

**Gateway Park Paired Homes Association
13th St. & Lake Ave.
Berthoud, Co. 80513**



**Level 1, Limited Reserve Analysis
Report Period – 01/01/18 – 12/31/18**



**Client Reference Number - 9751
Property Type – Paired Homes**

**Final
Version**

**Fiscal Year End – December 31
Number of units- 14
Date of Property Observation - July 11, 2017**

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Table of Contents

SECTION 1:

Introduction to Reserve Analysis.....	page 1
General Information and Answers to FAQ's.....	page 2-3
Summary of Reserve Analysis	page 4

SECTION 2:

Financial Analysis

a) Funding Summary	page 1
b) Percent Funded – Graph	page 2
c) Component Inventory List.....	page 3
d) Significant Components Table.....	page 4
e) Significant Components – Graph	page 5
f) Yearly Summary Table	page 6
g) Yearly Contributions – Graph	page 7
h) Component Funding Information.....	page 8
i) Yearly Cash Flow Table	page 9
j) Projected Expenditures Year by Year – Graph	page 10
k) Projected Expenditures Year by Year	page 11

SECTION 3:

Glossary of Terms and Definitions	page 1-2
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Introduction to the Reserve Analysis –

The elected officials of this association made a wise decision to invest in a Reserve Analysis to get a better understanding of the status of the Reserve funds. This Analysis will be a valuable tool to assist the Board of Directors in making the decision to which the dues are derived. Typically, the Reserve contribution makes up 20% - 45% of the association's total budget. Therefore, Reserves is considered to be a significant part of the overall monthly association payment.

Every association conducts its business within a budget. There are typically two main parts to this budget, Operating and Reserves. The Operating budget includes all expenses that are fixed on an annual basis. These would include management fees, maintenance fees, utilities, etc. The Reserves is primarily made up of Capital Replacement items such as asphalt, roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis.

The Reserve Analysis is also broken down into two different parts, the Physical Analysis and the Financial Analysis. The Physical Analysis is information regarding the physical status and replacement cost of major common area components that the association is responsible to maintain. It is important to understand that while the Component Inventory will remain relatively "stable" from year to year, the Condition Assessment and Life/Valuation Estimates will most likely vary from year to year. You can find this information typically in the **Asset Inventory Section** of the Reserve Analysis. It should be noted there is *not* an **Asset Inventory Section** in this report due to the product requested by the client. The **Financial Analysis Section** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a conclusion of the clients current Reserve Fund Status (measured as Percent Funded) and a recommendation for an appropriate Reserve Allocation rate (also known as the Funding Plan). You can find this information in Section 2 (pages 1 – 12) of this Reserve Analysis.

The purpose of this Reserve Analysis is to provide an educated estimate as to what the Reserve Allocation needs to be. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample timing to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. This will also ensure the physical well being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to Special Assessments.

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at time of the observation. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have not been investigated in the preparation of this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Aspen Reserve Specialties and should not be construed as a guarantee or assurance of predicting future events.

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 a 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.

Now that we have “it”, what do we do with “it”?

Hopefully, you will not look at this report and think it is too cumbersome to understand. Our intention is to make this Reserve Analysis very easy to read and understand. Please take the time to review it carefully and make sure the “main ingredients” (asset information) are complete and accurate. If there are any inaccuracies, please inform us immediately so we may revise the report.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The Reserve allocation makes up a significant portion of the total monthly dues and this report should help you determine the correct amount of money to go into the Reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending normal maintenance and replacement projects. This will give you an opportunity to shop around for the best price available.

The Reserve Study should be readily available for Real Estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of Reserves becomes more of a household term, people are requesting homeowners associations to reveal the strength of the Reserve fund prior to purchasing a condominium or townhome.

How often do we update or review “it”?

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 Analysis 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. Aging rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the content of the Reserve Analysis. Therefore, this analysis should be reviewed annually, and a property observation should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

State Legislation requires reserve analyses in approximately 20 states. The State of Colorado currently requires all associations to adopt a Reserve policy, but does not currently enforce a Reserve Study is completed. Despite enacting this current law, the chances are also very good the documents of the association require the association to have a Reserve fund established. While this may mean a Reserve Analysis is not required, how are you going to know there are enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think \$100,000 is a lot of money and they are in good shape. What they don't know is a major component will need to be replaced within 5 years, and the cost of the project is going to exceed \$125,000. So while \$100,000 sounds like a lot of money, in reality it won't even cover the cost of the component, let alone all the other amenities the association is responsible to maintain.

What makes an asset a “Reserve” item versus an “Operating” item?

A “Reserve” asset is an item that is the responsibility of the association to maintain, has a limited Useful Life, predictable Remaining Useful Life expectancies, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold cost. 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.

The GREY area 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.

The Property Observation –

The Property Observation 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 evaluating the property. In addition, common area assets may have been reported to Aspen Reserve Specialties 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 observation. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the observation. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

The Reserve Fund Analysis –

We projected the starting balance from taking the most recent balance statement, adding expected Reserve contributions for the rest of the year, and subtracting any pending projects for the rest of the 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 – The majority of associations are considered to be in this “fair” financial position. 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 – This indicates financial strength of a Reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded – This is the ideal amount of Reserve funding. This means that the association has the exact amount of funds in the Reserve account that should be at any given time.

Summary of Gateway Park Paired Homes -

Assoc. ID # - 09751-17

Projected Starting Balance as of January 1, 2018 -	\$2,610
Ideal Reserve Balance as of January 1, 2018 -	\$10,106
Percent Funded as of January 1, 2018 -	26%
Recommended Reserve Allocation (per month) -	\$845
Minimum Reserve Allocation (per month) -	\$810
Recommended Special Assessment -	\$0

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on July 11, 2017. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative (Community Manager). To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This property contains 14 paired homes in a community where construction was recently completed in 2017. For purposes of this report, the common area components and infrastructure was constructed between 2015 and 2016. Common area assets the association is responsible to maintain include unit driveways and sidewalks, painting of the units, mailboxes, landscaping, and an irrigation system. Please refer to the *Projected Reserve Expenditures* table of the financial analysis section of the report for a detailed list of components that will need to be addressed in the near future.

The following are some general notes regarding components:

- **It should be noted, that according to Article 10.1, the association is required for day to day maintenance of the exteriors, but when it comes to replacement of roofs or any other building systems, the responsibility is the owners. Therefore, Reserve funding is not required for roofs, raingutters/downspouts, siding replacement, fencing, light fixtures, decks, doors and windows, etc.**
- **There are a few components (for example, irrigation system repairs, groundcover, etc.) that are considered partial replacement and should not be misconstrued as complete replacement of that particular item.**
- **If a N/A appears in the Useful Life column, then Reserve funding requirements are not required for various reasons, such as, not an association responsibility, the cost is too small for funding designation, etc.**

In comparing the projected balance of \$2,610 versus the ideal Reserve Balance of \$10,106, we find the association Reserve fund to be in a less than average financial position at this time (approximately 26% funded of ideal). Based on the information contained in this report, we find the 2017 budgeted Reserve contribution (\$217.50 per month) to be less than ideal in increasing the strength of the Reserve account for the long term. Therefore, we suggest substantially increasing the Reserve contribution to \$845 per month starting in 2018, followed by nominal annual increases of 4.20% thereafter to help offset the effects of inflation.

In the percent Funded graph, you will see that we have also suggested a minimum Reserve contribution of \$810 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where Special Assessments, deferred maintenance, and lower property values are likely at some point in the future. The minimum Reserve allocation follows the "threshold" theory of Reserve funding where the "percent funded" status is not allowed to dip below 30% funded at any point during the thirty-year period. This was provided for one purpose only, to show the association how small the difference (4% in this case) is between the two scenarios and how it would not make financial sense to contribute less money to the Reserve fund to only stay above a certain threshold.

Funding Summary For Gateway Park Paired Homes HOA

Beginning Assumptions

Financial Information Source	Research With Client
# of units	14
Fiscal Year End	December 31, 2018
Monthly Dues from 2017 budget	\$2,450.00
Monthly Reserve Allocation from 2017 Budget	\$217.50
Projected Starting Reserve Balance (as of 1/1/2018)	\$2,610
Reserve Balance: Average Per Unit	\$186
Ideal Starting Reserve Balance (as of 1/1/2018)	\$10,106
Ideal Reserve Balance: Average Per Unit	\$722

Economic Factors

Past 20 year Average Inflation Rate (Based on CCI)	3.75%
Current Average Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	26%
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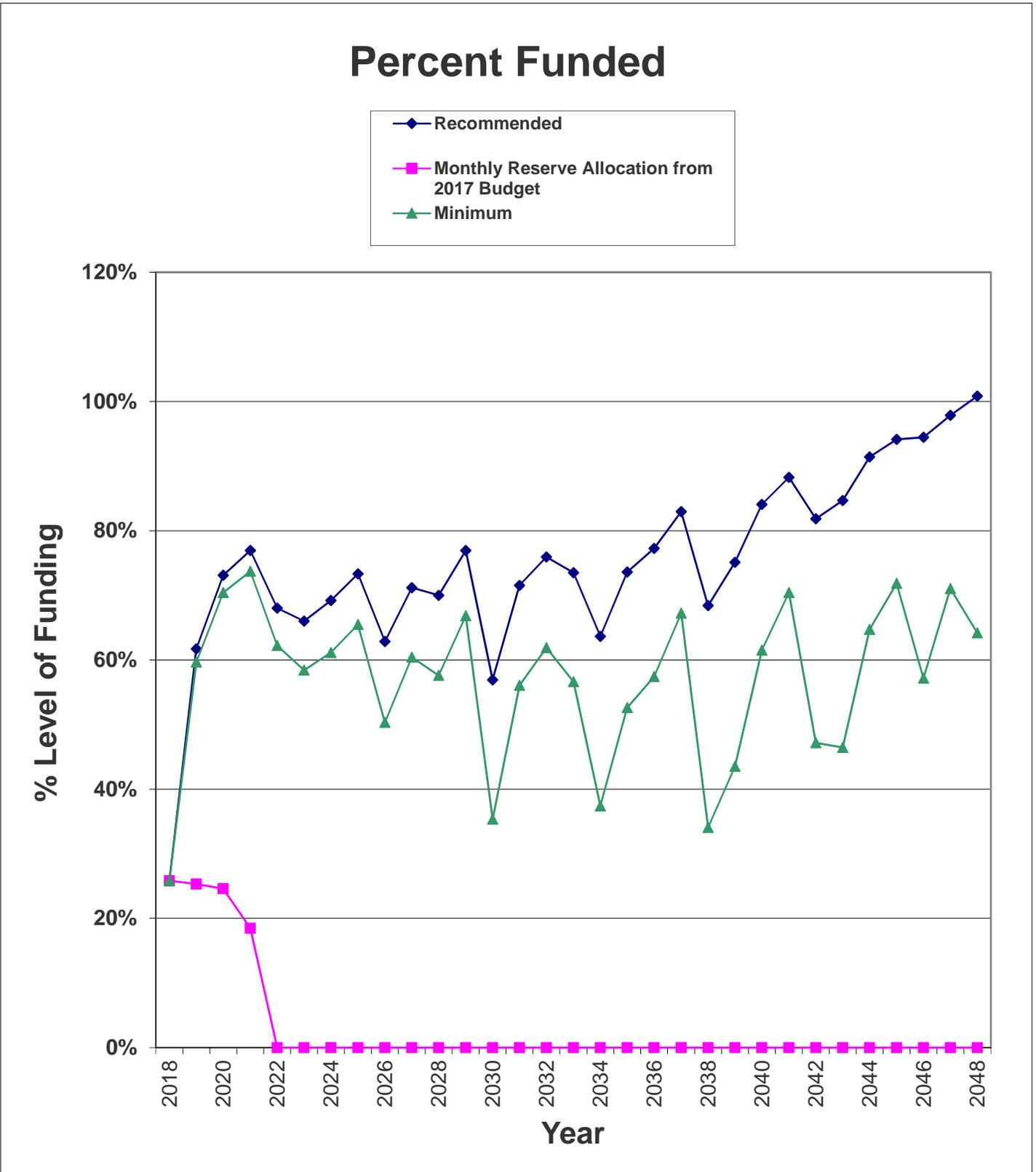
Recommendations for 2018 Fiscal Year

Monthly Reserve Allocation	\$845
Per Unit	\$60.36
Minimum Monthly Reserve Allocation	\$810
Per Unit	\$57.86
Primary Annual Increases	4.20%
# of Years	30
Special Assessment	\$0
Per Unit	\$0

Changes From Prior Year (2017 to 2018)

Increase/Decrease to Reserve Allocation	\$628
as Percentage	289%
Average Per Unit	\$44.82

Percent Funded Graph For Gateway Park Paired Homes HOA



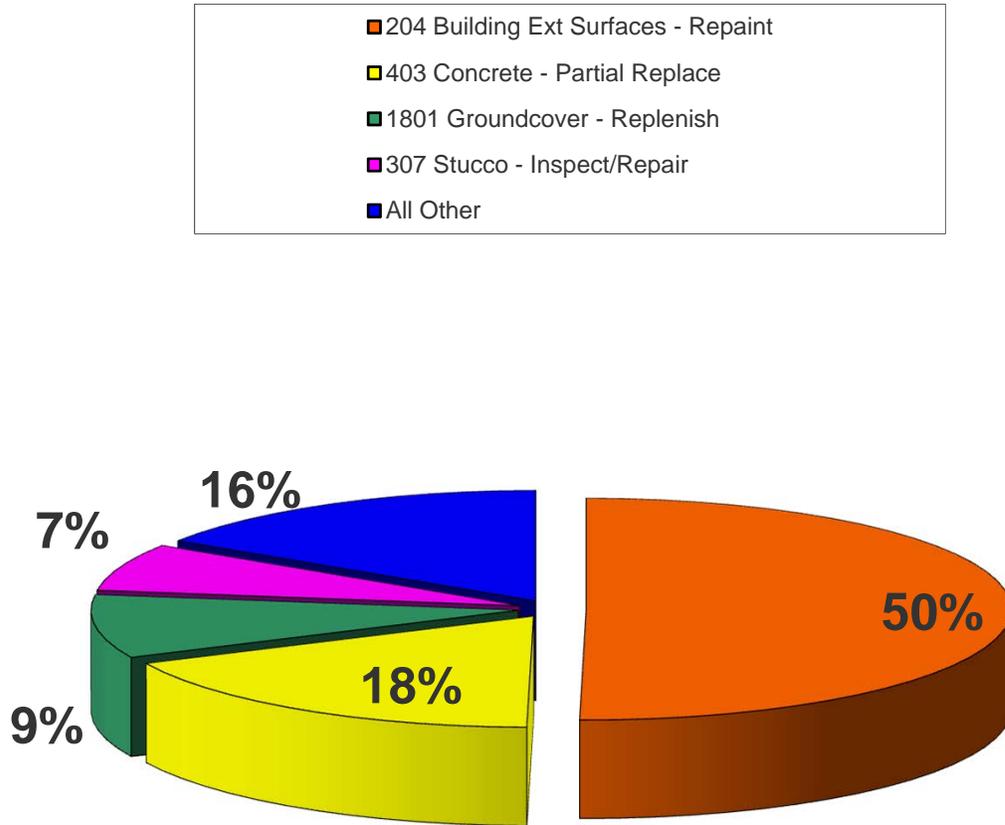
Component Inventory for Gateway Park Paired Homes Assoc.

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	105	Comp Shingle Roof - Replace	N/A		\$0	\$0
	120	Gutters/Downspouts - Replace	N/A		\$0	\$0
Painted Surfaces	201	Stucco Surfaces - Repaint	N/A		\$0	\$0
	204	Building Ext Surfaces - Repaint	4	3	\$18,900	\$21,000
Siding Materials	301	Hardboard Siding - Major Repairs	N/A		\$0	\$0
	307	Stucco - Inspect/Repair	6	5	\$3,750	\$4,500
	309	Stone/Rock Siding - Major Repairs	N/A		\$0	\$0
Drive Materials	403	Concrete - Partial Replace	5	4	\$8,475	\$9,150
Property Access	502	Garage Doors - Replace	N/A		\$0	\$0
	509	Window Wells - Replace	N/A		\$0	\$0
Walking Surfaces	601	Sidewalks/Porches - Partial Replace	5	4	\$2,400	\$2,650
	607	Wood Deck - Replace	N/A		\$0	\$0
Prop. Identification	803	Mailboxes - Replace	18	16	\$3,000	\$3,500
Fencing/Walls	1008	PVC Vinyl Fencing - Replace	N/A		\$0	\$0
Light Fixtures	1602	Exterior Wall Mount - Replace	N/A		\$0	\$0
	1608	Can Lights - Replace	N/A		\$0	\$0
Irrig. System	1701	Irrigation System - Major Repairs	7	6	\$4,250	\$5,000
	1703	Irrigation Controllers - Replace	12	11	\$2,400	\$3,000
Landscaping	1801	Groundcover - Replenish	3	2	\$2,500	\$3,000
	1804	Tree - Replacement/Major Maintenance	N/A		\$0	\$0

Significant Components For Gateway Park Paired Homes HOA

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
204	Building Ext Surfaces - Repaint	4	3	\$19,950	\$4,988	50.2497%
307	Stucco - Inspect/Repair	6	5	\$4,125	\$688	6.9266%
403	Concrete - Partial Replace	5	4	\$8,813	\$1,763	17.7574%
601	Sidewalks/Porches - Partial Replace	5	4	\$2,525	\$505	5.0879%
803	Mailboxes - Replace	18	16	\$3,250	\$181	1.8191%
1701	Irrigation System - Major Repairs	7	6	\$4,625	\$661	6.6568%
1703	Irrigation Controllers - Replace	12	11	\$2,700	\$225	2.2669%
1801	Groundcover - Replenish	3	2	\$2,750	\$917	9.2355%

Significant Components Graph For Gateway Park Paired Homes HOA



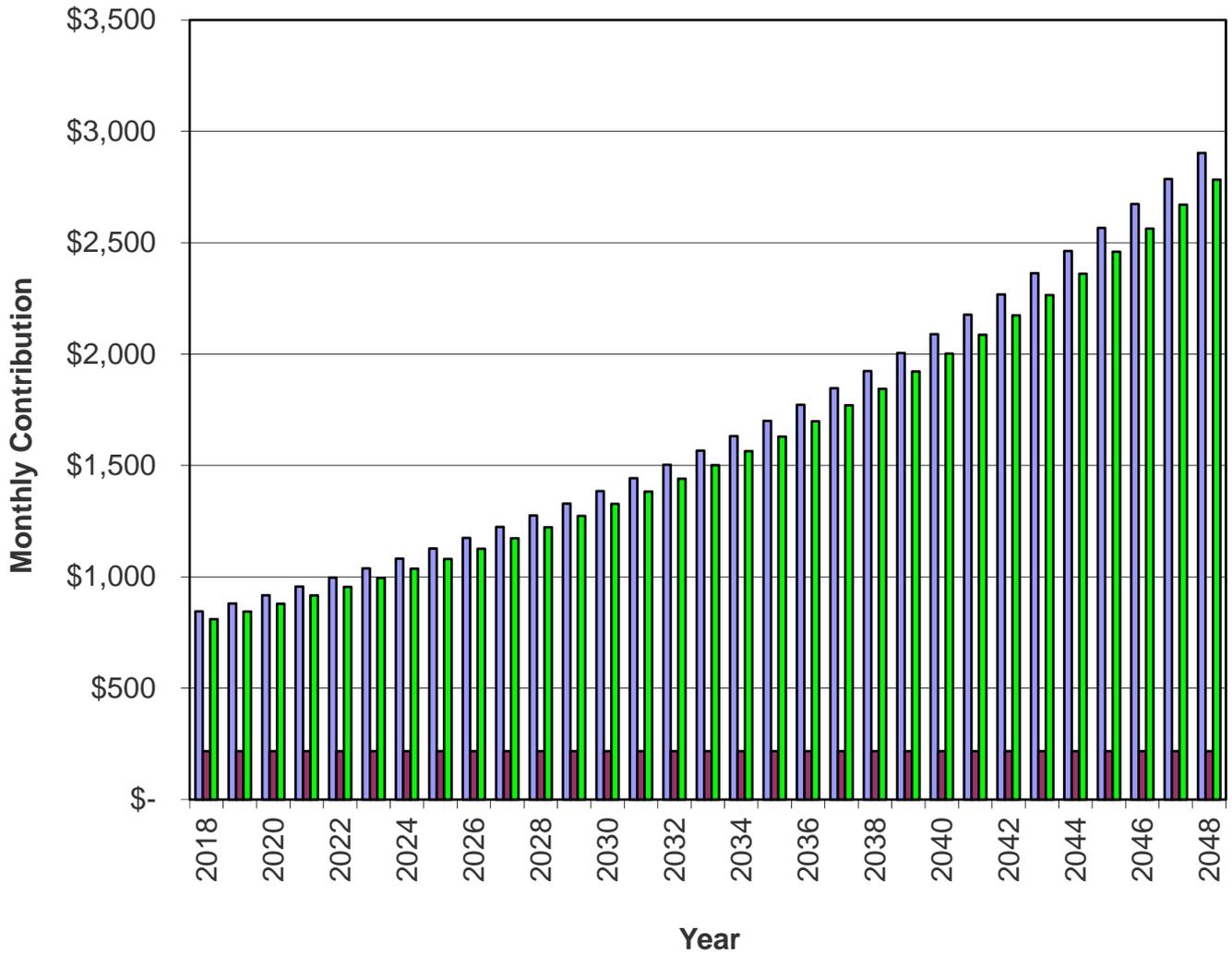
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
204	Building Ext Surfaces - Repaint	4	3	\$19,950	\$4,988	50%
403	Concrete - Partial Replace	5	4	\$8,813	\$1,763	18%
1801	Groundcover - Replenish	3	2	\$2,750	\$917	9%
307	Stucco - Inspect/Repair	6	5	\$4,125	\$688	7%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$1,571	16%

Yearly Summary For Gateway Park Paired Homes HOA

Fiscal Year	Start	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2018		\$10,106	\$2,610	26%	\$10,140	\$0	\$77	\$0
2019		\$20,783	\$12,827	62%	\$10,566	\$0	\$182	\$0
2020		\$32,246	\$23,575	73%	\$11,010	\$0	\$277	\$2,960
2021		\$41,468	\$31,902	77%	\$11,472	\$0	\$266	\$22,280
2022		\$31,408	\$21,360	68%	\$11,954	\$0	\$209	\$13,136
2023		\$30,889	\$20,387	66%	\$12,456	\$0	\$226	\$8,264
2024		\$35,852	\$24,804	69%	\$12,979	\$0	\$285	\$5,768
2025		\$44,054	\$32,300	73%	\$13,524	\$0	\$263	\$25,814
2026		\$32,249	\$20,273	63%	\$14,092	\$0	\$256	\$3,692
2027		\$43,452	\$30,929	71%	\$14,684	\$0	\$305	\$15,791
2028		\$43,041	\$30,128	70%	\$15,301	\$0	\$380	\$0
2029		\$59,536	\$45,808	77%	\$15,943	\$0	\$318	\$44,265
2030		\$31,282	\$17,805	57%	\$16,613	\$0	\$262	\$0
2031		\$48,473	\$34,680	72%	\$17,311	\$0	\$398	\$7,464
2032		\$59,165	\$44,925	76%	\$18,038	\$0	\$423	\$23,587
2033		\$54,154	\$39,800	73%	\$18,795	\$0	\$320	\$34,655
2034		\$38,118	\$24,260	64%	\$19,585	\$0	\$313	\$5,857
2035		\$52,029	\$38,301	74%	\$20,407	\$0	\$423	\$12,855
2036		\$59,898	\$46,276	77%	\$21,265	\$0	\$572	\$0
2037		\$82,121	\$68,112	83%	\$22,158	\$0	\$479	\$62,972
2038		\$40,593	\$27,778	68%	\$23,088	\$0	\$318	\$15,400
2039		\$47,641	\$35,783	75%	\$24,058	\$0	\$480	\$0
2040		\$71,737	\$60,322	84%	\$25,068	\$0	\$732	\$0
2041		\$97,573	\$86,122	88%	\$26,121	\$0	\$651	\$68,852
2042		\$53,812	\$44,042	82%	\$27,218	\$0	\$441	\$27,430
2043		\$52,285	\$44,271	85%	\$28,362	\$0	\$587	\$0
2044		\$80,095	\$73,220	91%	\$29,553	\$0	\$848	\$7,162
2045		\$102,486	\$96,459	94%	\$30,794	\$0	\$790	\$66,401
2046		\$65,262	\$61,643	94%	\$32,087	\$0	\$780	\$0
2047		\$96,577	\$94,511	98%	\$33,435	\$0	\$851	\$52,969

Reserve Contributions For Gateway Park Paired Homes HOA

Reserve Contributions



Component Funding Information For Gateway Park Paired Homes HOA

ID	Component Name	Ave Current Cost	Ideal Balance	Current Fund Balance	Monthly
204	Building Ext Surfaces - Repaint	\$19,950	\$4,988	\$1,693	\$424.61
307	Stucco - Inspect/Repair	\$4,125	\$688	\$0	\$58.53
403	Concrete - Partial Replace	\$8,813	\$1,763	\$0	\$150.05
601	Sidewalks/Porches - Partial Replace	\$2,525	\$505	\$0	\$42.99
803	Mailboxes - Replace	\$3,250	\$361	\$0	\$15.37
1701	Irrigation System - Major Repairs	\$4,625	\$661	\$0	\$56.25
1703	Irrigation Controllers - Replace	\$2,700	\$225	\$0	\$19.16
1801	Groundcover - Replenish	\$2,750	\$917	\$917	\$78.04

Yearly Cash Flow For Gateway Park Paired Homes HOA

Year	2018	2019	2020	2021	2022
Starting Balance	\$2,610	\$12,827	\$23,575	\$31,902	\$21,360
<i>Reserve Income</i>	\$10,140	\$10,566	\$11,010	\$11,472	\$11,954
<i>Interest Earnings</i>	\$77	\$182	\$277	\$266	\$209
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$12,827	\$23,575	\$34,862	\$43,640	\$33,523
Reserve Expenditures	\$0	\$0	\$2,960	\$22,280	\$13,136
Ending Balance	\$12,827	\$23,575	\$31,902	\$21,360	\$20,387

Year	2023	2024	2025	2026	2027
Starting Balance	\$20,387	\$24,804	\$32,300	\$20,273	\$30,929
<i>Reserve Income</i>	\$12,456	\$12,979	\$13,524	\$14,092	\$14,684
<i>Interest Earnings</i>	\$226	\$285	\$263	\$256	\$305
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$33,069	\$38,069	\$46,087	\$34,621	\$45,919
Reserve Expenditures	\$8,264	\$5,768	\$25,814	\$3,692	\$15,791
Ending Balance	\$24,804	\$32,300	\$20,273	\$30,929	\$30,128

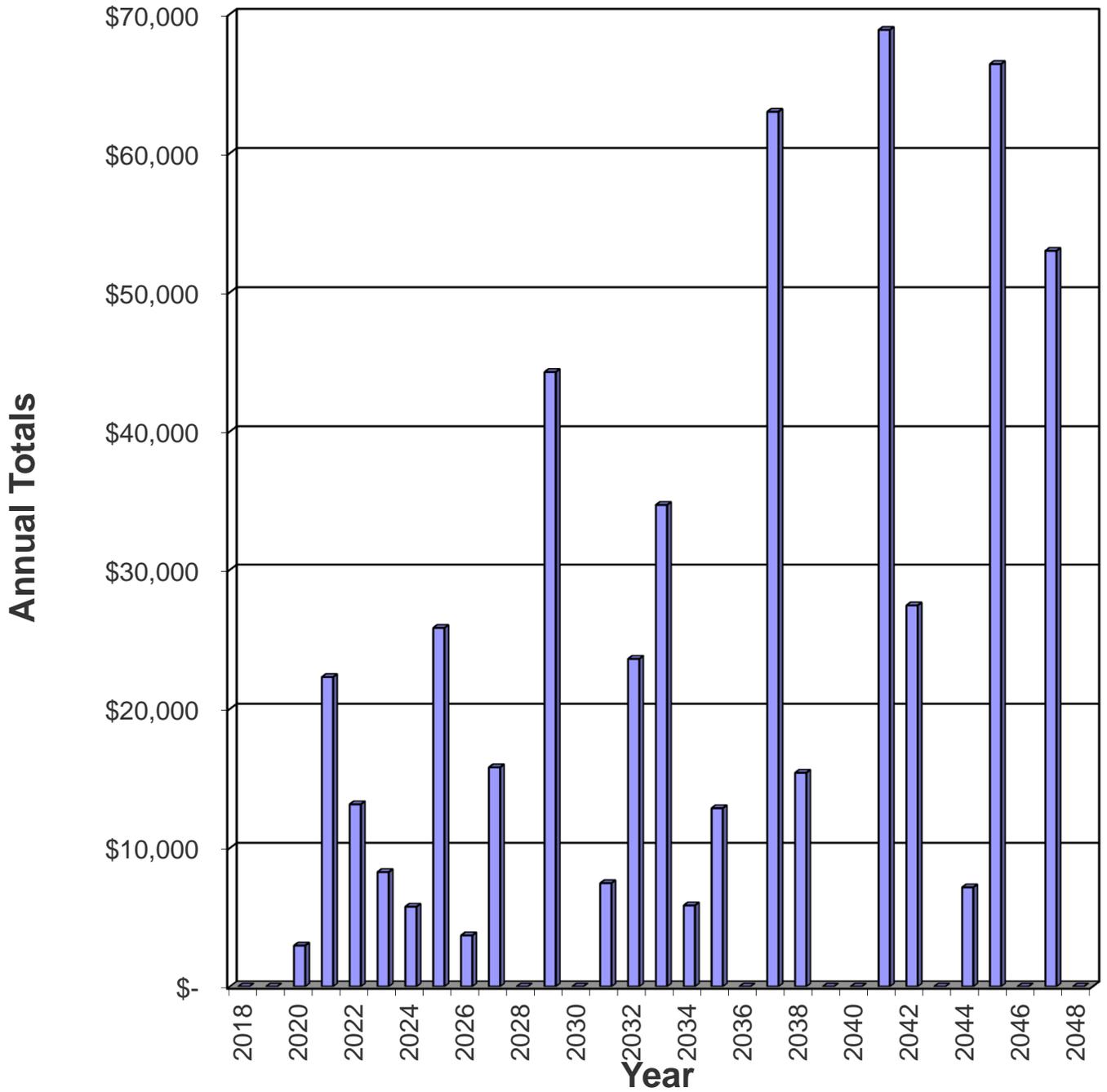
Year	2028	2029	2030	2031	2032
Starting Balance	\$30,128	\$45,808	\$17,805	\$34,680	\$44,925
<i>Reserve Income</i>	\$15,301	\$15,943	\$16,613	\$17,311	\$18,038
<i>Interest Earnings</i>	\$380	\$318	\$262	\$398	\$423
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$45,808	\$62,069	\$34,680	\$52,389	\$63,386
Reserve Expenditures	\$0	\$44,265	\$0	\$7,464	\$23,587
Ending Balance	\$45,808	\$17,805	\$34,680	\$44,925	\$39,800

Year	2033	2034	2035	2036	2037
Starting Balance	\$39,800	\$24,260	\$38,301	\$46,276	\$68,112
<i>Reserve Income</i>	\$18,795	\$19,585	\$20,407	\$21,265	\$22,158
<i>Interest Earnings</i>	\$320	\$313	\$423	\$572	\$479
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$58,915	\$44,158	\$59,131	\$68,112	\$90,749
Reserve Expenditures	\$34,655	\$5,857	\$12,855	\$0	\$62,972
Ending Balance	\$24,260	\$38,301	\$46,276	\$68,112	\$27,778

Year	2038	2039	2040	2041	2042
Starting Balance	\$27,778	\$35,783	\$60,322	\$86,122	\$44,042
<i>Reserve Income</i>	\$23,088	\$24,058	\$25,068	\$26,121	\$27,218
<i>Interest Earnings</i>	\$318	\$480	\$732	\$651	\$441
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$51,183	\$60,322	\$86,122	\$112,894	\$71,702
Reserve Expenditures	\$15,400	\$0	\$0	\$68,852	\$27,430
Ending Balance	\$35,783	\$60,322	\$86,122	\$44,042	\$44,271

Year	2043	2044	2045	2046	2047
Starting Balance	\$44,271	\$73,220	\$96,459	\$61,643	\$94,511
<i>Reserve Income</i>	\$28,362	\$29,553	\$30,794	\$32,087	\$33,435
<i>Interest Earnings</i>	\$587	\$848	\$790	\$780	\$851
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$73,220	\$103,621	\$128,043	\$94,511	\$128,797
Reserve Expenditures	\$0	\$7,162	\$66,401	\$0	\$52,969
Ending Balance	\$73,220	\$96,459	\$61,643	\$94,511	\$75,828

Reserve Expenditures



Projected Reserve Expenditures For Gateway Park Paired Homes HOA

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2018		No Expenditures Projected		\$0
2019		No Expenditures Projected		\$0
2020	1801	Groundcover - Replenish	\$2,960	\$2,960
2021	204	Building Ext Surfaces - Repaint	\$22,280	\$22,280
2022	403	Concrete - Partial Replace	\$10,211	\$13,136
	601	Sidewalks/Porches - Partial Replace	\$2,926	
2023	307	Stucco - Inspect/Repair	\$4,959	\$8,264
	1801	Groundcover - Replenish	\$3,306	
2024	1701	Irrigation System - Major Repairs	\$5,768	\$5,768
2025	204	Building Ext Surfaces - Repaint	\$25,814	\$25,814
2026	1801	Groundcover - Replenish	\$3,692	\$3,692
2027	403	Concrete - Partial Replace	\$12,274	\$15,791
	601	Sidewalks/Porches - Partial Replace	\$3,517	
2028		No Expenditures Projected		\$0
2029	204	Building Ext Surfaces - Repaint	\$29,910	\$44,265
	307	Stucco - Inspect/Repair	\$6,184	
	1703	Irrigation Controllers - Replace	\$4,048	
	1801	Groundcover - Replenish	\$4,123	
2030		No Expenditures Projected		\$0
2031	1701	Irrigation System - Major Repairs	\$7,464	\$7,464
2032	403	Concrete - Partial Replace	\$14,755	\$23,587
	601	Sidewalks/Porches - Partial Replace	\$4,228	
	1801	Groundcover - Replenish	\$4,604	
2033	204	Building Ext Surfaces - Repaint	\$34,655	\$34,655
2034	803	Mailboxes - Replace	\$5,857	\$5,857
2035	307	Stucco - Inspect/Repair	\$7,713	\$12,855
	1801	Groundcover - Replenish	\$5,142	
2036		No Expenditures Projected		\$0
2037	204	Building Ext Surfaces - Repaint	\$40,153	\$62,972
	403	Concrete - Partial Replace	\$17,737	
	601	Sidewalks/Porches - Partial Replace	\$5,082	
2038	1701	Irrigation System - Major Repairs	\$9,658	\$15,400
	1801	Groundcover - Replenish	\$5,742	
2039		No Expenditures Projected		\$0
2040		No Expenditures Projected		\$0
2041	204	Building Ext Surfaces - Repaint	\$46,523	\$68,852
	307	Stucco - Inspect/Repair	\$9,619	
	1703	Irrigation Controllers - Replace	\$6,296	
	1801	Groundcover - Replenish	\$6,413	
2042	403	Concrete - Partial Replace	\$21,321	\$27,430
	601	Sidewalks/Porches - Partial Replace	\$6,109	
2043		No Expenditures Projected		\$0
2044	1801	Groundcover - Replenish	\$7,162	\$7,162
2045	204	Building Ext Surfaces - Repaint	\$53,904	\$66,401
	1701	Irrigation System - Major Repairs	\$12,497	
2046		No Expenditures Projected		\$0
2047	307	Stucco - Inspect/Repair	\$11,997	\$52,969
	403	Concrete - Partial Replace	\$25,630	
	601	Sidewalks/Porches - Partial Replace	\$7,344	
	1801	Groundcover - Replenish	\$7,998	
2048		No Expenditures Projected		\$0

Glossary of Commonly used Words and Phrases (provided by the National Reserve Study Standards of the Community Associations Institute)

Asset or Component – 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) have predictable Remaining Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

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 Inventory – The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representatives.

Deficit – An actual (or projected) Reserve Balance, which is less than the Fully Funded Balance.

Effective Age – The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

Financial Analysis – The portion of the 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 the Reserve Study.

Component Full Funding – When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

Fully Fund Balance (aka – Ideal Balance) – 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 then summed together for an association total.

$$\text{FFB} = \text{Replacement Cost} \times \text{Effective Age} / \text{Useful Life}$$

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 Balance above zero.
- **Component Full Funding:** Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100% funded.
- **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 the “Component Fully Funding” method.

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 accrued *Fund 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 “0” 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 (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components in which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. This is based upon information provided and is not audited.

Reserve Provider – An individual that prepares Reserve Studies. Also known as **Aspen Reserve Specialties**.

Reserve Study – A budget-planning tool that 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.

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 that is greater than the Fully Funded Balance.

Useful Life (UL) – Also known as “Life Expectancy”, or “Depreciable Life”. The estimated time, in years, that a Reserve component can be expected to serve its intended function if properly constructed and maintained in its present application or installation.