Actual Cost	$14,500.00
	Grounds	Percent Replacement	100%
Category	Signs	Future Cost	$43,481.20
Placed in Service	April 2024		
Useful Life	30		
Replacement Year	2054		
Remaining Life	28		

Budget to refurbish the dual sided painted stucco with stone veneer and metal letters "Carefree Mountain Estates".

2024 - Tile Settings refurbished the monument total $14,475.

CAREFREE MOUNTAIN ESTATES
Detail Index

Total Funded Assets	15
Total Unfunded Assets	3
Total Assets	18

CAREFREE MOUNTAIN ESTATES
Annual Expenditure Detail

Description		Expenditures
Replacement Year 2026		
Streets/Asphalt		
1002	Asphalt (2026) - Remove & Repave	704,000
Painting		
1005	Metal Components - Paint	2,250
1004	Stucco Masonry Walls - Small Repairs & Paint	5,000
Grounds Components		
1017	Arbor - Care	8,750
Total for 2026		**$720,000**
Replacement Year 2027		
Streets/Asphalt		
1001	Asphalt (2027) - Seal Coat	44,720
Total for 2027		**$44,720**
No Replacement in 2028		
No Replacement in 2029		
No Replacement in 2030		
Replacement Year 2031		
Grounds Components		
1017	Arbor - Care	10,646
Total for 2031		**$10,646**
No Replacement in 2032		
Replacement Year 2033		
Streets/Asphalt		
1003	Asphalt (2033) - Curb Crack Seal/SealCoat/Restripe	88,562
Painting		
1005	Metal Components - Paint	2,961
Equipment		
1012	Electric Panels - Upgrade/Replace	10,527
Total for 2033		**$102,051**
Replacement Year 2034		
Painting		
1004	Stucco Masonry Walls - Small Repairs & Paint	6,843

CAREFREE MOUNTAIN ESTATES
Annual Expenditure Detail

Description		Expenditures
Replacement Year 2034 continued...		
Signs		
1018	Directional Signs - Replace	12,317
Total for 2034		**$19,160**
No Replacement in 2035		
Replacement Year 2036		
Equipment		
1009	Gate Operators - Replace	41,253
Grounds Components		
1017	Arbor - Care	12,952
Total for 2036		**$54,205**
No Replacement in 2037		
Replacement Year 2038		
Fencing/Security		
1006	Vehicle Gates - Replace	12,808
Total for 2038		**$12,808**
Replacement Year 2039		
Streets/Asphalt		
1019	Asphalt (2039) - Crack Seal/Seal Coat/Restripe	139,533
Equipment		
1008	Gate Access System - Replace	12,064
Total for 2039		**$151,597**
Replacement Year 2040		
Painting		
1005	Metal Components - Paint	3,896
Total for 2040		**$3,896**
Replacement Year 2041		
Grounds Components		
1017	Arbor - Care	15,758
Total for 2041		**$15,758**

CAREFREE MOUNTAIN ESTATES
Annual Expenditure Detail

Description		Expenditures
Replacement Year 2042		
Painting		
1004	Stucco Masonry Walls - Small Repairs & Paint	9,365
Total for 2042		**$9,365**
Replacement Year 2043		
Lighting		
1007	Landscape Lighting - Upgrade	17,241
Total for 2043		**$17,241**
No Replacement in 2044		
Replacement Year 2045		
Streets/Asphalt		
1020	Asphalt (2045) - Curb & Crack Seal/Seal Coat/Restripe	269,045
Total for 2045		**$269,045**
Replacement Year 2046		
Grounds Components		
1017	Arbor - Care	19,172
Total for 2046		**$19,172**
Replacement Year 2047		
Painting		
1005	Metal Components - Paint	5,127
Total for 2047		**$5,127**
No Replacement in 2048		
No Replacement in 2049		
Replacement Year 2050		
Painting		
1004	Stucco Masonry Walls - Small Repairs & Paint	12,817
Total for 2050		**$12,817**
Replacement Year 2051		
Grounds Components		
1017	Arbor - Care	23,326
Total for 2051		**$23,326**

CAREFREE MOUNTAIN ESTATES
Annual Expenditure Detail

Description		Expenditures
No Replacement in 2052		
No Replacement in 2053		
Replacement Year 2054		
Painting		
1005	Metal Components - Paint	6,747
Equipment		
1009	Gate Operators - Replace	83,571
Signs		
1018	Directional Signs - Replace	26,988
1016	Monument Sign - Refurbish	43,481
Total for 2054		**$160,787**
No Replacement in 2055		

CAREFREE MOUNTAIN ESTATES
Spread Sheet

ID	Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Streets/Asphalt											
1002	Asphalt (2026) - Remove & Repave	704,000									
1001	Asphalt (2027) - Seal Coat		44,720								
1003	Asphalt (2033) - Curb Crack Seal/SealCoat/R..								88,562		
1019	Asphalt (2039) - Crack Seal/Seal Coat/Restripe										
1020	Asphalt (2045) - Curb & Crack Seal/Seal Coa..										
Streets/Asphalt Total:		**704,000**	**44,720**						**88,562**		
Painting											
1005	Metal Components - Paint	2,250							2,961		
1004	Stucco Masonry Walls - Small Repairs & Paint	5,000								6,843	
Painting Total:		**7,250**							**2,961**	**6,843**	
Fencing/Security											
1006	Vehicle Gates - Replace										
Fencing/Security Total:											
Lighting											
1007	Landscape Lighting - Upgrade										
Lighting Total:											
Equipment											
1012	Electric Panels - Upgrade/Replace								10,527		
1008	Gate Access System - Replace										
1009	Gate Operators - Replace										
1015	Irrigation System - Refurbish	*Unfunded*									
Equipment Total:									**10,527**		
Grounds Components											
1017	Arbor - Care	8,750					10,646				
1010	Concrete Components - Repair	*Unfunded*									
1013	Granite - Replenishment	*Unfunded*									
Grounds Components Total:		**8,750**					**10,646**				
Signs											
1018	Directional Signs - Replace									12,317	
1016	Monument Sign - Refurbish										
Signs Total:										**12,317**	
Year Total:		**720,000**	**44,720**				**10,646**		**102,051**	**19,160**	

CAREFREE MOUNTAIN ESTATES
Spread Sheet

ID	Description	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
	Streets/Asphalt										
1002	Asphalt (2026) - Remove & Repave										
1001	Asphalt (2027) - Seal Coat										
1003	Asphalt (2033) - Curb Crack Seal/SealCoat/R..										
1019	Asphalt (2039) - Crack Seal/Seal Coat/Restripe				139,533						
1020	Asphalt (2045) - Curb & Crack Seal/Seal Coa..										269,045
	Streets/Asphalt Total:				**139,533**						**269,045**
	Painting										
1005	Metal Components - Paint					3,896					
1004	Stucco Masonry Walls - Small Repairs & Paint							9,365			
	Painting Total:					**3,896**		**9,365**			
	Fencing/Security										
1006	Vehicle Gates - Replace			12,808							
	Fencing/Security Total:			**12,808**							
	Lighting										
1007	Landscape Lighting - Upgrade								17,241		
	Lighting Total:								**17,241**		
	Equipment										
1012	Electric Panels - Upgrade/Replace										
1008	Gate Access System - Replace				12,064						
1009	Gate Operators - Replace	41,253									
1015	Irrigation System - Refurbish	*Unfunded*									
	Equipment Total:	**41,253**			**12,064**						
	Grounds Components										
1017	Arbor - Care	12,952					15,758				
1010	Concrete Components - Repair	*Unfunded*									
1013	Granite - Replenishment	*Unfunded*									
	Grounds Components Total:	**12,952**					**15,758**				
	Signs										
1018	Directional Signs - Replace										
1016	Monument Sign - Refurbish										
	Signs Total:										
	Year Total:	**54,205**		**12,808**	**151,597**	**3,896**	**15,758**	**9,365**	**17,241**		**269,045**

CAREFREE MOUNTAIN ESTATES
Spread Sheet

ID	Description	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055
	Streets/Asphalt										
1002	Asphalt (2026) - Remove & Repave										
1001	Asphalt (2027) - Seal Coat										
1003	Asphalt (2033) - Curb Crack Seal/SealCoat/R..										
1019	Asphalt (2039) - Crack Seal/Seal Coat/Restripe										
1020	Asphalt (2045) - Curb & Crack Seal/Seal Coa..										
	Streets/Asphalt Total:										
	Painting										
1005	Metal Components - Paint		5,127							6,747	
1004	Stucco Masonry Walls - Small Repairs & Paint					12,817					
	Painting Total:		**5,127**			**12,817**				**6,747**	
	Fencing/Security										
1006	Vehicle Gates - Replace										
	Fencing/Security Total:										
	Lighting										
1007	Landscape Lighting - Upgrade										
	Lighting Total:										
	Equipment										
1012	Electric Panels - Upgrade/Replace										
1008	Gate Access System - Replace										
1009	Gate Operators - Replace									83,571	
1015	Irrigation System - Refurbish	*Unfunded*									
	Equipment Total:									**83,571**	
	Grounds Components										
1017	Arbor - Care	19,172					23,326				
1010	Concrete Components - Repair	*Unfunded*									
1013	Granite - Replenishment	*Unfunded*									
	Grounds Components Total:	**19,172**					**23,326**				
	Signs										
1018	Directional Signs - Replace									26,988	
1016	Monument Sign - Refurbish									43,481	
	Signs Total:									**70,470**	
	Year Total:	**19,172**	**5,127**			**12,817**	**23,326**			**160,787**	

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 primarily upon information provided to us in part by representatives of the association, its contractors and vendors and our own experience with local costs and useful lives of assets in the local environment. 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 and the local environment in which the asset is placed and performs. 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 reflects 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 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.

The 2023 Community Association Institute Reserve Study Standards recommends that associations prepare and use preventive maintenance plans to define, schedule and track preventive maintenance. The maintenance plan can be a resource when developing asset information for the reserve study.

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

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

Part I

Document

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

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

Funding Options

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

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

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

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

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

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally,

while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association's overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

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

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

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

The Reserve Study: A Physical and a Financial Analysis

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

Physical Analysis

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

Developing a Component List

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

Operational Expenses

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

Reserve Expenses

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

Budgeting is Normally Excluded

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

Financial Analysis

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

Preparing the Reserve Study

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

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

Funding Methods

From the simplest to the most complex, reserve analysis providers use many different computational

processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash flow method and the component method.

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

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

Funding Strategies

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

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

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

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

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

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

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

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

Component Funding Model Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This

distribution **does not** apply to the cash flow funding models.

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

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

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

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

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

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

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

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

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

Funding Reserves

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

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

Users' Guide to your Reserve Analysis Study

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

Report Summaries

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

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

Detail Reports

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

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

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

Projections

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

Definitions

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

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

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

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

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

Investment Yield Before Taxes

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

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

Projected Reserve Balance
The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared.

This is based upon information provided and not audited.

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

Phase Increment Detail and/or Age
Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

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

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

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

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

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

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

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

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

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

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

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

Fixed Assessment

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

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

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

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

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

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

A Multi-Purpose Tool

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

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

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