

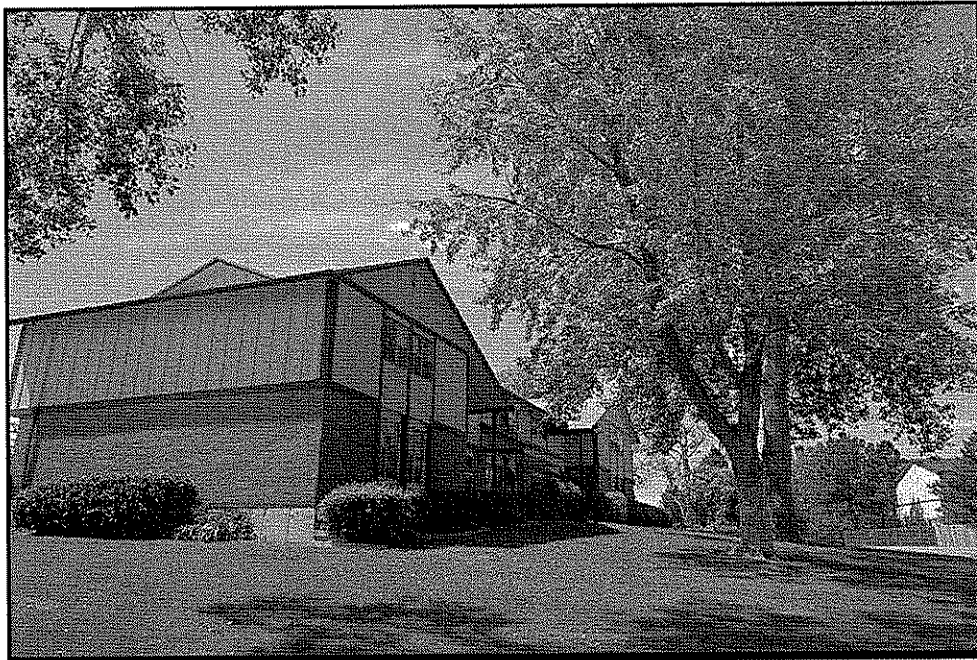
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“Full” Reserve Study



Columbine Townhouses II HOA Littleton, CO

Report #: 25441-0
For Period Beginning: January 1, 2015
Expires: December 31, 2015

Date Prepared: August 29, 2014



Hello, and welcome to your Reserve Study!

We don't want you to be surprised. This Report is designed to help you anticipate, and prepare for, the major common area expenses your association will face. Inside you will find:

- 1) **The Reserve Component List** (the "Scope and Schedule" of your Reserve projects) – telling you what your association is Reserving for, what condition they are in now, and what they'll cost to replace.
- 2) **An Evaluation of your current Reserve Fund Size and Strength** (Percent Funded). This tells you your financial starting point, revealing your risk of deferred maintenance and special assessments.
- 3) **A Recommended Multi-Year Reserve Funding Plan**, answering the question... "What do we do now?"

More Questions?

Visit our website at www.ReserveStudy.com or call us at:

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**ASSOCIATION
RESERVES**
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Table of Contents

3- Minute Executive Summary	i
Reserve Study Summary	i
Reserve Component List – Table 1	ii
Introduction, Objectives, and Methodology	1
Which Physical Assets are Funded by Reserves?	2
How do we establish Useful Life and Remaining Useful Life estimates?	2
How do we establish Current Repair/Replacement Cost Estimates?	2
How much Reserves are enough?	3
How much should we contribute?	4
What is our Recommended Funding Goal?	4
Projected Expenses	6
Expense Graph – Figure 1	6
Reserve Fund Status & Recommended Funding Plan	7
Funding Plan Graph – Figure 2	7
Cash Flow Graph – Figure 3	8
% Funded Graph – Figure 4	8
Table Descriptions	9
Reserve Component List Detail – Table 2	10
Contribution & Fund Breakdown – Table 3	11
Component Significance – Table 4	12
30 Year Reserve Plan Summary – Table 5	13
30 Year Reserve Plan Year by Year Detail – Table 6	14
Accuracy, Limitations, and Disclosures	20
Terms and Definitions	21
Component Details	Appendix

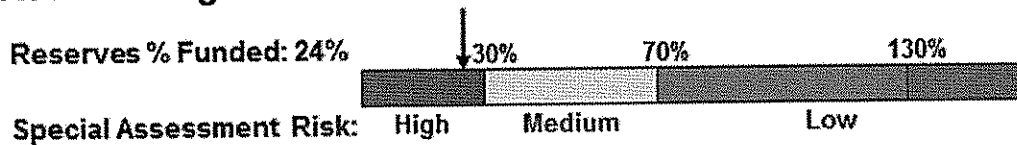
3- Minute Executive Summary

Association: Columbine Townhouses II HOA #: 25441-0
Location: Littleton, CO # of Units: 40
Report Period: January 1, 2015 through December 31, 2015

Findings/Recommendations as-of 1/1/2015:

Projected Starting Reserve Balance:	\$62,891
Current Fully Funded Reserve Balance:	\$260,063
Average Reserve Deficit Per Unit:	\$4,929
Recommended 2015 Monthly "Full Funding" Contributions:.....	\$3,480
Alternate Minimum Contributions to keep Reserves above \$0:.....	\$3,080
Recommended 2015 Special Assessment for Reserves:	\$20,000

Most Recent Budgeted Reserve Contribution Rate:\$1,138



Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%
Annual Inflation Rate 3.00%

- This is a "Full" Reserve Study (original, created "from scratch"), and is based on our site inspection on July 2, 2014. It was prepared by a credentialed Reserve Specialist (RS #260).
- Because your Reserve Fund is at 24% Funded, this means the association's special assessment & deferred maintenance risk is currently high. The objective of your multi-year Funding Plan is to Fully Fund your Reserves, where associations enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions and implement a special assessment.
- No assets appropriate for Reserve designation were excluded.

*officially called "Baseline Funding"

Table 1: Executive Summary

25441-0

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Cost Estimate
Common Areas				
2107	Conc. Deck/Walk - Repair/Replace	5	0	\$2,500
2123	Asphalt - Seal and Repair	5	0	\$9,500
2125	Asphalt - Remove & Replace	25	0	\$74,500
2125	Carport Asphalt - Remove & Replace	25	16	\$45,500
2135	Fencing: Wood - Repair/Paint	5	10	\$1,500
2139	Fencing: Wood - Replace	30	5	\$40,000
2151	Trash Enclosures - Replace	15	5	\$10,500
2161	Retaining Wall - Replace	30	5	\$5,000
2167	Sign/Monument - Refurbish/Replace	15	0	\$2,000
Building Exteriors				
2303	Exterior Wall Lights - Replace	20	3	\$5,000
2343	Building Exterior - Seal/Paint	5	0	\$25,000
2354	Wood Siding - Repair	15	10	\$12,500
2379	Roof: Comp Shingle - Replace	30	25	\$209,000
2383	Carport Roofs - Replace	30	21	\$110,500
2387	Carport Gutters - Replace	30	21	\$1,500
2387	Gutters/Downspouts - Replace	30	20	\$26,500
16	Total Funded Components			

Note 1: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

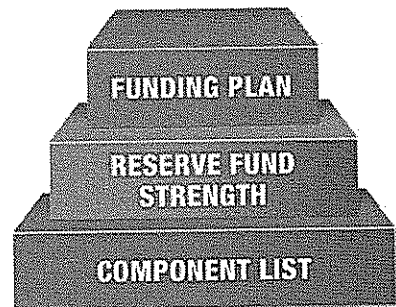
Note 2: Yellow highlighted line items are expected to require attention in the initial year, green highlighted items are expected to occur within the first five years.

Introduction



A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a combination of research and well-defined computations, following consistent National Reserve Study Standard principles.

The foundation of this and every Reserve Study is your Reserve Component List (what you are reserving for). This is because the Reserve Component List defines the *scope and schedule* of all your anticipated upcoming Reserve projects. Based on that List and your starting balance, we calculate the association's Reserve Fund Strength (reported in terms of "Percent Funded"). Then we compute a Reserve Funding Plan to provide for the Reserve needs of the association. These form the three results of your Reserve Study.

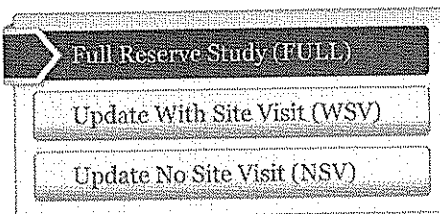


RESERVE STUDY RESULTS

Reserve contributions are not "for the future". Reserve contributions are designed to offset the ongoing, daily deterioration of your Reserve assets. Done well, a stable, budgeted Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the association is financially prepared for the irregular expenditures scattered through future years when those projects eventually require replacement.

Methodology

LEVELS OF SERVICE



For this Full Reserve Study, we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents.

We performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List *from scratch*.

Which Physical Assets are Funded by Reserves?

There is a national-standard four-part test to determine which expenses should appear in your Reserve Component List. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the remaining life must be predictable (or it by definition is a *surprise* which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost (often between .5% and 1% of an association's total budget). This limits Reserve



RESERVE COMPONENT "FOUR-PART TEST"

Components to major, predictable expenses. Within this framework, it is inappropriate to include *lifetime* components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

How do we establish Useful Life and Remaining Useful Life estimates?

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client History (install dates & previous life cycle information)
- 4) Vendor Evaluation and Recommendation

How do we establish Current Repair/Replacement Cost Estimates?

In this order...

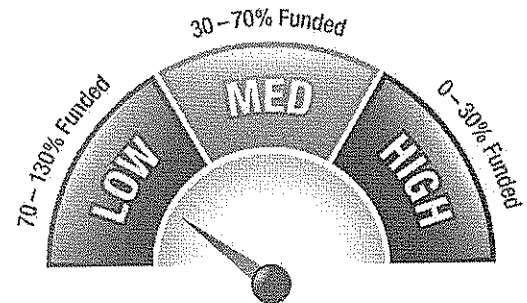
- 1) Actual client cost history, or current proposals
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Reserve adequacy is not measured in cash terms. Reserve adequacy is found when the *amount* of current Reserve cash is compared to Reserve component deterioration (the *needs of the association*). Having *enough* means the association can execute its projects in a timely manner with existing Reserve funds. Not having *enough* typically creates deferred maintenance or special assessments.

Adequacy is measured in a two-step process:

- 1) Calculate the *value of deterioration* at the association (called Fully Funded Balance, or FFB).
- 2) Compare that to the Reserve Fund Balance, and express as a percentage.



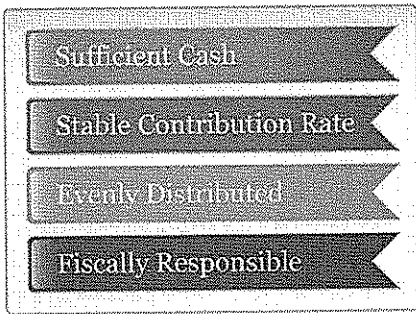
SPECIAL ASSESSMENT RISK

Each year, the *value of deterioration* at the association changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is a high risk of special assessments and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all associations are in this high risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% -130% range is considered strong (low risk of special assessment).

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

How much should we contribute?



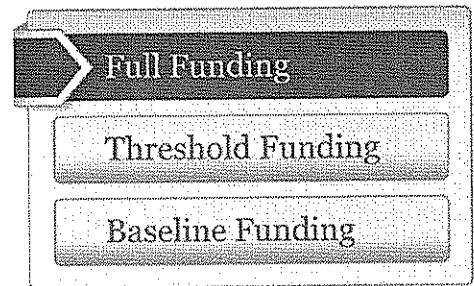
RESERVE FUNDING PRINCIPLES

According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. Second, a stable contribution is desirable because it keeps these naturally irregular expenses from unsettling the budget.

Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association's Reserve expenses over the years. And finally, we develop a plan that is fiscally responsible and safe for Boardmembers to recommend to their association. Remember, it is the Board's job to provide for the ongoing care of the common areas. Boardmembers invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the *value* of deterioration is called "Full Funding" (100% Funded). As each asset ages and becomes "used up", the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** Evidence shows that associations in the 70-130% range *enjoy a low risk of special assessments or deferred maintenance.*



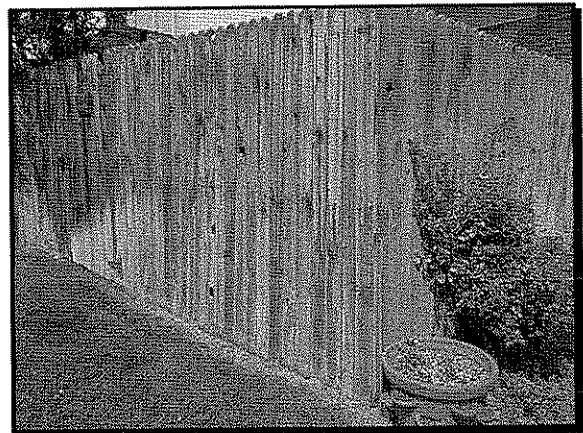
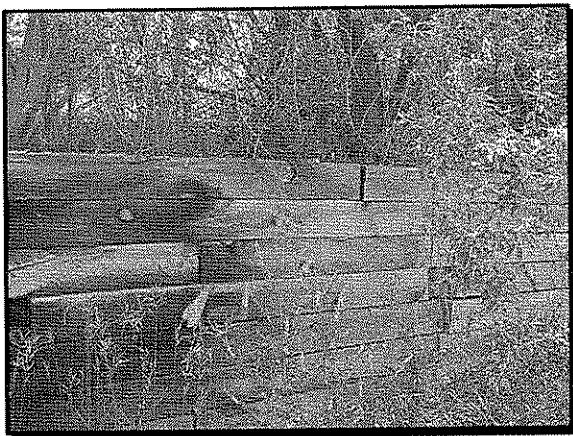
FUNDING OBJECTIVES

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. Doing so allows the Reserve Fund to drop into the 0-30% range, where there is a high risk of special assessments & deferred maintenance. Since Baseline Funding still provides for the timely execution of all Reserve projects, and only the "margin of safety" is different, Baseline Funding contributions average only 10% - 15% less than Full Funding contributions. Threshold Funding is the title of all other Cash or Percent Funded objectives *between* Baseline Funding and Full Funding.

Site Inspection Notes

During our site visit on July 2, 2014, we started the site inspection beginning with the building exteriors. We visually inspected all of the buildings, and were able to see most of the common areas.

We noticed the asphalt appeared to be in poor condition, which may warrant investigation by a specialist.



Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all these expenses will all take place as anticipated. This Reserve Study needs to be updated annually because we expect the timing of these expenses to shift and the size of these expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Your *first five years* of projected Reserve expenses total \$118,964. Adding the next five years, your *first ten years* of projected Reserve expenses are \$226,196. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections.

The figure below summarizes the projected future expenses at your association as defined by your Reserve Component List. A summary of these expenses are shown in Table 5, while details of the projects that make up these expenses are shown in Table 6.

Annual Reserve Expenses

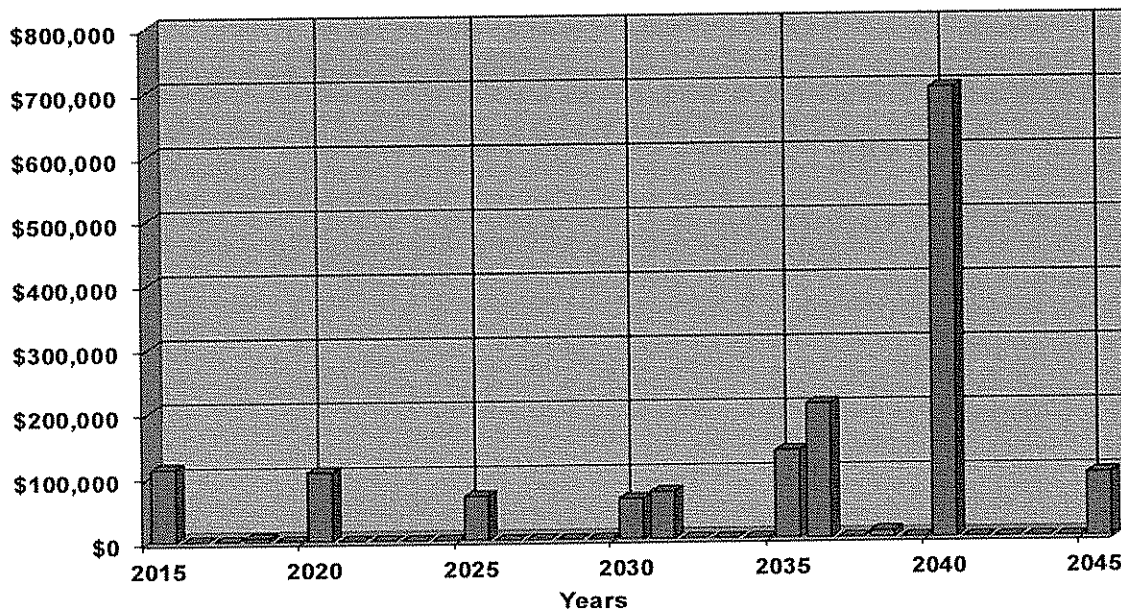


Figure 1

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$62,891 as-of the start of your Fiscal Year on January 1, 2015. This is based on your actual balance on 7/31/2014 of \$57,201.64 and anticipated Reserve contributions of \$1,138 projected through the end of your Fiscal Year. As of January 1, 2015, your Fully Funded Balance is computed to be \$260,063 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 24% Funded. Across the country, approx 35% of associations in this range experience special assessments or deferred maintenance.

Recommended Funding Plan

Based on your current Percent Funded and your near-term and long-term Reserve needs, we are recommending budgeted contributions of \$3,480/month this Fiscal Year along with a one-time special assessment. The overall 30-yr plan, in perspective, is shown below. This same information is shown numerically in both Table 5 and Table 6.

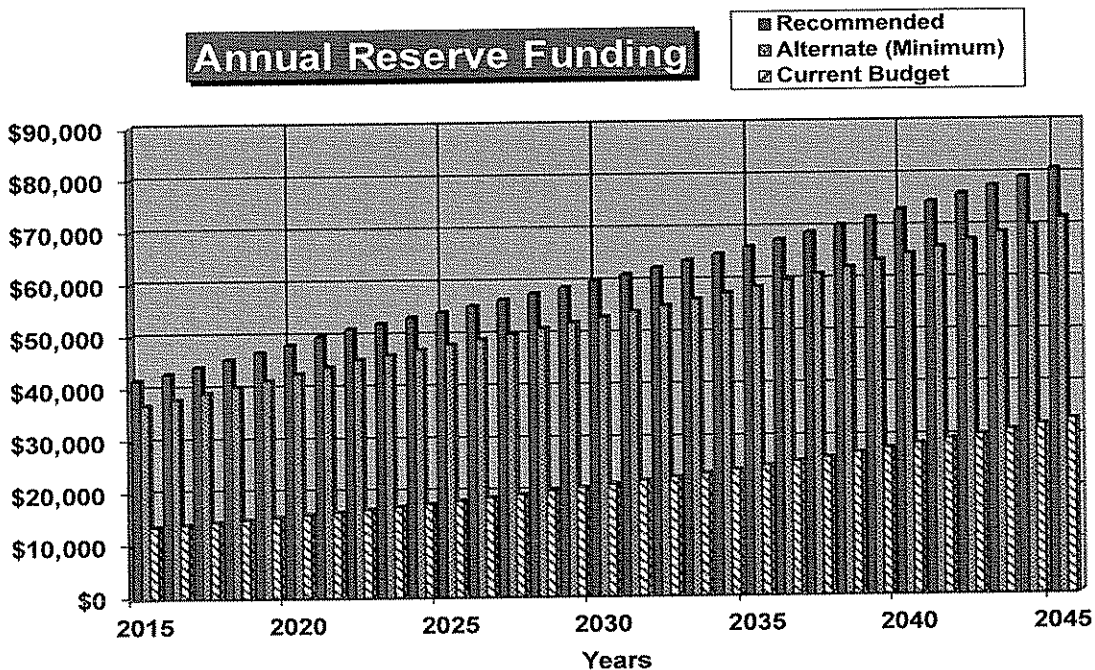


Figure 2

The following chart shows your Reserve balance under our recommended Full Funding Plan, an alternate Baseline Funding Plan, and at your current budgeted contribution rate, compared to your always-changing Fully Funded Balance target.

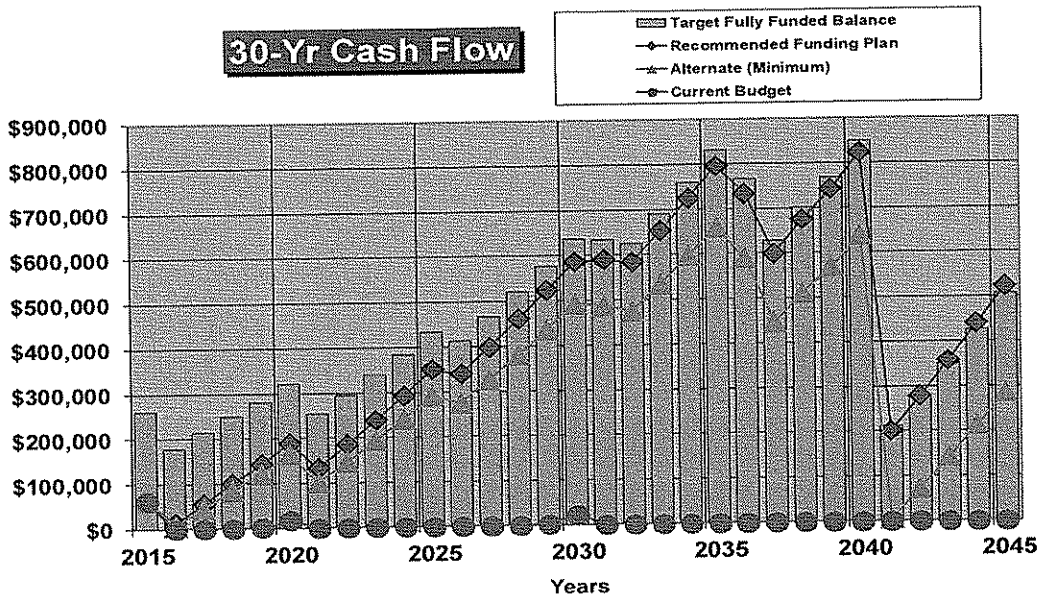


Figure 3

This figure shows this same information, plotted on a Percent Funded scale.

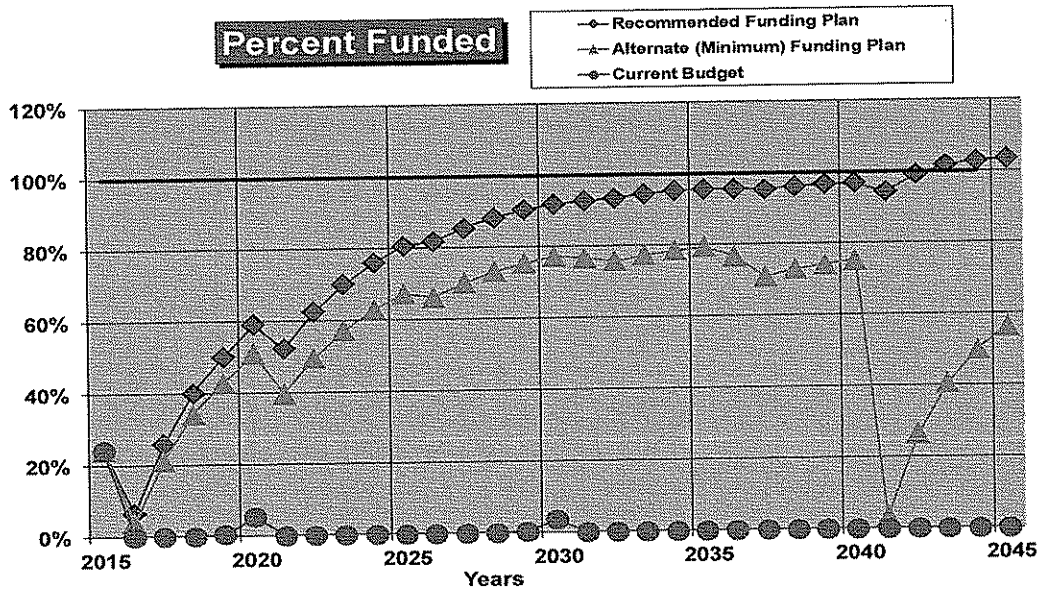


Figure 4

Table Descriptions

The tabular information in this Report is broken down into six tables.

Table 1 is a summary of your Reserve Components (your Reserve Component List), the information found in Table 2.

Table 2 is your Reserve Component List, which forms the foundation of this Reserve Study. This table represents the information from which all other tables are derived.

Table 3 shows the calculation of your Fully Funded Balance, the measure of your current Reserve component deterioration. For each component, the Fully Funded Balance is the fraction of life used up multiplied by its estimated Current Replacement Cost.

Table 4 shows the significance of each component to Reserve needs of the association, helping you see which components have more (or less) influence than others on your total Reserve contribution rate. The deterioration cost/yr of each component is calculated by dividing Current Replacement Cost by Useful Life, then that component's percentage of the total is displayed.

Table 5: This table provides a one-page 30-year summary of the cash flowing into and out of the Reserve Fund, with a display of the Fully Funded Balance, Percent Funded, and special assessment risk for each year.

Table 6: This table shows the cash flow detail for the next 30 years. This table makes it possible to see which components are projected to require repair or replacement each year, and the size of those individual expenses.

Table 2: Reserve Component List Detail

25441-0

#	Component	Quantity	Useful Life	Rem. Useful Life	[--- Current Cost Estimate ---]	
					Best Case	Worst Case
Common Areas						
2107	Conc. Deck/Walk - Repair/Replace	~ Extensive GSF	5	0	\$2,000	\$3,000
2123	Asphalt - Seal and Repair	~ 37,800 GSF	5	0	\$8,000	\$11,000
2125	Asphalt - Remove & Replace	~ 24,800 GSF	25	0	\$62,000	\$87,000
2125	Carport Asphalt - Remove & Replace	~ 13,000 GSF	25	16	\$39,000	\$52,000
2135	Fencing: Wood - Repair/Paint	~ 1,000 LF	5	10	\$1,000	\$2,000
2139	Fencing: Wood - Replace	~ 1,000 LF	30	5	\$35,000	\$45,000
2151	Trash Enclosures - Replace	(5), ~ 19 LF/Each	15	5	\$8,000	\$13,000
2161	Retaining Wall - Replace	~ 125 LF	30	5	\$4,000	\$6,000
2167	Sign/Monument - Refurbish/Replace	(1), Wood Sign	15	0	\$1,000	\$3,000
Building Exteriors						
2303	Exterior Wall Lights - Replace	~ (80) Fixtures	20	3	\$4,000	\$6,000
2343	Building Exterior - Seal/Paint	~ 21,600 GSF	5	0	\$20,000	\$30,000
2354	Wood Siding - Repair	~ 21,600 GSF	15	10	\$10,000	\$15,000
2379	Roof: Comp Shingle - Replace	~ 30,500 GSF	30	25	\$193,000	\$225,000
2383	Carport Roofs - Replace	~ 13,000 GSF	30	21	\$91,000	\$130,000
2387	Carport Gutters - Replace	~ 150 LF	30	21	\$1,000	\$2,000
2387	Gutters/Downspouts - Replace	~ 2,500 LF	30	20	\$23,000	\$30,000
16	Total Funded Components					

Table 3: Fully Funded Balance

25441-0

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
Common Areas								
2107	Conc. Deck/Walk - Repair/Replace	\$2,500	X	5	/	5	=	\$2,500
2123	Asphalt - Seal and Repair	\$9,500	X	5	/	5	=	\$9,500
2125	Asphalt - Remove & Replace	\$74,500	X	25	/	25	=	\$74,500
2125	Carport Asphalt - Remove & Replace	\$45,500	X	9	/	25	=	\$16,380
2135	Fencing: Wood - Repair/Paint	\$1,500	X	0	/	5	=	\$0
2139	Fencing: Wood - Replace	\$40,000	X	25	/	30	=	\$33,333
2151	Trash Enclosures - Replace	\$10,500	X	10	/	15	=	\$7,000
2161	Retaining Wall - Replace	\$5,000	X	25	/	30	=	\$4,167
2167	Sign/Monument - Refurbish/Replace	\$2,000	X	15	/	15	=	\$2,000
Building Exteriors								
2303	Exterior Wall Lights - Replace	\$5,000	X	17	/	20	=	\$4,250
2343	Building Exterior - Seal/Paint	\$25,000	X	5	/	5	=	\$25,000
2354	Wood Siding - Repair	\$12,500	X	5	/	15	=	\$4,167
2379	Roof: Comp Shingle - Replace	\$209,000	X	5	/	30	=	\$34,833
2383	Carport Roofs - Replace	\$110,500	X	9	/	30	=	\$33,150
2387	Carport Gutters - Replace	\$1,500	X	9	/	30	=	\$450
2387	Gutters/Downspouts - Replace	\$26,500	X	10	/	30	=	\$8,833
								\$260,063

Table 4: Component Significance

25441-0

#	Component	Useful Life	Current Cost Estimate	Deterioration Cost/yr	Deterioration Significance
Common Areas					
2107	Conc. Deck/Walk - Repair/Replace	5	\$2,500	\$500	1.8%
2123	Asphalt - Seal and Repair	5	\$9,500	\$1,900	6.9%
2125	Asphalt - Remove & Replace	25	\$74,500	\$2,980	10.8%
2125	Carport Asphalt - Remove & Replace	25	\$45,500	\$1,820	6.6%
2135	Fencing: Wood - Repair/Paint	5	\$1,500	\$300	1.1%
2139	Fencing: Wood - Replace	30	\$40,000	\$1,333	4.8%
2151	Trash Enclosures - Replace	15	\$10,500	\$700	2.5%
2161	Retaining Wall - Replace	30	\$5,000	\$167	0.6%
2167	Sign/Monument - Refurbish/Replace	15	\$2,000	\$133	0.5%
Building Exteriors					
2303	Exterior Wall Lights - Replace	20	\$5,000	\$250	0.9%
2343	Building Exterior - Seal/Paint	5	\$25,000	\$5,000	18.2%
2354	Wood Siding - Repair	15	\$12,500	\$833	3.0%
2379	Roof: Comp Shingle - Replace	30	\$209,000	\$6,967	25.3%
2383	Carport Roofs - Replace	30	\$110,500	\$3,683	13.4%
2387	Carport Gutters - Replace	30	\$1,500	\$50	0.2%
2387	Gutters/Downspouts - Replace	30	\$26,500	\$883	3.2%
16	Total Funded Components			\$27,500	100.0%

Table 5: 30-Year Reserve Plan Summary

25441-0

Fiscal Year Start: 01/01/15

Interest: 1.0%

Inflation: 3.0%

Reserve Fund Strength Calculations
(All values as of Fiscal Year Start Date)

Projected Reserve Balance Changes

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	Reserve Contribs.	Loans or Special Assmts	Interest Income	Reserve Expenses
2015	\$62,891	\$260,063	24.2%	High	\$41,760	\$20,000	\$372	\$113,500
2016	\$11,523	\$178,976	6.4%	High	\$43,013	\$0	\$332	\$0
2017	\$54,868	\$213,202	25.7%	High	\$44,303	\$0	\$774	\$0
2018	\$99,944	\$249,320	40.1%	Med	\$45,632	\$0	\$1,206	\$5,464
2019	\$141,319	\$281,786	50.2%	Med	\$47,001	\$0	\$1,656	\$0
2020	\$189,976	\$321,772	59.0%	Med	\$48,411	\$0	\$1,613	\$107,233
2021	\$132,767	\$253,812	52.3%	Med	\$49,864	\$0	\$1,584	\$0
2022	\$184,215	\$295,248	62.4%	Med	\$51,360	\$0	\$2,109	\$0
2023	\$237,683	\$338,941	70.1%	Low	\$52,387	\$0	\$2,651	\$0
2024	\$292,721	\$384,991	76.0%	Low	\$53,434	\$0	\$3,209	\$0
2025	\$349,365	\$433,498	80.6%	Low	\$54,503	\$0	\$3,439	\$68,540
2026	\$338,767	\$413,974	81.8%	Low	\$55,593	\$0	\$3,682	\$0
2027	\$398,043	\$465,601	85.5%	Low	\$56,705	\$0	\$4,284	\$0
2028	\$459,031	\$519,954	88.3%	Low	\$57,839	\$0	\$4,902	\$0
2029	\$521,773	\$577,149	90.4%	Low	\$58,996	\$0	\$5,538	\$0
2030	\$586,307	\$637,307	92.0%	Low	\$60,176	\$0	\$5,875	\$63,098
2031	\$589,260	\$635,565	92.7%	Low	\$61,379	\$0	\$5,861	\$73,014
2032	\$583,487	\$624,881	93.4%	Low	\$62,607	\$0	\$6,176	\$0
2033	\$652,270	\$690,444	94.5%	Low	\$63,859	\$0	\$6,873	\$0
2034	\$723,002	\$759,379	95.2%	Low	\$65,136	\$0	\$7,590	\$0
2035	\$795,729	\$831,829	95.7%	Low	\$66,439	\$0	\$7,643	\$136,361
2036	\$733,449	\$767,489	95.6%	Low	\$67,768	\$0	\$6,662	\$208,353
2037	\$599,526	\$628,603	95.4%	Low	\$69,123	\$0	\$6,370	\$0
2038	\$675,019	\$701,735	96.2%	Low	\$70,506	\$0	\$7,086	\$9,868
2039	\$742,743	\$768,525	96.6%	Low	\$71,916	\$0	\$7,823	\$0
2040	\$822,481	\$849,160	96.9%	Low	\$73,354	\$0	\$5,113	\$700,369
2041	\$200,580	\$212,561	94.4%	Low	\$74,821	\$0	\$2,391	\$0
2042	\$277,792	\$280,023	99.2%	Low	\$76,318	\$0	\$3,174	\$0
2043	\$357,283	\$351,342	101.7%	Low	\$77,844	\$0	\$3,980	\$0
2044	\$439,108	\$426,688	102.9%	Low	\$79,401	\$0	\$4,810	\$0

Table 6: 30-Year Income/Expense Detail (yrs 0 through 4)

25441-0

Fiscal Year	2015	2016	2017	2018	2019
Starting Reserve Balance	\$62,891	\$11,523	\$54,868	\$99,944	\$141,319
Annual Reserve Contribution	\$41,760	\$43,013	\$44,303	\$45,632	\$47,001
Recommended Special Assessments	\$20,000	\$0	\$0	\$0	\$0
Interest Earnings	\$372	\$332	\$774	\$1,206	\$1,656
Total Income	\$125,023	\$54,868	\$99,944	\$146,783	\$189,976
# Component					
Common Areas					
2107 Conc. Deck/Walk - Repair/Replace	\$2,500	\$0	\$0	\$0	\$0
2123 Asphalt - Seal and Repair	\$9,500	\$0	\$0	\$0	\$0
2125 Asphalt - Remove & Replace	\$74,500	\$0	\$0	\$0	\$0
2125 Carport Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2135 Fencing: Wood - Repair/Paint	\$0	\$0	\$0	\$0	\$0
2139 Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2151 Trash Enclosures - Replace	\$0	\$0	\$0	\$0	\$0
2161 Retaining Wall - Replace	\$0	\$0	\$0	\$0	\$0
2167 Sign/Monument - Refurbish/Replace	\$2,000	\$0	\$0	\$0	\$0
Building Exteriors					
2303 Exterior Wall Lights - Replace	\$0	\$0	\$0	\$5,464	\$0
2343 Building Exterior - Seal/Paint	\$25,000	\$0	\$0	\$0	\$0
2354 Wood Siding - Repair	\$0	\$0	\$0	\$0	\$0
2379 Roof: Comp Shingle - Replace	\$0	\$0	\$0	\$0	\$0
2383 Carport Roofs - Replace	\$0	\$0	\$0	\$0	\$0
2387 Carport Gutters - Replace	\$0	\$0	\$0	\$0	\$0
2387 Gutters/Downspouts - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$113,500	\$0	\$0	\$5,464	\$0
Ending Reserve Balance:	\$11,523	\$54,868	\$99,944	\$141,319	\$189,976

Table 6: 30-Year Income/Expense Detail (yrs 5 through 9)

25441-0

Fiscal Year	2020	2021	2022	2023	2024
Starting Reserve Balance	\$189,976	\$132,767	\$184,215	\$237,683	\$292,721
Annual Reserve Contribution	\$48,411	\$49,864	\$51,360	\$52,387	\$53,434
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,613	\$1,584	\$2,109	\$2,651	\$3,209
Total Income	\$240,000	\$184,215	\$237,683	\$292,721	\$349,365
# Component					
Common Areas					
2107 Conc. Deck/Walk - Repair/Replace	\$2,898	\$0	\$0	\$0	\$0
2123 Asphalt - Seal and Repair	\$11,013	\$0	\$0	\$0	\$0
2125 Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2125 Carport Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2135 Fencing: Wood - Repair/Paint	\$0	\$0	\$0	\$0	\$0
2139 Fencing: Wood - Replace	\$46,371	\$0	\$0	\$0	\$0
2151 Trash Enclosures - Replace	\$12,172	\$0	\$0	\$0	\$0
2161 Retaining Wall - Replace	\$5,796	\$0	\$0	\$0	\$0
2167 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Building Exteriors					
2303 Exterior Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
2343 Building Exterior - Seal/Paint	\$28,982	\$0	\$0	\$0	\$0
2354 Wood Siding - Repair	\$0	\$0	\$0	\$0	\$0
2379 Roof: Comp Shingle - Replace	\$0	\$0	\$0	\$0	\$0
2383 Carport Roofs - Replace	\$0	\$0	\$0	\$0	\$0
2387 Carport Gutters - Replace	\$0	\$0	\$0	\$0	\$0
2387 Gutters/Downspouts - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$107,233	\$0	\$0	\$0	\$0
Ending Reserve Balance:	\$132,767	\$184,215	\$237,683	\$292,721	\$349,365

Table 6: 30-Year Income/Expense Detail (yrs 10 through 14)

25441-0

Fiscal Year	2025	2026	2027	2028	2029
Starting Reserve Balance	\$349,365	\$338,767	\$398,043	\$459,031	\$521,773
Annual Reserve Contribution	\$54,503	\$55,593	\$56,705	\$57,839	\$58,996
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,439	\$3,682	\$4,284	\$4,902	\$5,538
Total Income	\$407,307	\$398,043	\$459,031	\$521,773	\$586,307
# Component					
Common Areas					
2107 Conc. Deck/Walk - Repair/Replace	\$3,360	\$0	\$0	\$0	\$0
2123 Asphalt - Seal and Repair	\$12,767	\$0	\$0	\$0	\$0
2125 Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2125 Carport Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2135 Fencing: Wood - Repair/Paint	\$2,016	\$0	\$0	\$0	\$0
2139 Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2151 Trash Enclosures - Replace	\$0	\$0	\$0	\$0	\$0
2161 Retaining Wall - Replace	\$0	\$0	\$0	\$0	\$0
2167 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Building Exteriors					
2303 Exterior Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
2343 Building Exterior - Seal/Paint	\$33,598	\$0	\$0	\$0	\$0
2354 Wood Siding - Repair	\$16,799	\$0	\$0	\$0	\$0
2379 Roof: Comp Shingle - Replace	\$0	\$0	\$0	\$0	\$0
2383 Carport Roofs - Replace	\$0	\$0	\$0	\$0	\$0
2387 Carport Gutters - Replace	\$0	\$0	\$0	\$0	\$0
2387 Gutters/Downspouts - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$68,540	\$0	\$0	\$0	\$0
Ending Reserve Balance:	\$338,767	\$398,043	\$459,031	\$521,773	\$586,307

Table 6: 30-Year Income/Expense Detail (yrs 15 through 19)

25441-0

Fiscal Year	2030	2031	2032	2033	2034
Starting Reserve Balance	\$586,307	\$589,260	\$583,487	\$652,270	\$723,002
Annual Reserve Contribution	\$60,176	\$61,379	\$62,607	\$63,859	\$65,136
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,875	\$5,861	\$6,176	\$6,873	\$7,590
Total Income	\$652,358	\$656,501	\$652,270	\$723,002	\$795,729
# Component					
Common Areas					
2107 Conc. Deck/Walk - Repair/Replace	\$3,895	\$0	\$0	\$0	\$0
2123 Asphalt - Seal and Repair	\$14,801	\$0	\$0	\$0	\$0
2125 Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2125 Carport Asphalt - Remove & Replace	\$0	\$73,014	\$0	\$0	\$0
2135 Fencing: Wood - Repair/Paint	\$2,337	\$0	\$0	\$0	\$0
2139 Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2151 Trash Enclosures - Replace	\$0	\$0	\$0	\$0	\$0
2161 Retaining Wall - Replace	\$0	\$0	\$0	\$0	\$0
2167 Sign/Monument - Refurbish/Replace	\$3,116	\$0	\$0	\$0	\$0
Building Exteriors					
2303 Exterior Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
2343 Building Exterior - Seal/Paint	\$38,949	\$0	\$0	\$0	\$0
2354 Wood Siding - Repair	\$0	\$0	\$0	\$0	\$0
2379 Roof: Comp Shingle - Replace	\$0	\$0	\$0	\$0	\$0
2383 Carport Roofs - Replace	\$0	\$0	\$0	\$0	\$0
2387 Carport Gutters - Replace	\$0	\$0	\$0	\$0	\$0
2387 Gutters/Downspouts - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$63,098	\$73,014	\$0	\$0	\$0
Ending Reserve Balance:	\$589,260	\$583,487	\$652,270	\$723,002	\$795,729

Table 6: 30-Year Income/Expense Detail (yrs 20 through 24)

25441-0

Fiscal Year	2035	2036	2037	2038	2039
Starting Reserve Balance	\$795,729	\$733,449	\$599,526	\$675,019	\$742,743
Annual Reserve Contribution	\$66,439	\$67,768	\$69,123	\$70,506	\$71,916
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,643	\$6,662	\$6,370	\$7,086	\$7,823
Total Income	\$869,811	\$807,879	\$675,019	\$752,611	\$822,481
# Component					
Common Areas					
2107 Conc. Deck/Walk - Repair/Replace	\$4,515	\$0	\$0	\$0	\$0
2123 Asphalt - Seal and Repair	\$17,158	\$0	\$0	\$0	\$0
2125 Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2125 Carport Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2135 Fencing: Wood - Repair/Paint	\$2,709	\$0	\$0	\$0	\$0
2139 Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2151 Trash Enclosures - Replace	\$18,964	\$0	\$0	\$0	\$0
2161 Retaining Wall - Replace	\$0	\$0	\$0	\$0	\$0
2167 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Building Exteriors					
2303 Exterior Wall Lights - Replace	\$0	\$0	\$0	\$9,868	\$0
2343 Building Exterior - Seal/Paint	\$45,153	\$0	\$0	\$0	\$0
2354 Wood Siding - Repair	\$0	\$0	\$0	\$0	\$0
2379 Roof: Comp Shingle - Replace	\$0	\$0	\$0	\$0	\$0
2383 Carport Roofs - Replace	\$0	\$205,563	\$0	\$0	\$0
2387 Carport Gutters - Replace	\$0	\$2,790	\$0	\$0	\$0
2387 Gutters/Downspouts - Replace	\$47,862	\$0	\$0	\$0	\$0
Total Expenses	\$136,361	\$208,353	\$0	\$9,868	\$0
Ending Reserve Balance:	\$733,449	\$599,526	\$675,019	\$742,743	\$822,481

Table 6: 30-Year Income/Expense Detail (yrs 25 through 29)

25441-0

Fiscal Year	2040	2041	2042	2043	2044
Starting Reserve Balance	\$822,481	\$200,580	\$277,792	\$357,283	\$439,108
Annual Reserve Contribution	\$73,354	\$74,821	\$76,318	\$77,844	\$79,401
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,113	\$2,391	\$3,174	\$3,980	\$4,810
Total Income	\$900,949	\$277,792	\$357,283	\$439,108	\$523,318
# Component					
Common Areas					
2107 Conc. Deck/Walk - Repair/Replace	\$5,234	\$0	\$0	\$0	\$0
2123 Asphalt - Seal and Repair	\$19,891	\$0	\$0	\$0	\$0
2125 Asphalt - Remove & Replace	\$155,986	\$0	\$0	\$0	\$0
2125 Carport Asphalt - Remove & Replace	\$0	\$0	\$0	\$0	\$0
2135 Fencing: Wood - Repair/Paint	\$3,141	\$0	\$0	\$0	\$0
2139 Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2151 Trash Enclosures - Replace	\$0	\$0	\$0	\$0	\$0
2161 Retaining Wall - Replace	\$0	\$0	\$0	\$0	\$0
2167 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Building Exteriors					
2303 Exterior Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
2343 Building Exterior - Seal/Paint	\$52,344	\$0	\$0	\$0	\$0
2354 Wood Siding - Repair	\$26,172	\$0	\$0	\$0	\$0
2379 Roof: Comp Shingle - Replace	\$437,600	\$0	\$0	\$0	\$0
2383 Carport Roofs - Replace	\$0	\$0	\$0	\$0	\$0
2387 Carport Gutters - Replace	\$0	\$0	\$0	\$0	\$0
2387 Gutters/Downspouts - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$700,369	\$0	\$0	\$0	\$0
Ending Reserve Balance:	\$200,580	\$277,792	\$357,283	\$439,108	\$523,318

Accuracy, Limitations, and Disclosures

Because we have no control over future events, we do not expect that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect Reserve funds to continue to earn interest, so we believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. We can control measurements, which we attempt to establish within 5% accuracy through a combination of on-site measurements, drawings, and satellite imagery. The starting Reserve Balance and interest rate earned on deposited Reserve funds that you provided to us were considered reliable and were not confirmed independently. We have considered the association's representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable. Component Useful Life, Remaining Useful Life, and Current Cost estimates assume a stable economic environment and lack of natural disasters.

Because the physical condition of your components, the association's Reserve balance, the economic environment, and legislative environment change each year, this Reserve Study is by nature a "one-year" document. Because a long-term perspective improves the accuracy of near-term planning, this Report projects expenses for the next 30 years. It is our recommendation and that of the Financial Accounting Standards Board (FASB) that your Reserve Study be updated each year as part of the annual budget process.

Association Reserves and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Robert M. Nordlund, P.E., R.S., company president, is a California licensed Professional Engineer (Mechanical, #22322), and credentialed Reserve Specialist (#5). All work done by Association Reserves is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association's situation.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our "Site Inspection Notes" comments. No destructive or intrusive testing was performed. This Report and this site inspection were accomplished only for Reserve budget purposes (to help identify and address the normal deterioration of properly built and installed components with predictable life expectancies). The Funding Plan in this Report was developed using the cash-flow methodology to achieve the specified Funding Objective.

Association Reserves' liability in any matter involving this Reserve Study is limited to our Fee for services rendered.

Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area). Equivalent to Square Feet
GSY	Gross Square Yards (area). Equivalent to Square Yards
HP	Horsepower
LF	Linear Feet (length)

Effective Age: The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

Fully Funded Balance (FFB): The value of the deterioration of the Reserve Components. This is the fraction of life "used up" of each component multiplied by its estimated Current Replacement. While calculated for each component, it is summed together for an association total.

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age}) / \text{Useful Life}$$

Inflation: Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 6.

Interest: Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary.

Percent Funded: The ratio, at a particular point in time (the first day of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life (RUL): The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

Useful Life (UL): The estimated time, in years, that a common area component can be expected to serve its intended function.

Component Details