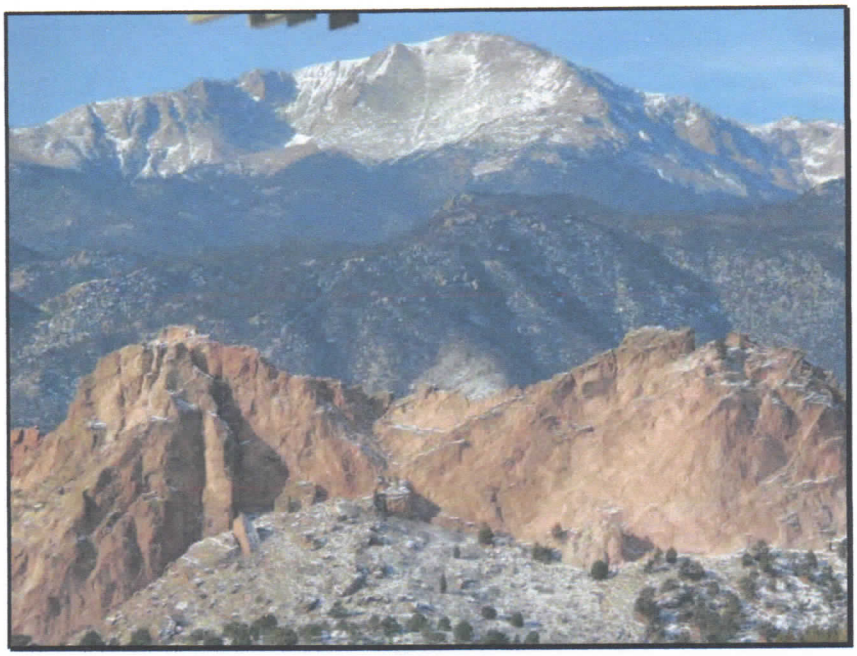
Community Association Reserves

Reserve Fund Analysis Report – Level 1

Kissing Camels POA
Colorado Springs, CO



Report #: 8922
For Fiscal Year 2014
Beginning: July 1, 2014
Ending: June 30, 2015
Date Prepared: February 19, 2014
Prepared by: Richard Hamilton, RS

RICHARD S. HAMILTON
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00 222
DESIGNATION
RESERVE SPECIALIST

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CONDENSED EXECUTIVE OVERVIEW (CEO)

Association Name: **Kissing Camels POA**
Association Location: **Colorado Springs, CO**
Number of Units: **692**
Association Type: **Property Owners Association**
Report Period: **July 1, 2014 through June 30, 2015**

Report No: **8922**

Fund Assumptions and Evaluation

RECOMMENDED CONTRIBUTION FOR FISCAL YEAR 2014

CURRENT $ Unit/Month	RECOMMENDED $ Unit/Month	INCREASE/DECREASE $ / %
$36.48 / $25,246	$28.61 / $19,800	-$ 5,446.00 / -21.57%

Based on your starting point, your projected future expenses, and your current Reserve Fund contribution rate, we recommend ***reducing*** your contribution to meet future demands.

Recommended Special Assessment for 2014: $0
Recommended Special Assessment for 2015: $0

CURRENT STATUS

Projected Reserve Fund Starting Balance (7/1/2014): $2,652,204
Projected Fully Funded Balance: $1,166,482

Percent Funded (1/1/2014): 227.4%
Position: Surplus – Minimal Financial Risk

FINANCIAL ASSUMPTIONS

Annual Interest Rate on Reserve Fund: 1.0%
Annual Inflation Rate: 3.0%

Annual Contribution Rate Increase: 0.00% for First 3 years
Annual Contribution Rate Increase: 2.50% for Final 27 years

Reserve Summary

The following sections contain the reserve summary. This brings together the current replacement cost, normal life expectancy (UL), estimated remaining life (RUL), normal annual contribution, and current reserve requirement at 100% for each of the reserve categories.

Information supplied by the association includes a copy of December 31, 2013 monthly financial report and a copy of the current CC&R's.

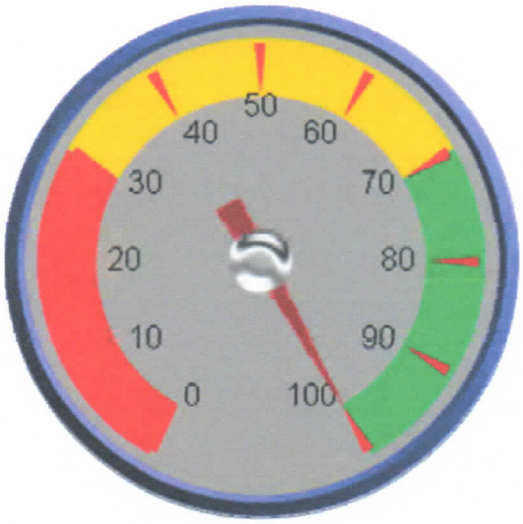
As a result of the study, if the current reserve fund balance is less than the 100% reserve fund recommendation, you have a funding deficit. If the fund balance is greater than the reserve recommendation, you have a funding overage. When a current reserve fund balance is less than the 100% reserve recommendation the annual contribution may need to be increased to meet the projected thirty year cash flow analysis. This will allow the funding deficit to be paid down over a period of years within the thirty year period.

All funding calculations in this study are based upon the cash flow analysis method. This amortized amount is added to the normal annual contribution yielding the new contribution. The goal is to meet anticipated reserve expenditures over the next thirty years and maintain a positive cash balance.

When a current reserve fund balance is greater than the current 100% reserve requirement the funding deficit tables calculate the number of years and dollars by which the overage should be spread out. While the fund may have a surplus at this moment, based on future major replacement costs, the contribution may need to be *increased*, or may see a reduction.

This method of amortizing overages and deficits will maintain a more stable level of funding and reduces fluctuations.

Your Current Funding Position – Surplus (227.4%)



Association Component List

By Component Number

#	Component	Useful Life	Remaining Useful Life	Current Average Cost
103	Concrete Walks - Replace	5	3	$20,600
201	Asphalt - Resurface	7	1	$936,550
202	Asphalt - Seal/Repair	1	0	$45,650
202	Asphalt - Crack Fill	1	0	$2,500
204	Concrete Curb & Gutter - Replace	10	3	$49,200
205	Concrete Drive - Repair	5	3	$8,050
502	Chain Link Fence - Replace	30	10	$120,000
503	Metal Fence - Replace	45	25	$187,500
506	Wire Fence - Replace	10	7	$3,000
705	Gate Operator - Replace	8	4	$8,200
715	Card/Keyless Entry System - Replace	12	6	$3,000
720	Security System - Replace	12	9	$35,000
830	Guardhouse - Refurbish	10	8	$17,500
1022	Drainage Detention Areas - Clean And Maintain	5	1	$6,500
1022	Drainage Underdrains - Clean And Maintain	5	4	$8,000
1025	Landscape Projects - Renovation	5	3	$15,000
1105	Stucco Wall - Repair	10	5	$12,500
1105	Stone Wall - Repair/Repoint	5	4	$5,000
1107	Metal Fence - Repaint	5	1	$13,750
1150	Monument Signage - Refurbish	10	6	$6,000
1304	Tile Roof - Replace	35	18	$8,000
1315	Gutters/Downspouts - Replace	25	10	$1,020
1405	Street Signage - Replace	10	7	$4,500
1501	Pole Lights - Replace	20	12	$113,400
2520	HVAC System - Replace	15	7	$5,500
25	Total Funded Components			

Components By RUL

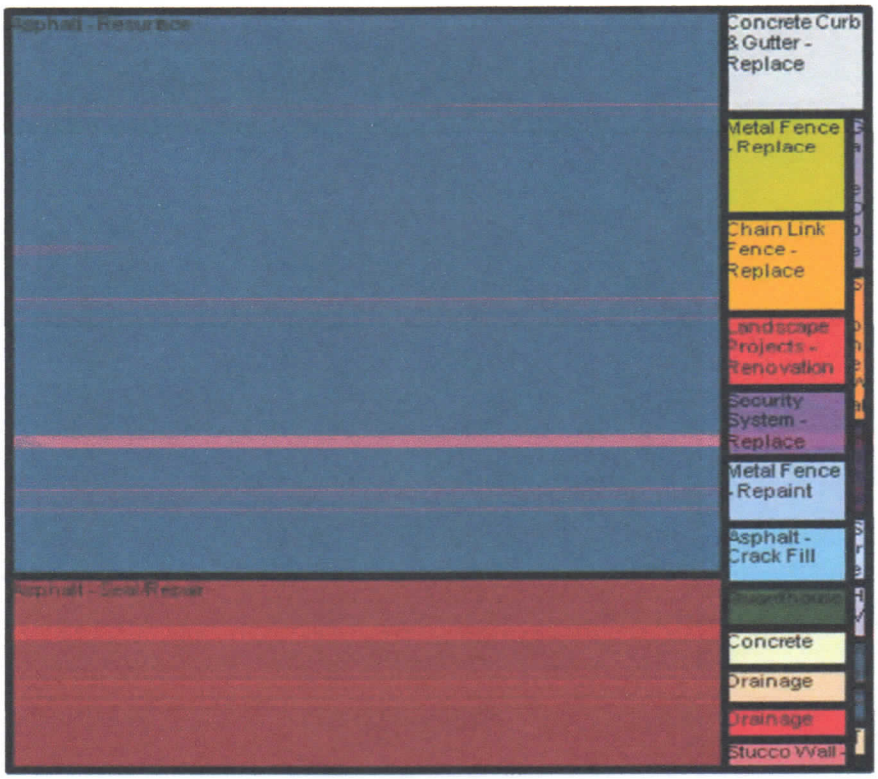
#	Component	Useful Life (yrs)	Remaining Useful Life	Current Average Cost	Future Average Cost
Remaining Useful Life 0 - 5 Years					
202	Asphalt - Seal/Repair	1	0	$45,650	$47,020
202	Asphalt - Crack Fill	1	0	$2,500	$2,575
201	Asphalt - Resurface	7	1	$936,550	$964,647
1022	Drainage Detention Areas - Clean And Maintain	5	1	$6,500	$6,695
1107	Metal Fence - Repaint	5	1	$13,750	$14,163
103	Concrete Walks - Replace	5	3	$20,600	$22,510
204	Concrete Curb & Gutter - Replace	10	3	$49,200	$53,762
205	Concrete Drive - Repair	5	3	$8,050	$8,796
1025	Landscape Projects - Renovation	5	3	$15,000	$16,391
705	Gate Operator - Replace	8	4	$8,200	$9,229
1022	Drainage Underdrains - Clean And Maintain	5	4	$8,000	$9,004
1105	Stone Wall - Repair/Repoint	5	4	$5,000	$5,628
1105	Stucco Wall - Repair	10	5	$12,500	$14,491
Remaining Useful Life 6 - 10 Years					
715	Card/Keyless Entry System - Replace	12	6	$3,000	$3,582
1150	Monument Signage - Refurbish	10	6	$6,000	$7,164
506	Wire Fence - Replace	10	7	$3,000	$3,690
1405	Street Signage - Replace	10	7	$4,500	$5,534
2520	HVAC System - Replace	15	7	$5,500	$6,764
830	Guardhouse - Refurbish	10	8	$17,500	$22,168
720	Security System - Replace	12	9	$35,000	$45,667
502	Chain Link Fence - Replace	30	10	$120,000	$161,270
1315	Gutters/Downspouts - Replace	25	10	$1,020	$1,371
Remaining Useful Life 11 - 15 Years					
1501	Pole Lights - Replace	20	12	$113,400	$161,681
Remaining Useful Life 16 - 20 Years					
1304	Tile Roof - Replace	35	18	$8,000	$13,619
Remaining Useful Life Over 20 Years					
503	Metal Fence - Replace	45	25	$187,500	$392,583
25	Total Funded Components				

Components by Significance

#	Component	UL	Current (Avg) Cost	Cost/Yr	Significance
201	Asphalt - Resurface	7	$936,550	$133,793	59.40%
202	Asphalt - Seal/Repair	1	$45,650	$45,650	20.27%
1501	Pole Lights - Replace	20	$113,400	$5,670	2.52%
204	Concrete Curb & Gutter - Replace	10	$49,200	$4,920	2.18%
503	Metal Fence - Replace	45	$187,500	$4,167	1.85%
103	Concrete Walks - Replace	5	$20,600	$4,120	1.83%
502	Chain Link Fence - Replace	30	$120,000	$4,000	1.78%
1025	Landscape Projects - Renovation	5	$15,000	$3,000	1.33%
720	Security System - Replace	12	$35,000	$2,917	1.29%
1107	Metal Fence - Repaint	5	$13,750	$2,750	1.22%
202	Asphalt - Crack Fill	1	$2,500	$2,500	1.11%
830	Guardhouse - Refurbish	10	$17,500	$1,750	0.78%
205	Concrete Drive - Repair	5	$8,050	$1,610	0.71%
1022	Drainage Underdrains - Clean And Maintain	5	$8,000	$1,600	0.71%
1022	Drainage Detention Areas - Clean And Maintain	5	$6,500	$1,300	0.58%
1105	Stucco Wall - Repair	10	$12,500	$1,250	0.55%
705	Gate Operator - Replace	8	$8,200	$1,025	0.46%
1105	Stone Wall - Repair/Repoint	5	$5,000	$1,000	0.44%
1150	Monument Signage - Refurbish	10	$6,000	$600	0.27%
1405	Street Signage - Replace	10	$4,500	$450	0.20%
2520	HVAC System - Replace	15	$5,500	$367	0.16%
506	Wire Fence - Replace	10	$3,000	$300	0.13%
715	Card/Keyless Entry System - Replace	12	$3,000	$250	0.11%
1304	Tile Roof - Replace	35	$8,000	$229	0.10%
1315	Gutters/Downspouts - Replace	25	$1,020	$41	0.02%
25	Total Funded Components				

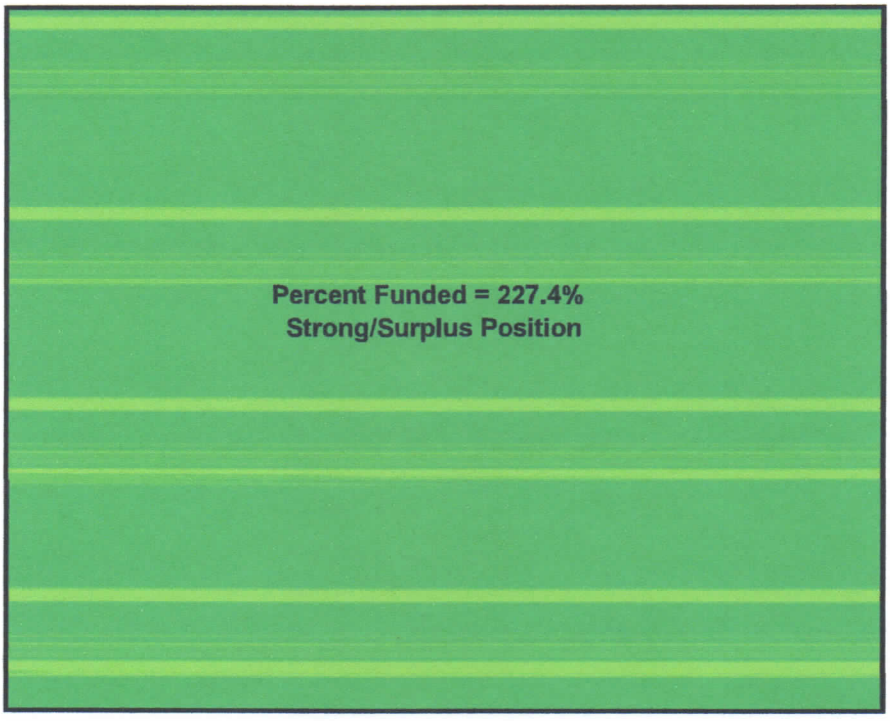
* Top 5 Components deserve Board's utmost attention

Expense Treemap



Expenses by Major Category is a visual representation of each component cost and its proportional relationship to the complete replacement fund. This makes it easier to identify major expenses in their proportional value.

The Current Fund Balance identifies in a visual format, the size of your current fund in relationship to total replacement needs of the community.



30-Year Reserve Plan Summary

Balance Beginning: 07/01/14

Interest:	**1.0%**
Inflation:	**3.0%**

	Recommended Plan				Current Plan			
Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Rating	Percent Funded	Fully Funded Balance	Starting Reserve Balance
2014	$2,652,204	$1,166,482	227.4%	Surplus	Surplus	227.4%	$1,166,482	$2,652,204
2015	$2,869,250	$1,383,896	207.3%	Surplus	Surplus	212.1%	$1,383,896	$2,934,930
2016	$2,096,570	$598,237	350.5%	Surplus	Surplus	372.5%	$598,237	$2,228,590
2017	$2,305,086	$809,714	284.7%	Surplus	Surplus	309.3%	$809,714	$2,504,113
2018	$2,412,188	$928,838	259.7%	Surplus	Surplus	288.4%	$928,838	$2,678,895
2019	$2,602,738	$1,137,442	228.8%	Surplus	Surplus	257.8%	$1,137,442	$2,931,834
2020	$2,809,104	$1,368,115	205.3%	Surplus	Surplus	233.5%	$1,368,115	$3,195,098
2021	$3,001,595	$1,591,004	188.7%	Surplus	Surplus	216.1%	$1,591,004	$3,438,786
2022	$3,219,748	$1,846,621	174.4%	Surplus	Surplus	200.5%	$1,846,621	$3,702,221
2023	$2,190,760	$831,332	263.5%	Surplus	Surplus	326.3%	$831,332	$2,712,381
2024	$2,363,611	$1,029,781	229.5%	Surplus	Surplus	283.4%	$1,029,781	$2,918,019
2025	$2,442,714	$1,138,312	214.6%	Surplus	Surplus	265.6%	$1,138,312	$3,023,314
2026	$2,663,043	$1,396,103	190.7%	Surplus	Surplus	233.7%	$1,396,103	$3,263,003
2027	$2,744,777	$1,519,500	180.6%	Surplus	Surplus	220.9%	$1,519,500	$3,357,018
2028	$2,869,924	$1,692,532	169.6%	Surplus	Surplus	206.0%	$1,692,532	$3,487,113
2029	$3,119,113	$1,998,981	156.0%	Surplus	Surplus	186.8%	$1,998,981	$3,733,659
2030	$1,910,189	$820,209	232.9%	Surplus	Surplus	306.5%	$820,209	$2,514,232
2031	$2,138,569	$1,094,159	195.5%	Surplus	Surplus	249.0%	$1,094,159	$2,723,974
2032	$2,405,019	$1,415,729	169.9%	Surplus	Surplus	209.3%	$1,415,729	$2,963,369
2033	$2,569,192	$1,642,244	156.4%	Surplus	Surplus	188.3%	$1,642,244	$3,091,781
2034	$2,841,727	$1,987,907	143.0%	Surplus	Surplus	167.0%	$1,987,907	$3,319,550
2035	$3,131,342	$2,361,762	132.6%	Surplus	Surplus	150.5%	$2,361,762	$3,555,086
2036	$3,341,915	$2,666,106	125.3%	Strong	Surplus	138.9%	$2,666,106	$3,701,953
2037	$1,850,379	$1,236,408	149.7%	Surplus	Surplus	172.8%	$1,236,408	$2,136,761
2038	$1,980,585	$1,444,778	137.1%	Surplus	Surplus	151.1%	$1,444,778	$2,183,027
2039	$2,276,625	$1,831,725	124.3%	Strong	Surplus	130.2%	$1,831,725	$2,384,501
2040	$2,188,415	$1,837,307	119.1%	Strong	Strong	119.2%	$1,837,307	$2,190,749
2041	$2,470,521	$2,227,523	110.9%	Strong	Strong	105.8%	$2,227,523	$2,355,974
2042	$2,803,016	$2,682,398	104.5%	Strong	Strong	95.4%	$2,682,398	$2,559,881
2043	$3,003,703	$3,016,807	99.6%	Strong	Strong	86.8%	$3,016,807	$2,619,889

SITE INSPECTION NOTES

Community Association Reserves was contracted to perform a Reserve Study for Kissing Camels POA, located in Anywhere, USA in accordance with our proposal dated January 3, 2014. The purpose of the Reserve Study is to determine a reasonable level of annual reserve fund contributions required to meet future expenditures for the elements on the property that will likely require major repairs or replacements over the next 30-year period.

We inspected the Association on January 23, 2014. The community consists of 534 units, 153 lots and 5 additional townhomes.

The community started initial construction in the late 1960's and is continuing development as of the date of this report. Due to the timing of the installation of the significant components (asphalt) we have segmented certain major component replacement cycles based upon these phased construction instances.

We started the site inspection beginning with the streets and drives. We visually inspected all of the assets, and were able to see all areas. We were not able to closely inspect the guardhouse roof due to access limitations.

During our site inspection we noted that the property is in overall good condition with a few items of note:

The perimeter metal fence is in need of paint in some areas.

The roads vary in condition ranging from good to fair. We have established a rotation of replacement addressing 33% of the roads every 7 years, so that all roads are replaced every 21 years.

To better assist the Board in understanding the state of their community's capital assets, a full photographic inventory of component, costs and conditions is included in this report.

The Reserve Study Report

This reserve study is a comprehensive assessment of the Association's common area assets and an analysis of its reserve fund balances to determine the fund health for future major repair or replacement of common area assets. One of the primary responsibilities of the Kissing Camels Property Owners Association, through its Board of Directors, is to maintain, preserve, and replace the common area assets for the future use of the Association members.

This is a Level 1 reserve study (new study with site visit) which includes a physical and financial analysis. The physical analysis includes a comprehensive on-site inspection which results in a complete inventory of common area assets. It also includes a determination of the current condition of each asset, the remaining useful life of the asset, and the current and future cost to fund major repairs or replacement of each asset. The financial analysis of the reserve study includes analyzing the current reserve fund, formulating a detailed plan for adequately funding the reserve account, and a 30 year projection for cash flow management.

This reserve study is a budget model for your association, working alongside your Operating & Maintenance budget. We have attempted to identify significant expenses likely to occur over time, and computed a reserve a contribution rate plan to accumulate sufficient reserves to meet those expenses, ideally without having to levy a special assessment. There are three expected results from a Reserve Study: 1) A list of what you're reserving for (see Page 3); 2) An evaluation of your current reserve fund size and strength (see Pages 1); and 2) A plan to offset the projected expenses (see Page 11).

There is currently no state or other mandated level of reserve funding. The choice for your association is then largely: "How much risk are we willing to place the community at for having to pay common area expenses over and above the planned monthly assessments?" This answer typically varies, but in all cases, special assessment is not the most efficient or fair approach - gathering stable, incremental reserve contributions is. Special assessments are particularly difficult for those with fixed incomes.

Like any budget, the reserve study is a dynamic working document deserving of your time and attention. The projects that are included, economic and other factors affecting the future will be in a constant state of change. Your job is to have a thorough understanding of what you are collectively responsible for. To maintain, repair and replace, and to work your plan to proactively make decisions (i.e. materials, specifications, contractors, etc...) that deliver the best value for your community as a whole. Boards are charged with a duty to enhance, maintain and protect the assets of the community; mainly unit values!

Although this report covers a 30-year period as required by acceptable practices, it can be used as a planning tool for any period of time within those 30 years that you choose. An effective strategy to begin with, is to obtain a firm grasp of your projected expenses within the next 5 years. The near term years, are those your current owners are likely to care most about. Page 4 of this report is one place you can see this information. Detail for these years can be found on pages 14 - 21 note the projected expenses at the bottom of the annual calculations. The income shown in the top lines are what you will have *if* you follow the recommendation of the 100% Full funding reserve contribution rate shown within the top box of the CEO report. Current reserve strength is indicated by your association's Percent Funded figure. Generally a position below 30% Funded is regarded as weak, 30% - 70% regarded as Fair and over 70% regarded as Strong.

The goals of the Reserve Study are as follows:

- Quantify as well as provide a condition assessment of each major element the association has responsibility for maintaining.
- Determine the typical useful life and remaining useful life of the elements.
- Estimate replacement costs for each element and prepare a schedule of element replacements based on historical performance data and present condition.

- Evaluate the annual reserve fund contributions required to ensure that reserve funds are available when needed to repair or replace the elements without the need to levy a special assessment.

Several general assumptions have been made for the completion of this study, which are as follows:

1. The elements will be replaced with like kind unless otherwise noted or directed by a representative of the property to use alternate materials.

2. All new installations will comply with current city, state and local building code requirements.

3. The building structures have a remaining useful life greater than 30 years.

4. A maintenance program will be implemented to ensure that all building components, systems, and equipment are maintained and operated at or near optimum capacities.

5. Since cash flow takes place at frequent and varying time intervals within an interest period, a simplified method of assuming that all cash flow occurs at the midpoint of the interest period is used in the reserve analysis.

6. The financial analysis in this study employs the cash flow method for developing the recommended reserve funding plan. This method generates a reserve funding plan to offset the anticipated annual expenditures which vary with time. In addition, the funding plan was generated using the "fully funded" funding method. By definition, the fully funded method strived to achieve a 100% funded level course of the study, ensuring all owners are paying their fair share. Although not our primary recommendation, a threshold plan to achieve a 70% funded level is also included, when possible, for the Board's reference.

7. The study is limited to the elements of the property that likely require major repair or replacement during the study period and that have a significant impact on the reserve contributions. Elements that require minor repairs or replacements and are relatively insignificant in cost when compared to the property in its totality are assumed to be funded from the operating and maintenance budget.

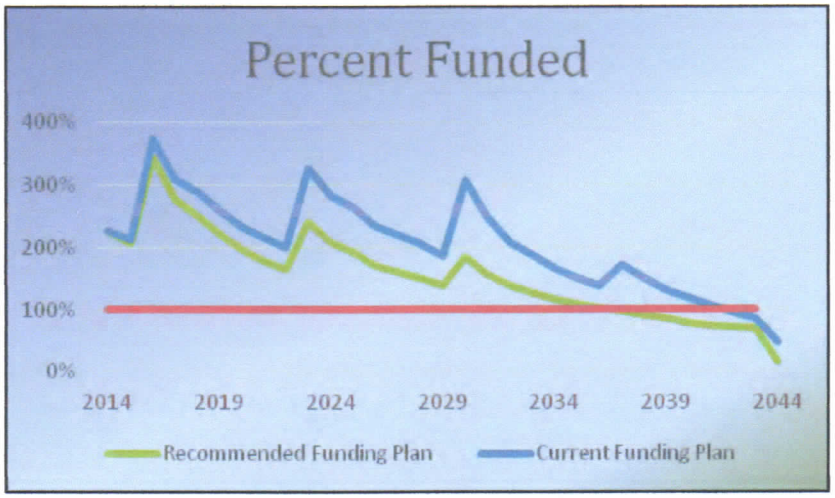
8. Elements such as electrical, water supply, and waste water systems for the building are considered to have an extensive lifetime that make it very difficult to predict or establish major repair or replacement expenses. These elements can function indefinitely with ongoing maintenance and repairs which are considered minor when compared to wholesale replacement expenses; therefore, we assume that future minor ongoing maintenance and repair expenses incurred will be funded from the operating and maintenance budget. This assumption is based on the premise that a reserve study is to include elements that have a definable remaining useful life; therefore, incorporating replacement expenses for elements that do not have a predictable useful life into the study can significantly impact the accuracy and validity of the results.

Funding Assumptions and Analysis

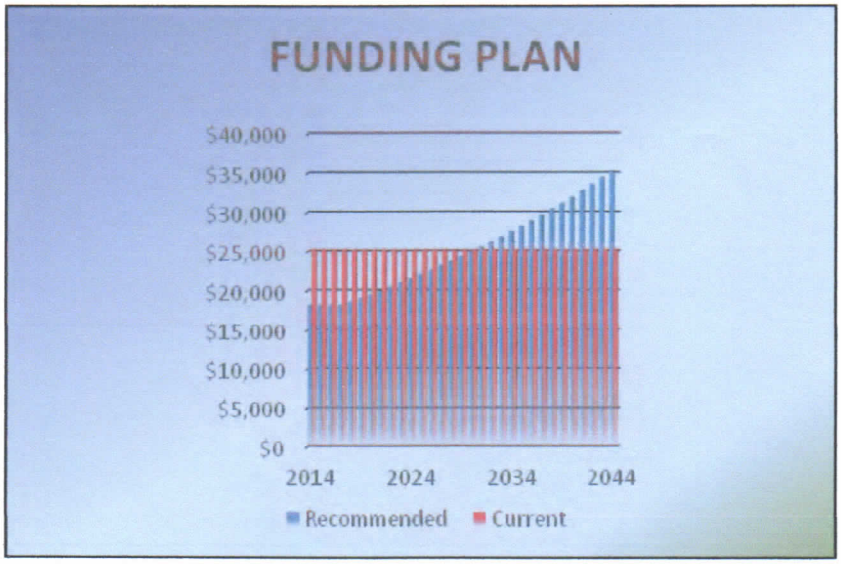
Beginning Assumptions	
# of Units	692
Fiscal Year End	30-June
Budgeted Monthly Dues	$304,579
Budgeted Monthly Reserve Allocation	$25,246
Projected Starting Reserve Balance	$2,652,204
Ideal Starting Reserve Balance	$1,166,482
Economic Assumptions	
Current Inflation Rate	3.00%
Reported Fund Interest Rate	1.00%
Current Reserve Status	
Current Balance as a % of Ideal Balance	227.4%
Recommendations	
Fully (100%) Funded	
Recommended Monthly Reserve Allocation	$19,800
Per Unit	$28.61
Future Annual Increases	0.00%
For Number of Years:	3
Increases Thereafter:	2.50%
Threshold (70%) Funded*	
Minimum Monthly Reserve Allocation	$18,130
Per Unit	$26.20
Future Annual Increases	0.00%
For Number of Years:	3
Increases Thereafter:	2.50%
Changes From Prior Year	
Recommended decrease to Reserve Allocation	-$5,446
As Percentage	-21.57%
Maximum decrease to Reserve Allocation	-$7,116
As Percentage	-28.19%

***The Minimum Monthly Reserve Allocation will achieve a 70% Funded balance, which is considered a "Strong" position. CAR recommends maintaining the 100% funded position whenever possible.**

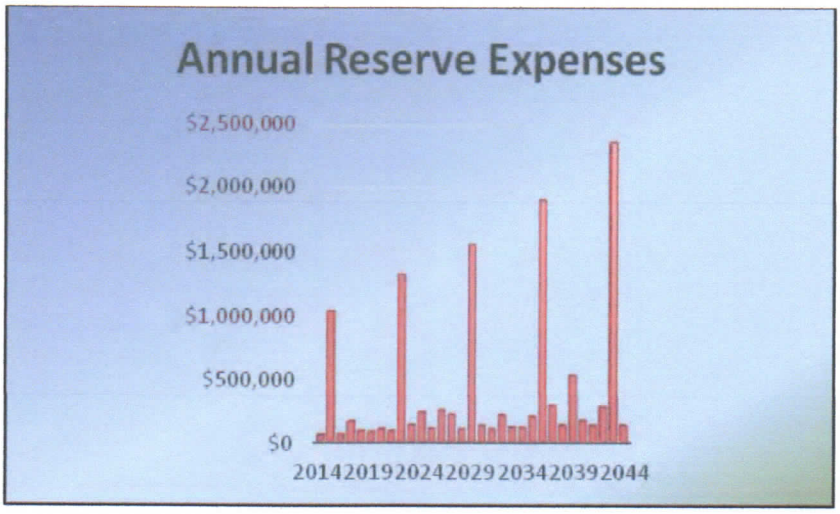
Reserve Fund Financial Activities



The Percent Funded chart represents the plan detailed in the Annual Fund Balance Projections. Over the course of the next 30 years, the plan will bring the association to the ideal level of 100% Funded, meaning funding is keeping pace with the deterioration of the assets. The chart compares our recommended plan to the current plan in place to show how the recommendation will benefit the Association. Detailed revenue data and fund balances can be found in the section titled "Annual Fund Balance Projections".



The Funding Plan Comparison graph visually compares the current in-place finding plan with the recommended plan. The green bars indicate the annual funding of the recommended plan. The striped bars represent the current annual funding levels. The difference between the two bars indicates the needed increase to reach the ideal level of 100% Funded.



Annual project expenses are detailed in the Annual Fund Balance Projections by year. The association may use this detail to ensure it is staying on track with the plan. Note the periodic spikes made up primarily of asphalt replacement expenses. Some significant expenses are several years away. The Association may wish to consider placing those accrued funds in a high-yield, insured investment. This will assist in reducing the contribution in future years. Detailed expense data and anticipated projects can be found in the section titled "Annual Fund Balance Projections".

Annual Fund Projects and Balance Projections

Year	Description	Annual Amount	Year End
07/01/2014	**Beginning Balance**		**$2,652,204**
	Contributions		237,600
	Asphalt - Seal/Repair	$ 45,650	
	Asphalt - Crack Fill	2,500	
	Projects		**$ 48,150**
	Interest Earned (1.0%)		**$ 27,596**
	Ending Fund Balance		**$2,869,250**
07/01/2015	**Beginning Balance**		**$2,869,250**
	Contributions		237,600
	Asphalt - Resurface	$964,647	
	Asphalt - Seal/Repair	47,020	
	Asphalt - Crack Fill	2,575	
	Drainage Detention Areas - Clean	6,695	
	Metal Fence - Repaint	14,163	
	Projects		**$1,035,099**
	Interest Earned (1.0%)		**$ 24,819**
	Ending Fund Balance		**$2,096,570**
07/01/2016	**Beginning Balance**		**$2,096,570**
	Contributions		237,600
	Asphalt - Seal/Repair	$48,430	
	Asphalt - Crack Fill	2,652	
	Projects		**$ 51,082**
	Interest Earned (1.0%)		**$ 21,999**
	Ending Fund Balance		**$2,305,086**
07/01/2017	**Beginning Balance**		**$2,305,086**
	Contributions		237,600
	Concrete Walks - Replace	$ 22,510	
	Asphalt - Seal/Repair	49,883	
	Asphalt - Crack Fill	2,732	
	Concrete Curb/Gutter - Replace	53,762	
	Concrete Drive - Repair	8,796	
	Landscape Projects - Renovation	16,391	
	Projects		**$ 154,075**
	Interest Earned (1.0%)		**$ 23,576**
	Ending Fund Balance		**$2,412,188**

Year	Description	Annual Amount	Year End
07/01/2018	**Beginning Balance**		**$2,412,188**
	Contributions		243,540
	Asphalt -Seal/Repair	$ 51,379	
	Asphalt - Crack Fill	2,814	
	Gate Operator - Replace	9,229	
	Drainage Underdrains - Clean	9,004	
	Stone Wall - Repair/Repoint	5,628	
	Projects		**$ 78,054**
	Interest Earned (1.0%)		**$ 25,064**
	Ending Fund Balance		**$2, 602,738**
07/01/2019	**Beginning Balance**		**$2,602,738**
	Contributions		249,629
	Asphalt - Seal/Repair	$ 52,921	
	Asphalt - Crack Fill	2,898	
	Stucco Wall - Repair	14,491	
	Projects		**$ 70,310**
	Interest Earned (1.0%)		**$ 27,048**
	Ending Fund Balance		**$2,809,104**
07/01/2020	**Beginning Balance**		**$2, 809,104**
	Contributions		255,869
	Asphalt - Seal/Repair	$ 54,508	
	Asphalt - Crack Fill	2,985	
	Keyless Entry System - Replace	3,582	
	Drainage Detention Areas - Clean	7,761	
	Metal Fence - Repaint	16,418	
	Monument Signage - Refurbish	7,164	
	Projects		**$ 92,420**
	Interest Earned (1.0%)		**$ 29,041**
	Ending Fund Balance		**$3,001,595**
07/01/2021	**Beginning Balance**		**$3,001,595**
	Contributions		262,266
	Asphalt – Seal/Repair	$ 56,144	
	Asphalt – Crack Fill	3,075	
	Wire Fence - Replace	3,690	
	Street Signage - Replace	5,534	
	HVAC System - Replace	6,764	
	Projects		**$ 75,207**
	Interest Earned (1.0%)		**$ 31,093**
	Ending Fund Balance		**$3,219,748**

Year	Description	Annual Amount	Year End
07/01/2022	**Beginning Balance**		**$3,219,748**
	Contributions		268,823
	Concrete Walks – Replace	$ 26,095	
	Asphalt - Resurface	1,186,394	
	Asphalt – Seal/Repair	57,828	
	Asphalt - Crack Fill	3,167	
	Concrete Drive - Repair	10,197	
	Guardhouse - Refurbish	22,168	
	Landscape Projects - Renovation	19,002	
	Projects		**$1,324,851**
	Interest Earned (1.0%)		**$ 27,041**
	Ending Fund Balance		**$2,190,760**
07/01/2023	**Beginning Balance**		**$2,190,760**
	Contributions		275,543
	Asphalt - Seal/Repair	$ 59,563	
	Asphalt - Crack Fill	3,262	
	Security System - Replace	45,667	
	Drainage Underdrains - Clean	10,438	
	Stone Wall - Repair/Repoint	6,524	
	Projects		**$ 125,454**
	Interest Earned (1.0%)		**$ 22,762**
	Ending Fund Balance		**$2,363,611**
07/01/2024	**Beginning Balance**		**$2,363,611**
	Contributions		282,432
	Asphalt - Seal/Repair	$ 61,350	
	Asphalt - Crack Fill	3,360	
	Chain Link Fence - Replace	161,270	
	Gutters/Downspouts - Replace	1,371	
	Projects		**$227,350**
	Interest Earned (1.0%)		**$ 24,021**
	Ending Fund Balance		**$2,442,714**
07/01/2025	**Beginning Balance**		**$2,442,714**
	Contributions		289,493
	Asphalt - Seal/Repair	$ 63,190	
	Asphalt -Crack Fill	3,461	
	Drainage Detention Areas - Clean	8,998	
	Metal Fence - Repaint	19,033	
	Projects		**$ 94,682**
	Interest Earned (1.0%)		**$ 25,518**
	Ending Fund Balance		**$2,663,043**

Year	Description	Annual Amount	Year End
07/01/2026	**Beginning Balance**		**$2,663,043**
	Contributions		296,730
	Asphalt – Seal/Repair	$ 65,086	
	Asphalt - Crack Fill	3,564	
	Gate Operator - Replace	11,691	
	Pole Lights - Replace	161,681	
	Projects		**$ 242,023**
	Interest Earned (1.0%)		**$ 27**,028
	Ending Fund Balance		$2,744,777
07/01/2027	**Beginning Balance**		**$2,744,777**
	Contributions		304,148
	Concrete Walks - Replace	$ 30,252	
	Asphalt – Seal/Repair	67,039	
	Asphalt - Crack Fill	3,671	
	Concrete Curb/Gutter - Replace	72,252	
	Concrete Drive - Repair	11,822	
	Landscape Projects - Renovation	22,028	
	Projects		**$ 207,063**
	Interest Earned (1.0%)		**$ 28,062**
	Ending Fund Balance		**$2,869,924**
07/01/2028	**Beginning Balance**		**$2,869,924**
	Contributions		311,752
	Asphalt - Seal/Repair	$ 69,050	
	Asphalt - Crack Fill	3,781	
	Drainage Underdrains - Clean	12,101	
	Stone Wall - Repair/Repoint	7,563	
	Projects		**$ 92,495**
	Interest Earned (1.0%)		**$ 29,932**
	Ending Fund Balance		**$3,119,113**
07/01/2029	**Beginning Balance**		**$3,119,113**
	Contributions		319,546
	Asphalt - Resurface	$1,459,114	
	Asphalt - Seal/Repair	71,121	
	Asphalt - Crack Fill	3,895	
	Stucco Wall - Repair	19,475	
	Projects		**$1,553,605**
	Interest Earned (1.0%)		**$ 25,136**
	Ending Fund Balance		**$1,910,189**

Year	Description	Annual Amount	Year End
07/01/2030	**Beginning Balance**		**$1,910,189**
	Contributions		327,534
	Asphalt - Seal/Repair	$ 73,255	
	Asphalt - Crack Fill	4,012	
	Drainage Detention Areas - Clean	10,431	
	Metal Fence - Repaint	22,065	
	Monument Signage - Refurbish	9,628	
	Projects		**$119,390**
	Interest Earned (1.0%)		**$ 20,235**
	Ending Fund Balance		**$2,138,569**
07/01/2031	**Beginning Balance**		**$2,138,569**
	Contributions		335,723
	Asphalt - Seal/Repair	$ 75,452	
	Asphalt - Crack Fill	4,132	
	Wire Fence - Replace	4,959	
	Street Signage - Replace	7,438	
	Projects		**$ 91,981**
	Interest Earned (1.0%)		**$ 22,708**
	Ending Fund Balance		**$2,405,019**
07/01/2032	**Beginning Balance**		**$2,405,019**
	Contributions		344,116
	Concrete Walks - Replace	$ 35,070	
	Asphalt - Seal/Repair	77,716	
	Asphalt - Crack Fill	4,256	
	Concrete Drive - Repair	13,705	
	Keyless Entry System - Replace	5,107	
	Guardhouse - Refurbish	29,793	
	Landscape Projects - Renovation	25,536	
	Tile Roof - Replace	13,619	
	Projects		**$ 204,803**
	Interest Earned (1.0%)		**$ 24,860**
	Ending Fund Balance		**$2,569,192**
07/01/2033	**Beginning Balance**		**$2,569,192**
	Contributions		352,719
	Asphalt - Seal/Repair	$ 80,048	
	Asphalt - Crack Fill	4,384	
	Drainage Underdrains - Clean	14,028	
	Stone Wall - Repair/Repoint	8,768	
	Projects		**$ 107,227**
	Interest Earned (1.0%)		**$ 27,043**
	Ending Fund Balance		**$2,841,727**

Year	Description	Annual Amount	Year End
07/01/2034	**Beginning Balance**		**$2,841,727**
	Contributions		361,536
	Asphalt - Seal/Repair	$ 82,449	
	Asphalt - Crack Fill	4,515	
	Gate Operator - Replace	14,810	
	Projects		**$ 101,774**
	Interest Earned (1.0%)		**$ 29,853**
	Ending Fund Balance		**$3,131,342**
07/01/2035	**Beginning Balance**		**$3,131,342**
	Contributions		370,575
	Asphalt - Seal/Repair	$ 84,922	
	Asphalt - Crack Fill	4,651	
	Security System - Replace	65,110	
	Drainage Detention Areas - Clean	12,092	
	Metal Fence - Repaint	25,579	
	Projects		**$ 192,354**
	Interest Earned (1.0%)		**$ 32,353**
	Ending Fund Balance		**$3,341,915**
07/01/2036	**Beginning Balance**		**$3,341,915**
	Contributions		379,839
	Asphalt - Resurface	$1,794,527	
	Asphalt - Seal/Repair	87,470	
	Asphalt - Crack Fill	4,790	
	HVAC System - Replace	10,539	
	Projects		**$1,897,326**
	Interest Earned (1.0%)		**$ 25,950**
	Ending Fund Balance		**$1,850,379**
07/01/2037	**Beginning Balance**		**$1,850,379**
	Contributions		389,335
	Composite Walks - Replace	$ 40,656	
	Asphalt - Seal/Repair	90,094	
	Asphalt - Crack Fill	4,934	
	Concrete Curb & Gutter - Replace	97,100	
	Concrete Drive - Repair	15,887	
	Landscape Projects - Renovation	29,604	
	Projects		**$ 278,276**
	Interest Earned (1.0%)		**$ 19,147**
	Ending Fund Balance		**$1,980,585**

Year	Description	Annual Amount	Year End
07/01/2038	**Beginning Balance**		**$ 1,980,585**
	Contributions		399,069
	Asphalt - Seal/Repair	$ 92,797	
	Asphalt - Crack Fill	5,082	
	Drainage Underdrains - Clean	16,262	
	Stone Wall - Repair/Repoint	10,164	
	Projects		**$ 124,305**
	Interest Earned (1.0%)		**$ 21,277**
	Ending Fund Balance		**$ 2,276,625**
07/01/2039	**Beginning Balance**		**$ 2,276,625**
	Contributions		409,045
	Asphalt - Seal/Repair	$ 95,581	
	Asphalt - Crack Fill	5,234	
	Metal Fence - Replace	392,583	
	Stucco Wall - Repair	26,172	
	Projects		**$ 519,571**
	Interest Earned (1.0%)		**$ 22,316**
	Ending Fund Balance		**$ 2,188,415**
07/01/2040	**Beginning Balance**		**$ 2,188,415**
	Contributions		419,271
	Asphalt - Seal/Repair	$ 98,448	
	Asphalt - Crack Fill	5,391	
	Drainage Detention Areas - Clean	14,018	
	Metal Fence - Repaint	29,653	
	Monument Signage - Refurbish	12,940	
	Projects		**$ 160,450**
	Interest Earned (1.0%)		**$ 23,285**
	Ending Fund Balance		**$ 2,470,521**
07/01/2041	**Beginning Balance**		**$ 2,470,521**
	Contributions		429,753
	Asphalt - Seal/Repair	$101,402	
	Asphalt - Crack Fill	5,553	
	Wire Fence - Replace	6,664	
	Street Signage - Replace	9,996	
	Projects		**$123,615**
	Interest Earned (1.0%)		**$ 26,356**
	Ending Fund Balance		**$ 2,803,016**

Year	Description	Annual Amount	Year End
07/01/2042	**Beginning Balance**		**$ 2,803,016**
	Contributions		440,497
	Concrete Walks - Replace	$ 47,131	
	Asphalt - Seal/Repair	104,444	
	Asphalt - Crack Fill	5,720	
	Concrete Drive - Repair	18,418	
	Gate Operator - Replace	18,761	
	Guardhouse - Refurbish	40,039	
	Landscape Projects - Renovation	34,319	
	Projects		**$268,832**
	Interest Earned (1.0%)		**$ 29,021**
	Ending Fund Balance		**$ 3,003,703**
07/01/2043	**Beginning Balance**		**$ 3,003,703**
	Contributions		451,510
	Asphalt - Resurface	$2,207,041	
	Asphalt - Seal/Repair	107,577	
	Asphalt - Crack Fill	5,891	
	Drainage Underdrains - Clean	18,853	
	Stone Wall - Repair/Repoint	11,783	
	Projects		**$2,351,145**
	Interest Earned (1.0%)		**$ 20,633**
	Ending Fund Balance		**$1,124,701**

General Information and Answers to Frequently Asked Questions

Why is it important to perform a Reserve Study?

As previously mentioned, the reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare the Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

After we have a Reserve Study completed, what do we do with it?

Step 1: Board Meeting
The Board of Directors has the responsibility to do what is in the best interest of the Association and has significant influence; therefore, the first step is for the Board to meet. This meeting should discuss the results of the reserve study. Invite the Association Manager to attend. The purpose of this meeting should be for the Board to better understand the financial position and the upcoming reserve requirements of the Association. This includes understanding what most influences the results of the Reserve Study

Step 2: Make a Plan
The Board should then create a plan to determine how best to manage the Association's common area assets and financial position. Using this Reserve Study as a guide, the Board should make the adjustments required to meet the needs of the Association and its members. This includes setting the Reserve Contribution amount.

Step 3: Association Meeting
After the Board has determined the best course of action, present it to the Association. This allows them to ask questions and understand the direction the community will be heading. This is by far the most important step. Communicating with owners the reasons why will help significantly. Additionally, this brings confidence in the leadership of the Board and unity among the Association members.

Step 4: Update and Adjust
This Reserve Study is a one year document. It needs to be updated and adjusted annually. Additionally, we recommend regular reviews of your plan. Assess progress and make adjustments as necessary. As already mentioned, we recommend communicating regular updates to the Association members. Whether a major project is underway or postponed for various reasons, the membership will appreciate the update. The purpose of this Reserve Study is to help your community succeed. That only works when you are proactive and consistent.

There are 4 keys to implementing your plan effectively:

- be persistent
- make incremental changes
- monitor & implement your plan continuously
- keep your eye on the ball

Consistently using these keys will help you follow your plan and achieve your goals.

How often do we update or review the Reserve Study?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Study should be reviewed each

year before the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Deterioration rates and repair/replacement costs may vary from causes that are unforeseen. Earned interest rates may vary from year to year.

These variations could alter the content of the Reserve Study. Therefore, this analysis should be reviewed annually, and a property inspection should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 States. Even if it is not currently governed by your State, the chances are very good that the documents of the association require the association to have a reserve fund established. This doesn't mean a Reserve Study is required, but how are you going to know you have enough funds in the account if you don't have the proper information? Some associations look at the reserve fund and think that $50,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed $75,000. So while $50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

What is a "Reserve Component" versus an "Operating Component"?

A "Reserve" component is an item that is the responsibility of the association to maintain, has a limited useful life, predictable remaining useful life, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold amount. An "Operating" expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an "Operating" expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a reserve expense.

What are the grey areas of "maintenance" items that are often seen in a Reserve Study?

One of the most popular questions revolves around major "maintenance" items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a "capital" item, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a reserve component.

What happens during the Property Inspection?

The Property Inspection was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Community Association Reserves by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the inspection. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the inspection. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

What is the Financial Analysis?

We projected the starting balance by taking the most recent balance statement, adding expected reserve contributions for the rest of the fiscal year, and subtracting any pending projects that will be paid for before the end of the current fiscal year. We compared this number to the ideal reserve balance and arrived at the percent funded level.

Measures of strength are as follows:

0% - 30% Funded is considered to be a "weak" financial position. Associations that fall into this category are subject to special assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the reserve fund.

31% - 69% Funded is considered a "fair" financial position. The majority of associations fall into this category. While this doesn't represent financial strength and stability, the likelihood of special assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the reserve fund.

70% - 99% Funded is considered a "strong" financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded is considered an "ideal" financial position. This means that the association has the exact amount of funds in the reserve account.

Definition of Terms Used

A reserve study contains a number of industry-related terms and phrases. To help you better understand the reserve study process and reports, we've provided definitions for the most commonly used terms.

Cash Flow Method - A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component - The individual line items in the reserve study developed or updated in the physical analysis. These elements form the building blocks for the reserve study. Components typically are: 1) association responsibility, 2) with limited useful life expectancies, 3) predictable remaining useful life expectancies, 4) above a minimum threshold cost, 5) as required by local codes.

Component Assessment and Valuation - The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components. This task is accomplished either with or without on-site visual observations, based on the level of service selected by the client.

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

Component Method - A method of developing a reserve funding plan where the total contribution is based on the sum of contributions for individual components. See "cash flow method".

Condition Assessment - The task of evaluating the current condition of the component based on observed or reported characteristics.

Current Replacement Cost - See "replacement cost".

Deficit - An actual (or projected) reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age - The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

Field Inspection - A site visit which includes a visual inspection of all components. In cases where plans of the property are unavailable, it would also include the quantity survey.

Financial Analysis - The portion of a reserve study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived and the projected reserve income and expense over time is presented. The financial analysis is one of the two parts of a reserve study.

Fully Funded - 100% funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

Fully Funded Balance (FFB) - Total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current repair or replacement cost. This number is calculated for each component and summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: both yield identical results when interest and inflation are equivalent.

FFB = Current Cost X Effective Age / Useful Life

or

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

Fund Status - The status of the reserve fund as compared to an established benchmark such as percent funding.

Funding Goals - Independent of methodology utilized, the following represent the basic categories of funding plan goals:

Baseline Funding - Establishing a reserve funding goal of keeping the reserve cash balance above zero.

Full Funding - Setting a reserve funding goal of attaining and maintaining reserves at or near 100% funded.

Statutory Funding - Establishing a reserve funding goal of setting aside the specific minimum amount of reserves required by local statues.

Threshold Funding - Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount. Depending on the threshold, this may be more or less conservative than "fully funding. "

Funding Plan - An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

Funding Principles:

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

Life and Valuation Estimates - The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage.

Physical Analysis - The portion of the reserve study where the component inventory, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the reserve study.

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

Replacement Cost - The cost of replacing, repairing, or restoring a reserve component to its original functional condition. The current replacement cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance - Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as reserves, reserve accounts, cash reserves. Based upon information provided and not audited.

Reserve Study Provider - An individual that prepares reserve studies.

Reserve Study - A budget planning tool which identifies the current status of the reserve fund and a stable and equitable funding plan to offset the anticipated future major common area expenditures. The reserve study consists of two parts: the physical analysis and the financial analysis.

Responsible Charge - A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; expect for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

Special Assessment - An assessment levied on the members of an association in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.

Surplus - An actual (or projected) reserve balance greater than the fully funded balance. See "deficit. "

Useful Life (UL) - Total useful life or depreciable life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

Disclosures and Limitations

Community Association Reserves has relied upon certain information provided by Association representatives in the performance of this reserve study. Such information includes, but is not necessarily limited to, financial data, identification or quantification of common area components, and historical maintenance information. Such information is deemed reliable by Community Association Reserves. This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialists and independent contractors, the Community Associations Institute, various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator and the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of the preparation of reserve analysis studies.

The reserve study is a reflection of information provided to Community Association Reserves and this report has been assembled for use by the Association. This report has not been audited, nor subjected to a forensic or quality analysis, or background checks of historical records.

The reserve balance projected in this report is based upon information provided by the Association to Community Association Reserves, and was not audited.

Information provided to Community Association Reserves by the Association about reserve projects is considered reliable. The onsite visit cannot be considered a project audit or a quality visit. No forensic or destructive testing was completed.

Neither Community Association Reserves, nor its owners individually have other relationships with the Association that would represent a conflict of interest.

Your Community Association Reserves, Reserve Specialist is Richard Hamilton, RS. Mr. Hamilton has been preparing reserve studies and capital budgets since 1986, and has performed hundreds of reserve studies. His reserve study experience encompasses all types of reserve studies, including condominium, townhome, master home owner, business park, resort, hotel and timeshare associations.

Mr. Hamilton holds the Reserve Specialist (RS) designation issued by the CAI, the National Community Association Institute, and is a member of the CAI.

Mr. Hamilton has worked as a Controller for a large real estate investment and management firm, and possesses the skills directly applicable to preparation of a financial forecast for future major repairs and replacements. The skill-set involved in the above described experience and designations represent the skills most directly applicable to evaluation of existing facilities for purposes of a reserve study.

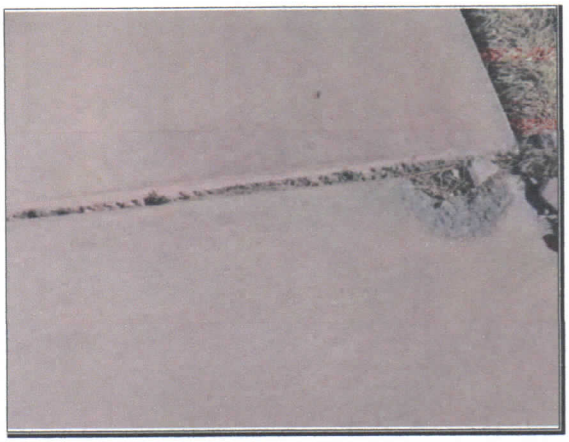
The site visit includes observations of all visible common area components, unless otherwise indicated on the detail component listing. No destructive testing was performed.

We are not aware of any material issues which, if not disclosed, would cause a significant distortion of the Association's reserve status or funding plan.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. In some cases, estimates may have been used on assets which have an indeterminable but potential liability to the association.

Photographic Inventory Assessment

Comp #: 103 **Concrete Walks - Replace**



Location: Throughout community

Quantity: Approx 20,600 GSF

Useful Life: 5

Remaining Life: 3

Best Cost: $16,500

$4/GSF - Lower allowance to replace approximately 20%

Worst Cost: $24,700

$6/GSF - Higher allowance to replace approximately 20%

Site Notes:

Observations:

Concrete is in good condition with minimal areas of cracking or deterioration observed. Concrete should be inspected periodically and cracks sealed to prevent moisture penetration. Moisture penetration will cause concrete to heave and break. Cycle work with other concrete projects when possible, for economic efficiency.

Source of Information: CAR Database

Comp #: 201 Asphalt - Resurface

Location: Streets and drives

Quantity: Approx 135,000 GSY

Useful Life: 7

Remaining Life: 1

Best Cost: $860,600

$21.25/GSY - Lower estimate to mill and resurface approximately 30%

Worst Cost: $1,012,500

$25.00/GSY - Higher allowance to mill and resurface approximately 30%

Site Notes:

Observations:

Asphalt ranges from good to poor condition with areas of filling, patching and damage noted. Recommend yearly inspections to ensure surface integrity and fill any developing cracks. Also, shoulder design and maintenance are critical in maintaining the integrity of the asphalt in areas where the edges are not supported by a curb system. We recommend following CDOT road design (cross section) recommendations, or engage an engineer to recommend specific design criteria for this community. Funding anticipates resurfacing approximately 30% of the community per cycle, addressing the entire community over a 20 year period.

Source of Information: Local Vendor or Contractor - Avery Asphalt

Comp #: 202 **Asphalt - Seal/Repair**

Location: Streets and drives

Quantity: Approx 135,000 GSY

Useful Life: 1

Remaining Life: 0

Best Cost: $37,200

$1.10/GSY - Lower allowance to seal approximately 25%

Worst Cost: $54,100

$1.60/GSY - Higher allowance to seal approximately 25%

Site Notes:

Scratches, raveling, loss of coat, UV damage

Observations:

Asphalt surface ranges from good to poor condition. Seal coating does not add any structural integrity to the asphalt. However, seal coating protects the asphalt from UV deterioration and fills cracks typically no larger than 1/16". Recommend yearly inspections and crack/fill work to mitigate any subsurface moisture. Funding anticipates sealing approximately 25% of the community annually, so that the entire community is sealed every 4 years.

Source of Information: Local Vendor or Contractor - Avery Asphalt

Comp #: 202 **Asphalt - Crack Fill**

Location: Streets and drives

Quantity: Approx 135,000 GSY

Useful Life: 1

Remaining Life: 0

Best Cost: $2,000

Lower allowance to fill cracks

Worst Cost: $3,000

Higher allowance to fill cracks

Site Notes:

Cracking near manhole covers, some edge cracking

Observations:

Recommend yearly inspections and crack/fill work to mitigate any subsurface moisture. Subsurface moisture and loads typically contribute to accelerated deterioration. Also, timing is important in when scheduling crack/fill work to be completed in order to take advantage of maximum shrinkage and workability of materials during the warmer months of the year.

Source of Information: CAR Database

Comp #: 204 **Concrete Curb & Gutter - Replace**

Location: Streets and Drives

Quantity: Approx 49,200 GSF

Useful Life: 10

Remaining Life: 3

Best Cost: $39,400

$4/GSF - Lower allowance to replace approximately 20%

Worst Cost: $59,000

$6/GSF - Higher allowance to replace approximately 20%

Site Notes:

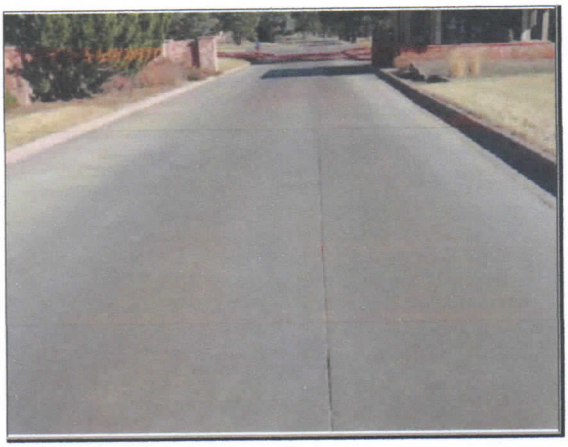
Some settling cracks, some chips and freeze damage. All minimal.

Observations:

Concrete curb and gutter range from overall good to fair condition with isolated areas of cracks and chipped concrete. Repair and replace curb and gutter to mitigate any subsurface moisture. Cycle work with other concrete projects when possible, for economic efficiency.

Source of Information: CAR Database

Comp #: 205 **Concrete Drive - Repair**



Location:

Quantity: Approx 13,400 GSF

Useful Life: 5

Remaining Life: 3

Best Cost: $6,700

$5/GSF - Lower allowance to replace approximately 10%

Worst Cost: $9,400

$7/GSF - Higher allowance to replace approximately 10%

Site Notes:

Some limited settling, one cracked section

Observations:

Concrete located at the entrance area is in overall fair condition with some signs of cracking and settlement. Recommend repairing trip and fall hazards immediately and inspect yearly for any ongoing damage. Also, recommend repairing and replacing concrete to mitigate subsurface moisture penetration, which will accelerate the useful life of this component. Cycle work with other concrete projects when possible, for economic efficiency.

Source of Information: CAR Database

Comp #: 502 **Chain Link Fence - Replace**

Location: South and southeast perimeter

Quantity: Approx 6,000 LF

Useful Life: 30

Remaining Life: 10

Best Cost: $108,000

$18/LF - Lower allowance to replace

Worst Cost: $132,000

$22/LF - Higher allowance to replace

Site Notes:

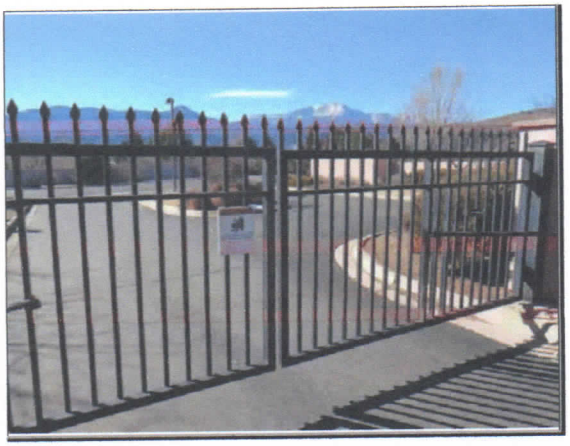
Evidence of persons climbing over fence near east edge adjoining office park.

Observations:

Chain link fencing varies in age and condition, but is in overall good to fair condition, with some damage noted near the high school area. Recommend stretching and tightening fence between major replacement cycles to maintain integrity. Replacement anticipates reusing a majority of the poles when possible.

Source of Information: Local Vendor or Contractor - Split Rail Fence Co,

Comp #: 503 **Metal Fence - Replace**



Location: Throughout community perimeter

Quantity: Approx 2,500 LF

Useful Life: 45

Remaining Life: 25

Best Cost: $162,500

$65/LF - Lower allowance to replace

Worst Cost: $212,500

$85/LF - Higher allowance to replace

Site Notes:

Surface is intact, general fading overall.
Appears to be Amstar.

Observations:

Metal fence is in good condition with no significant signs of rust or damage, but significant fading in areas. Recommend maintaining fence by ensuring paint and surface integrity are intact. Treat rust prior to painting. Funding is to replace fence due to age, wear and exposure to the elements.

Source of Information: Local Vendor or Contractor - Split Rail Fence Co.

Comp #: 506 **Wire Fence - Replace**

Location: Northern perimeter of community

Quantity: Approx 10,900 LF

Useful Life: 10

Remaining Life: 7

Best Cost: $2,000

Lower allowance to replace a portion

Worst Cost: $4,000

Higher allowance to replace a portion

Site Notes:

Wire fencing with a combination of metal and wood posts. Typically $2.00 LF to fullly replace depending upon access.

Observations:

The wire livestock fence is in overall fair condition. Funding is for ongoing repairs and replacement on an as-needed basis. The entire fence was not closely inspected due to access limitations.

Source of Information: Vendor or Contractor - Kencove Fence

Comp #: 705 Gate Operator - Replace

Location: Entrances and exits

Quantity: (10) Operators

Useful Life: 8

Remaining Life: 4

Best Cost: $7,200

$3,600/each - Lower allowance to replace 2 units

Worst Cost: $9,200

$4,600/each - Higher allowance to replace 2 units

Site Notes:

Main entrance - (2) Viking F-1 installed 2008
North entrance - (4) Elite CSN-200-UL installed 2004
West entrance - (4) Viking F-1, (3) installed 2004, (1) replaced 2013

Observations:

Gate operators are reported to be operating properly, with 1 replacement noted. Recommend regular inspections, cleaning and maintenance to ensure useful life. Funding anticipates replacing operators on an as-needed basis with no anticipation of replacing all operators at one time.

Source of Information: Vendor or Contractor - Gate Depot

Comp #: 715 **Card/Keyless Entry System - Replace**

Location: Community entrances and exits

Quantity: (5) Readers, (1) Keypad

Useful Life: 12

Remaining Life: 6

Best Cost: $2,400

Lower allowance to replace or upgrade system

Worst Cost: $3,600

Higher allowance to replace or upgrade system

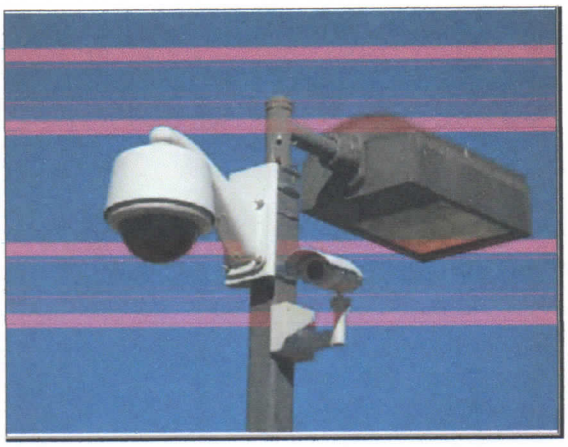
Site Notes:

Observations:

Keyless entry system at gate areas are operating and in overall good condition. Allowance is to upgrade system due to ongoing technology advances.

Source of Information: CAR Database

Comp #: 720 **Security System - Replace**



Location: Through entrance and exit areas

Quantity: (1) Large System

Useful Life: 12

Remaining Life: 9

Best Cost: $30,000

Lower allowance to replace system

Worst Cost: $40,000

Higher allowance to replace system

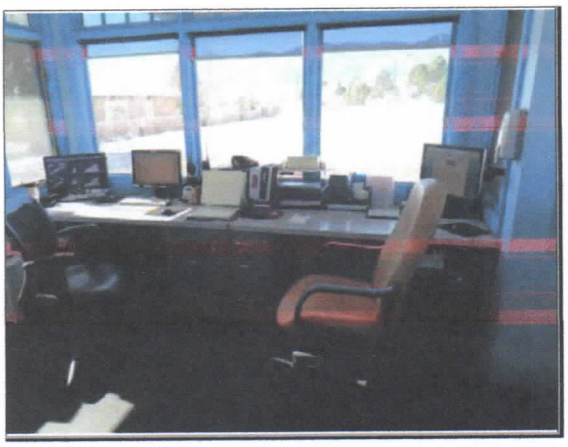
Site Notes:

Observations:

The security system consists of cameras, monitors, encoders and recorders, as well as several servers. System was reported to have been replaced in 2011. Anticipate future replacements due to age and changes in technologies.

Source of Information: Vendor or Contractor - Apex Security Systems

Comp #: 830 **Guardhouse - Refurbish**



Location: Community main entrance

Quantity: (1) Guardhouse

Useful Life: 10

Remaining Life: 8

Best Cost: $15,000

Lower allowance to refurbish

Worst Cost: $20,000

Higher allowance to refurbish

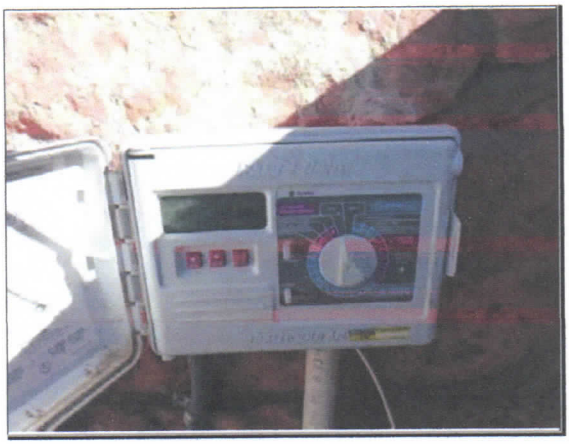
Site Notes:

Observations:

Guardhouse is in overall fair condition, but in need of trim paint. Interior is finished with basic carpet and paint, desk areas, a restroom and small HVAC system. Funding is to refurbish the interior due to age and use. Typically clients do not see the interior of this unit, therefore the level of funding is solely at the discretion of the Board.

Source of Information: CAR Database

Comp #: 1003 Irrigation System - Replace



Location: Throughout community

Quantity: Extensive System

Useful Life:

Remaining Life:

Best Cost: $0

Worst Cost: $0

Site Notes:

Observations:

The irrigation system is assumed to be in functional operating condition with no significant problems reported. As routine maintenance, inspect regularly, test system, repair as needed from operating budget. Follow proper winterization and spring start up procedures. If properly installed and bedded without defect, the elements within this component are generally low cost and have a failure rate that is difficult to predict. Best suited to be handled through the operating budget. No basis for reserve funding at this time.

Source of Information:

Comp #: 1022 Drainage Basins - Clean And Maintain

Location: Throughout community

Quantity: Approx (20) Basins

Useful Life:

Remaining Life:

Best Cost: $0

Worst Cost: $0

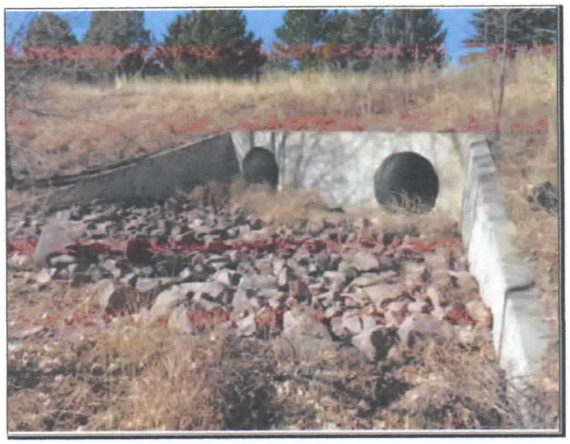
Site Notes:

Observations:

Drainage basins provide entry points to the underdrain system. Funding for cleaning the entry and exit points is included in component #1022 Drainage Underdrains - Clean and Maintain.

Source of Information:

Comp #: 1022 **Drainage Detention Areas - Clean And Maintain**



Location: Northern area of community

Quantity: Approx (2) Detention Areas

Useful Life: 5

Remaining Life: 1

Best Cost: $5,000

Lower allowance to clean and maintain

Worst Cost: $8,000

Higher allowance to clean and maintain

Site Notes:

Lower area has extensive growth, outlet needs cleaning.

Observations:

Approximately (2) water detention areas serve the community. Pond areas range from small vegetative areas to larger grassy areas with minimal concrete pans. Funding is to clean outlets and mow vegetation and make periodic repairs to concrete. Regular cleaning is necessary to ensure proper function.

Source of Information: CAR Database

Comp #: 1022 **Drainage Underdrains - Clean And Maintain**

Location: Throughout community

Quantity: Extensive Underdrain System

Useful Life: 5

Remaining Life: 4

Best Cost: $6,000

Lower allowance to clean and maintain

Worst Cost: $10,000

Higher allowance to clean and maintain

Site Notes:

Observations:

Periodic cleaning of the drainage system is critical in managing proper water flow and control. Regular maintenance includes cleaning, cleaning screens and removing sediment from receiving and tail ditches where necessary to maintain flow lines. We also recommend regular inspection of the drainage pipes to ensure debris removal and proper flow. It is reported that the community recently completed a major cleaning project.

Source of Information: CAR Database

Comp #: 1025 **Landscape Projects - Renovation**

Location: Throughout community

Quantity: Extensive Landscape

Useful Life: 5

Remaining Life: 3

Best Cost: $12,000

Lower allowance for renovation projects

Worst Cost: $18,000

Higher allowance for renovation projects

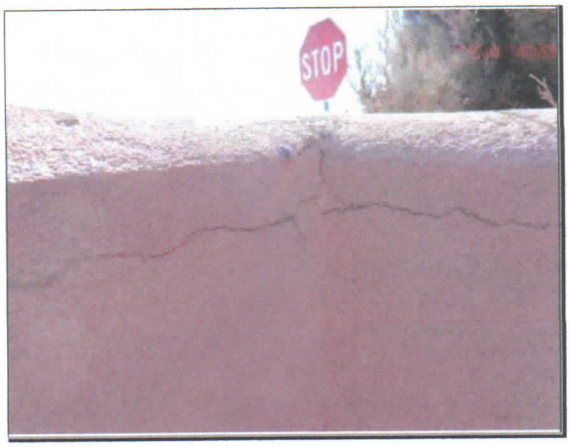
Site Notes:

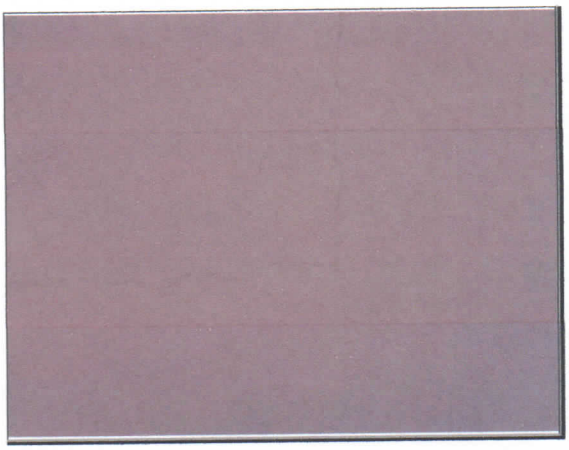
Observations:

Although typically funded as ongoing maintenance item, this component may be utilized for setting aside funds for larger expenses that do not occur on an annual basis, such as large scale plantings, common area drainage projects, extensive bark mulch every two/three years, resodding lawn areas, large tree pruning/removal projects, landscape improvements, etc..

Source of Information: Client Cost History

Comp #: 1105 **Stucco Wall - Repair**





Location: Southern boundary

Quantity: Approx 26,300 GSF

Useful Life: 10

Remaining Life: 5

Best Cost: $10,000

Lower allowance for repairs

Worst Cost: $15,000

Higher allowance for repairs

Site Notes:

Minor cracking observed. Several near west entrance area. Replacement typically runs $100 - $110 LF

Observations:

The 5 foot wall is finished in a stucco material over a block base. Stucco is in overall good to fair condition with areas of cracking and flaking stucco particularly at the joints and crowns. Recommend yearly inspections to ensure surface is intact and any noted cracks are caulked properly. Surface integrity is critical in ensuring the useful life of this component.

Source of Information: CAR Database

Comp #: 1105 **Stone Wall - Repair/Repoint**

Location: Southern boundary

Quantity: Approx 21,700 GSF

Useful Life: 5

Remaining Life: 4

Best Cost: $4,000

Lower allowance for repairs and repointing

Worst Cost: $6,000

Higher allowance for repairs and repointing

Site Notes:

Many signs of repair and repointing throughout.

Observations:

Stacked stone wall is in overall good condition exhibiting signs of recent repointing and repairs. Funding anticipates a continued program of repairs as necessary, with no anticipation of replacing entire wall at one time.

Source of Information: CAR Database

Comp #: 1107 **Metal Fence - Repaint**

Location: Throughout community perimeter

Quantity: Approx 2,500 LF

Useful Life: 5

Remaining Life: 1

Best Cost: $12,500

$5/LF - Lower allowance to treat and paint

Worst Cost: $15,000

$6/LF - Higher allowance to treat and paint

Site Notes:

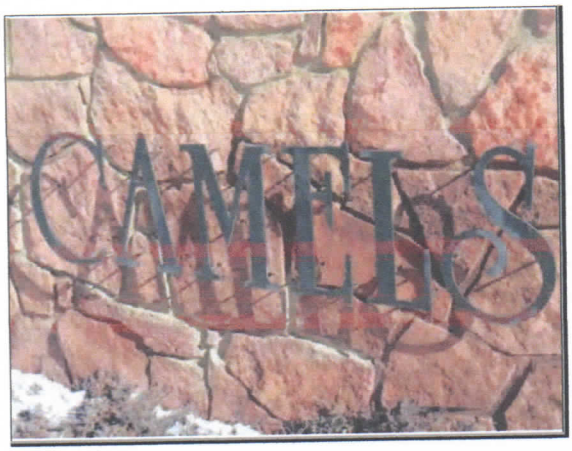
New sections noted. General fading overall, but surface is still intact.
Old fence = 1,200 LF
New areas = 1,300 LF

Observations:

Metal fence is in good condition with no significant signs of rust or damage, but significant fading in areas. Metal surfaces have a powder coated finish that, once damaged, will require restoring and protecting surface from moisture. Due to prohibitive costs of removing fence to re-powder coat, funding anticipates regular cycles of paint, utilizing a high quality exterior metal surface product.

Source of Information: Local Vendor or Contractor - Platinum Coatings

Comp #: 1150 **Monument Signage - Refurbish**



Location: Community entrances

Quantity: (3) Monument Signs

Useful Life: 10

Remaining Life: 6

Best Cost: $4,500

$1,500/each - Lower allowance to refurbish

Worst Cost: $7,500

$2,500/each - Higher allowance to refurbish

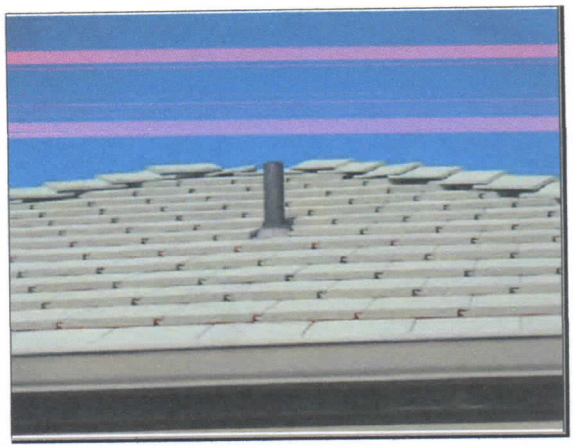
Site Notes:

Observations:

The metal monument signs are mounted to the stone wall, and appear in overall good condition. Funding anticipates refurbishing on a regular basis, including rust treatment and repainting, along with any necessary repairs. No anticipation of replacing signs.

Source of Information: CAR Database

Comp #: 1304 **Tile Roof - Replace**



Location: Guardhouse

Quantity: Approx 800 GSF

Useful Life: 35

Remaining Life: 18

Best Cost: $6,400

$8/GSF - Lower allowance to replace roof

Worst Cost: $9,600

$12/GSF - Higher allowance to replace roof

Site Notes:

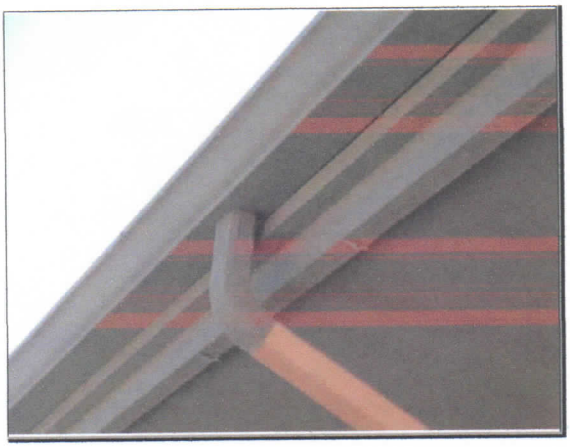
No noted chips, cracks or broken tiles. Costs a little higher due to small quantity.

Observations:

Tile roof appears in overall good condition. Recommend annual roofing inspections with close attention to areas of roof that may permit water intrusion such as valley areas and penetrations. Underlayment deterioration caused by exposure to sun for a long period of time prior to tile installation, dirt build up on batten boards trapping water and moisture can cause rapid deterioration by removing the oils on the asphalt underlayment. Funding anticipates eventual replacement due to underlayment concerns.

Source of Information: Local Vendor or Contractor - Horn Brothers

Comp #: 1315 **Gutters/Downspouts - Replace**



Location: Guardhouse

Quantity: Approx 120 LF

Useful Life: 25

Remaining Life: 10

Best Cost: $840

$7/LF - Lower allowance to replace

Worst Cost: $1,200

$10/LF - Higher allowance to replace

Site Notes:

Observations:

Gutters and downspouts are in overall good condition. Recommend yearly inspections to ensure gutters and downspouts are clean, and repair any leaks or damaged areas. Proper water flow is important to mitigating any fascia damage and ensuring water is directed away from the foundation.

Source of Information: Local Vendor or Contractor - Horn Brothers

Comp #: 1405 **Street Signage - Replace**

Location: Throughout community

Quantity: Numerous Signs

Useful Life: 10

Remaining Life: 7

Best Cost: $3,500

Lower allowance to replace a portion

Worst Cost: $5,500

Higher alowance to replace a portion

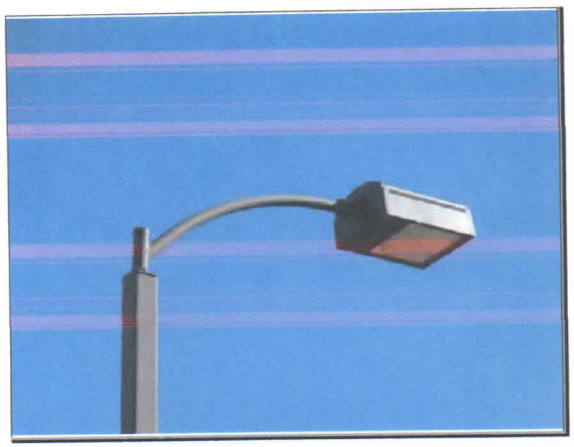
Site Notes:

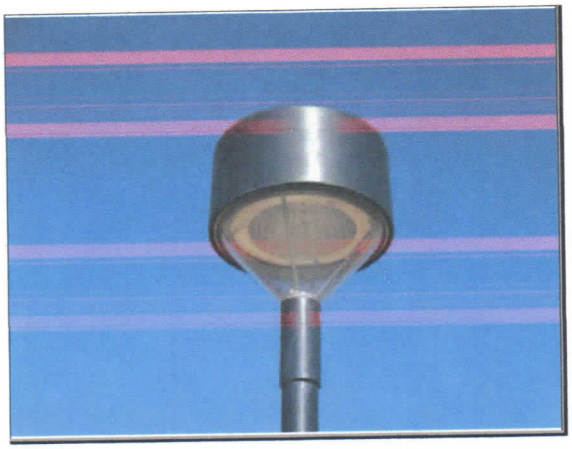
Observations:

There are approximately (45) custom metal signs located throughout the property. Funding is for replacing a portion of the signs due to age, unanticipated damage and exposure to the elements.

Source of Information: CAR Database

Comp #: 1501 **Pole Lights - Replace**





Location: Throughout community

Quantity: Approx (84) Lights

Useful Life: 20

Remaining Life: 12

Best Cost: $100,800

$1,200/each - Lower allowance to replace

Worst Cost: $126,000

$1,500/each - Higher allowance to replace

Site Notes:

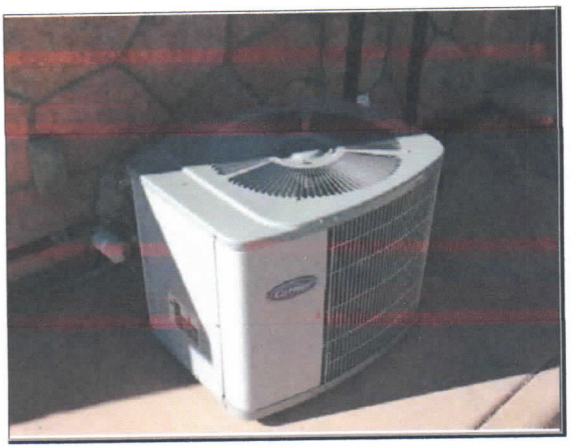
Most have slight rusting at concrete base attachment.

Observations:

Poles appear in good condition with limited base rusting, but no noted damage. Recommend poles be inspected and maintained by painting on a regular basis. Funding is to replace fixtures, poles and underground wiring due to changes in technologies and efficiencies.

Source of Information: Vendor or Contractor - Lighting Universe

Comp #: 2520 HVAC System - Replace



Location: Guardhouse

Quantity: (1) Combination System

Useful Life: 15

Remaining Life: 7

Best Cost: $4,500

Lower allowance to replace

Worst Cost: $6,500

Higher alownace to replace

Site Notes:

Observations:

The Carrier HVAC system, model #68STA045 and air conditioning condenser, model #38TK3024300 appears older and has received some damage to the top of the enclosure. Recommend regular Inspections and service by a qualified air conditioning technician.

Source of Information: CAR Database