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## “Full” Reserve Study



## Fox Creek Farm HOA Longmont

**Report #: 20796-0**  
**For Period Beginning: January 1, 2012**  
**Expires: December 31, 2012**

**Date Prepared: May 14, 2011**

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## **Hello, and welcome to your Reserve Study!**

**T**his Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

**W**ith respect to Reserves, this Report will tell you “where you are”, and “where to go from here”.

### **In this Report, you will find...**

- 1) A List of What you’re Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

### **More Questions?**

Visit our website at [www.ReserveStudy.com](http://www.ReserveStudy.com) or call us at:

(877) 344-8868



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## 3- Minute Executive Summary

**Association:** Fox Creek Farm HOA **Assoc. #: 20796-0**  
**Location:** Longmont  
**# of Units:** 476  
**Report Period:** January 1, 2012 through December 31, 2012

### *Results*

Projected Starting Reserve Balance: .....	\$279,000
Fully Funded Reserve Balance: .....	\$37,875
Average Reserve Deficit (Surplus) Per Unit: .....	\$(507)
Percent Funded: .....	736.6%
Recommended 2012 monthly Reserve Contribution: .....	\$900
Recommended Special Assessment this year: .....	\$0
Most Recent Reserve Contribution Rate: .....	\$0

### *Economic Assumptions:*

**Net Annual "After Tax" Interest Earnings Accruing to Reserves.....1.50%**  
**Annual Inflation Rate .....3.00%**

- This is a "Full" Reserve Study (original, created "from scratch").
- The information in this Reserve Study is based on our site inspection on February 16, 2011.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is above 30%, at 736.6% Funded, this represents a surplus position. In perspective, associations 70% funded and above are less likely to experience any financial risk. Whereas, associations 30% funded and below are more likely to experience large increase to dues, special assessments or deferred maintenance issues.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to start your Reserve contributions in order to anticipate future long term expenses.

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
103	Conc. Deck/Walk - Repair/Replace	5	0	\$3,000	\$3,478
505	Wood Fence - Replace	25	23	\$109,350	\$215,812
1001	Irrigation/Backflow - Replace/Upgrd	1	0	\$5,000	\$5,150
1003	Irrigation Controllers - Replace	6	1	\$2,000	\$2,060
1005	Trees - Replace (partial)	3	1	\$6,000	\$6,180
1109	Wood Fence - Restain	5	3	\$13,900	\$15,189
1402	Signage/Monument - Repair	10	1	\$8,500	\$8,755
1505	Landscape Lights - Replace	5	0	\$2,250	\$2,608

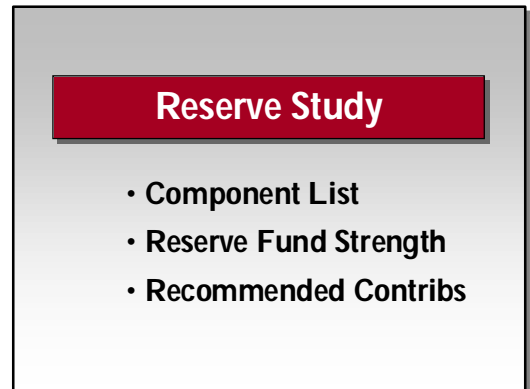
8 Total Funded Components

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

## Introduction

A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

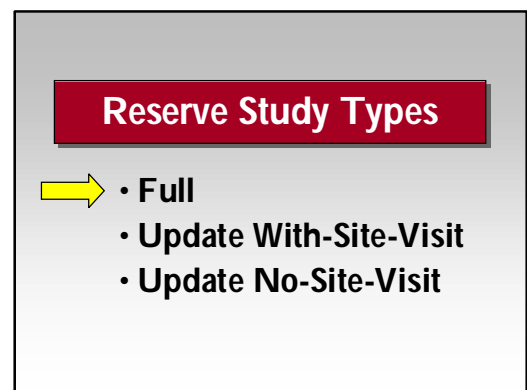
In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association's Reserve Fund Strength (measured as "Percent Funded"), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.



As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own "fair share" of ongoing common area deterioration.

## Methodology

First we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan. For this "Full" Reserve Study, we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List "from scratch".



### *Which Physical Assets are Covered by Reserves?*

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a “surprise” which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost. This limits Reserve

#### **Reserve Components**

- **Common Area**
- **Limited Useful Life**
- **Predictable Life Limit**
- **Cost must be Significant**

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

### *How are Useful Life and Remaining Useful Life established?*

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

### *How are Cost Estimates Established?*

Financial projections are based on the average of our Best Case and Worst Case estimates, which are established in this order...

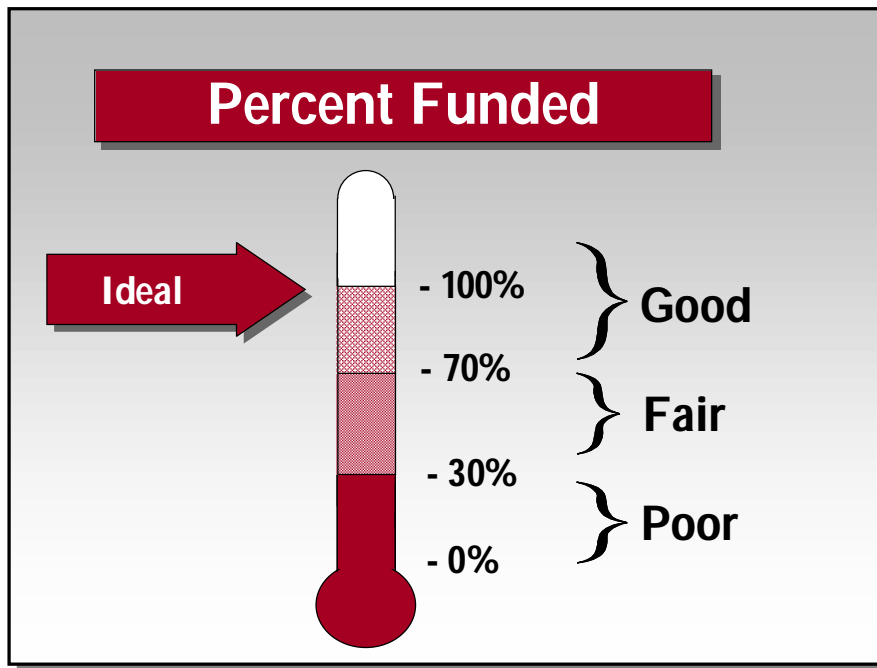
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

### *How much Reserves are enough?*

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

- 1) Calculate the association's Fully Funded Balance (FFB).
- 2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% -130% range is considered "strong" because in this range cash flow problems are rare.

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



*How much should we contribute?*

There are four Funding Principles that we balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their “fair share” of the association’s Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and “safe” for Boardmembers to recommend to their association.

Funding Principles

- Sufficient Cash
- Stable Contribution Rate
- Evenly Distributed
- Fiscally Responsible


*What is our Recommended Funding Goal?*

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called “Full Funding” the Reserves (100% Funded). As each asset ages and becomes “used up”, the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

Funding Goals



- Full Funding
- Threshold Funding
- Baseline Funding

## Site Inspection Notes

During our site visit on February 16, 2011, we started the site inspection beginning with the concrete walkways. We visually inspected all the exterior components, and were able to see all areas.

We recommend maintaining the drainage area (remove vegetation and remove debris from concrete swales) in the pond areas to ensure proper water flow.



### Projected Expenses

The figure below shows the array of the projected future expenses at your association. As expenses are based on the average of our Best Case and Worst Case projections, inflated appropriately for future years. Note the large expense in approximately 2036, made up primarily of fencing expenses.

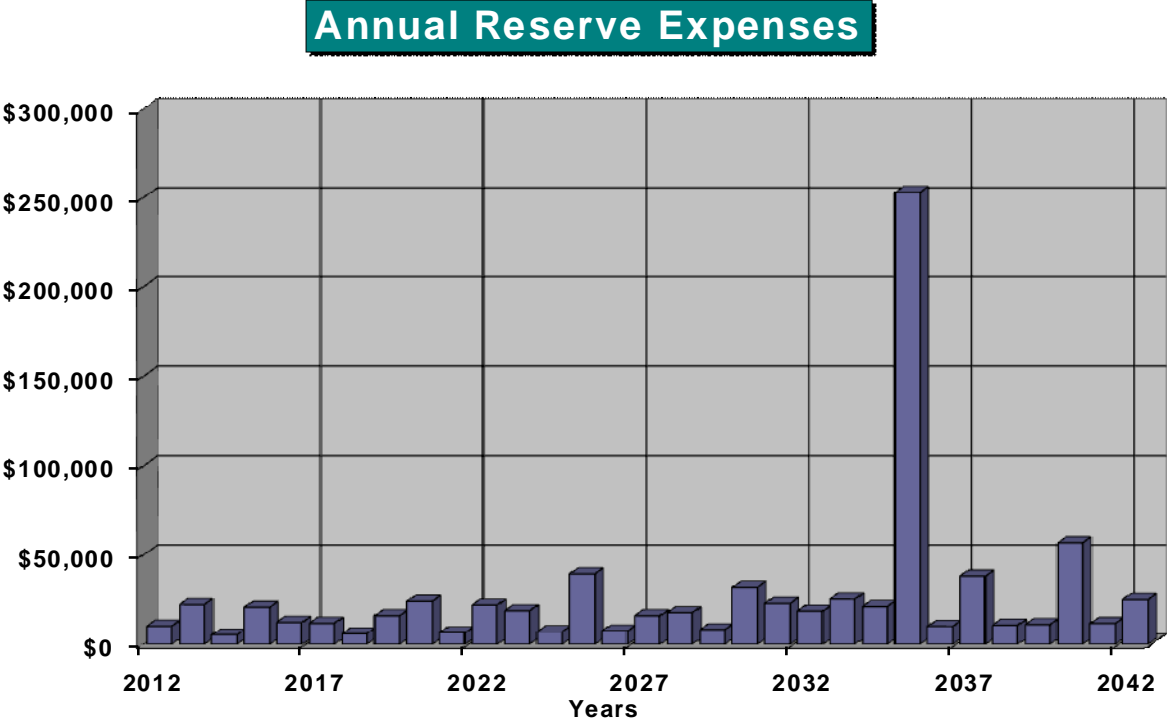


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

### Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$279,000 as-of the start of your Fiscal Year on January 1, 2012. As of January 1, 2012, your Fully Funded Balance is computed to be \$37,875 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 737% Funded. As indicated earlier in the Executive Summary, this represents a surplus status.

### Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$900/month this Fiscal Year. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

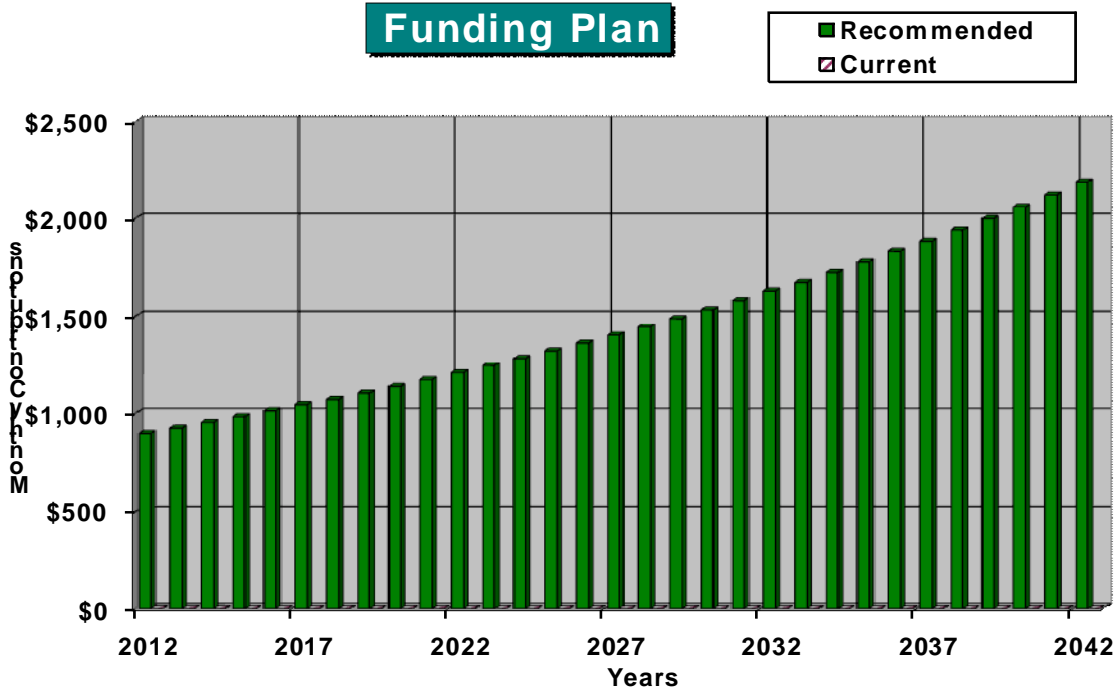


Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

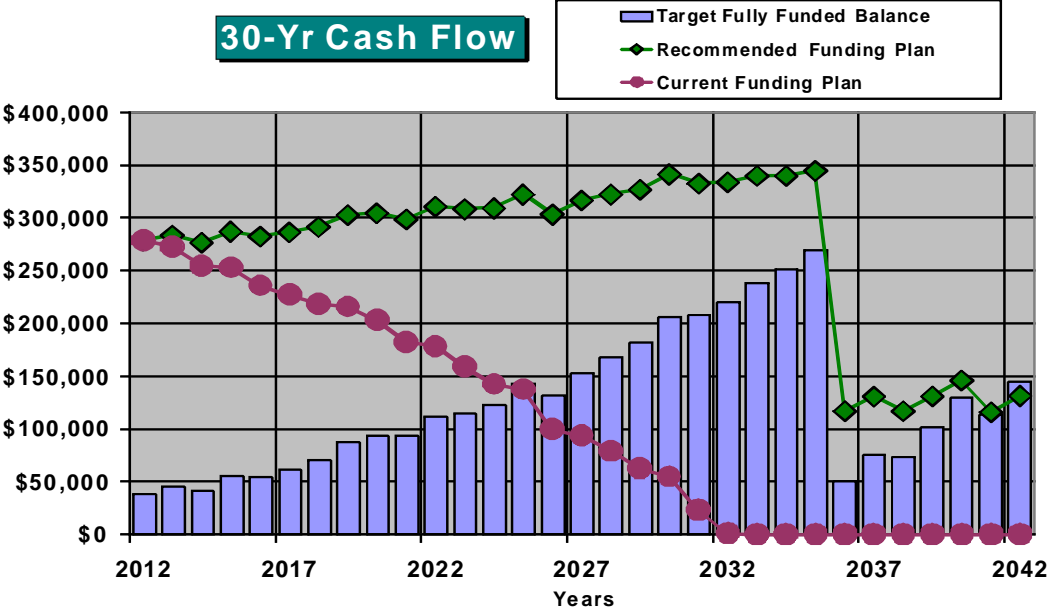


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

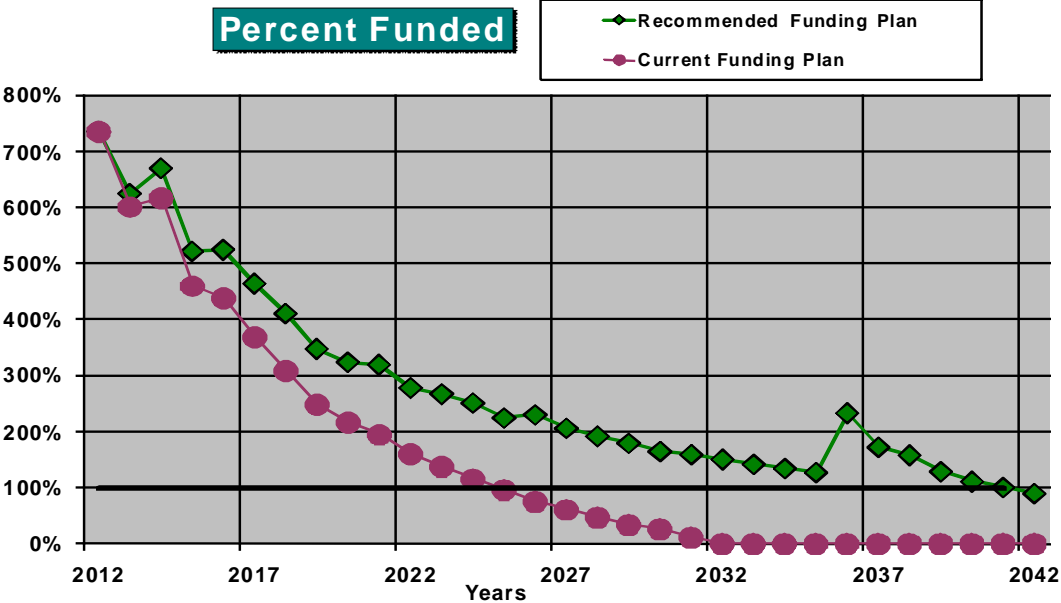


Figure 4

## Table Descriptions

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

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is underfunded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

**Table 2: Reserve Component List Detail****20796-0**

#	Component	Quantity	Use ful Life	Rem.	Best Cost	Current
				Useful Life		Worst Cost
103	Conc. Deck/Walk - Repair/Replace	Numerous GSF	5	0	\$2,500	\$3,500
505	Wood Fence - Replace	Apprx 3,975 LF	25	23	\$99,400	\$119,300
1001	Irrigation/Backflow - Replace/Upgrd	Large System	1	0	\$4,000	\$6,000
1003	Irrigation Controllers - Replace	Apprx 3 Controllers	6	1	\$1,000	\$3,000
1005	Trees - Replace (partial)	Numerous Vegetation	3	1	\$5,000	\$7,000
1109	Wood Fence - Restain	Apprx 3,975 LF	5	3	\$12,900	\$14,900
1402	Signage/Monument - Repair	3 Monument Signs	10	1	\$7,000	\$10,000
1505	Landscape Lights - Replace	Numerous lights	5	0	\$2,000	\$2,500
8	Total Funded Components					

**Table 3: Contribution and Fund Breakdown****20796-0**

#	Component	Use ful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
103	Conc. Deck/Walk - Repair/Replace	5	0	\$3,000	\$3,000	\$22,099.20	\$32.95
505	Wood Fence - Replace	25	23	\$109,350	\$8,748	\$64,441.28	\$240.22
1001	Irrigation/Backflow - Replace/Upgrd	1	0	\$5,000	\$5,000	\$36,832.01	\$274.60
1003	Irrigation Controllers - Replace	6	1	\$2,000	\$1,667	\$12,277.34	\$18.31
1005	Trees - Replace (partial)	3	1	\$6,000	\$4,000	\$29,465.61	\$109.84
1109	Wood Fence - Restain	5	3	\$13,900	\$5,560	\$40,957.19	\$152.68
1402	Signage/Monument - Repair	10	1	\$8,500	\$7,650	\$56,352.97	\$46.68
1505	Landscape Lights - Replace	5	0	\$2,250	\$2,250	\$16,574.40	\$24.71
8	Total Funded Components				\$37,875	\$279,000	\$900



**Fiscal Year Beginning: 01/01/12**

**Interest: 1.5%**

**Inflation: 3.0%**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2012	\$279,000	\$37,875	736.6%	Surplus	\$10,800	\$0	\$4,218	\$10,250
2013	\$283,768	\$45,332	626.0%	Surplus	\$11,124	\$0	\$4,203	\$22,145
2014	\$276,950	\$41,268	671.1%	Surplus	\$11,458	\$0	\$4,229	\$5,305
2015	\$287,332	\$54,950	522.9%	Surplus	\$11,801	\$0	\$4,273	\$20,653
2016	\$282,754	\$53,770	525.9%	Surplus	\$12,155	\$0	\$4,269	\$12,381
2017	\$286,798	\$61,629	465.4%	Surplus	\$12,520	\$0	\$4,336	\$11,883
2018	\$291,772	\$70,806	412.1%	Surplus	\$12,896	\$0	\$4,459	\$5,970
2019	\$303,157	\$86,935	348.7%	Surplus	\$13,283	\$0	\$4,558	\$15,988
2020	\$305,009	\$93,834	325.1%	Surplus	\$13,681	\$0	\$4,529	\$23,942
2021	\$299,278	\$93,370	320.5%	Surplus	\$14,092	\$0	\$4,577	\$6,524
2022	\$311,423	\$111,475	279.4%	Surplus	\$14,514	\$0	\$4,648	\$21,839
2023	\$308,747	\$115,010	268.5%	Surplus	\$14,950	\$0	\$4,635	\$18,687
2024	\$309,644	\$122,576	252.6%	Surplus	\$15,398	\$0	\$4,739	\$7,129
2025	\$322,653	\$142,976	225.7%	Surplus	\$15,860	\$0	\$4,695	\$39,504
2026	\$303,704	\$131,364	231.2%	Surplus	\$16,336	\$0	\$4,653	\$7,563
2027	\$317,130	\$153,046	207.2%	Surplus	\$16,826	\$0	\$4,796	\$15,969
2028	\$322,783	\$167,486	192.7%	Surplus	\$17,331	\$0	\$4,873	\$17,652
2029	\$327,335	\$181,415	180.4%	Surplus	\$17,851	\$0	\$5,016	\$8,264
2030	\$341,938	\$206,244	165.8%	Surplus	\$18,386	\$0	\$5,060	\$32,176
2031	\$333,209	\$208,025	160.2%	Surplus	\$18,938	\$0	\$5,004	\$22,796
2032	\$334,354	\$220,384	151.7%	Surplus	\$19,506	\$0	\$5,057	\$18,513
2033	\$340,405	\$238,413	142.8%	Surplus	\$20,091	\$0	\$5,103	\$25,114
2034	\$340,486	\$251,098	135.6%	Surplus	\$20,694	\$0	\$5,140	\$21,077
2035	\$345,242	\$269,263	128.2%	Strong	\$21,315	\$0	\$3,464	\$253,112
2036	\$116,908	\$49,947	234.1%	Surplus	\$21,954	\$0	\$1,855	\$10,164
2037	\$130,553	\$75,288	173.4%	Surplus	\$22,613	\$0	\$1,854	\$38,211
2038	\$116,809	\$73,530	158.9%	Surplus	\$23,291	\$0	\$1,859	\$10,783
2039	\$131,176	\$101,030	129.8%	Strong	\$23,990	\$0	\$2,079	\$11,106
2040	\$146,138	\$130,114	112.3%	Strong	\$24,710	\$0	\$1,964	\$56,969
2041	\$115,841	\$113,957	101.7%	Strong	\$25,451	\$0	\$1,853	\$11,783

**Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)****20796-0**

Fiscal Year	2012	2013	2014	2015	2016
Starting Reserve Balance	\$279,000	\$283,768	\$276,950	\$287,332	\$282,754
Annual Reserve Contribution	\$10,800	\$11,124	\$11,458	\$11,801	\$12,155
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,218	\$4,203	\$4,229	\$4,273	\$4,269
<b>Total Income</b>	<b>\$294,018</b>	<b>\$299,095</b>	<b>\$292,637</b>	<b>\$303,407</b>	<b>\$299,179</b>
<b># Component</b>					
103 Conc. Deck/Walk - Repair/Replace	\$3,000	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation/Backflow - Replace/Upgrd	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
1003 Irrigation Controllers - Replace	\$0	\$2,060	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$6,180	\$0	\$0	\$6,753
1109 Wood Fence - Restain	\$0	\$0	\$0	\$15,189	\$0
1402 Signage/Monument - Repair	\$0	\$8,755	\$0	\$0	\$0
1505 Landscape Lights - Replace	\$2,250	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$10,250</b>	<b>\$22,145</b>	<b>\$5,305</b>	<b>\$20,653</b>	<b>\$12,381</b>
Ending Reserve Balance:	\$283,768	\$276,950	\$287,332	\$282,754	\$286,798

**Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)****20796-0**

Fiscal Year	2017	2018	2019	2020	2021
Starting Reserve Balance	\$286,798	\$291,772	\$303,157	\$305,009	\$299,278
Annual Reserve Contribution	\$12,520	\$12,896	\$13,283	\$13,681	\$14,092
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,336	\$4,459	\$4,558	\$4,529	\$4,577
<b>Total Income</b>	<b>\$303,655</b>	<b>\$309,127</b>	<b>\$320,998</b>	<b>\$323,220</b>	<b>\$317,946</b>
<b># Component</b>					
103 Conc. Deck/Walk - Repair/Replace	\$3,478	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation/Backflow - Replace/Upgrd	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524
1003 Irrigation Controllers - Replace	\$0	\$0	\$2,460	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$0	\$7,379	\$0	\$0
1109 Wood Fence - Restain	\$0	\$0	\$0	\$17,608	\$0
1402 Signage/Monument - Repair	\$0	\$0	\$0	\$0	\$0
1505 Landscape Lights - Replace	\$2,608	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$11,883</b>	<b>\$5,970</b>	<b>\$15,988</b>	<b>\$23,942</b>	<b>\$6,524</b>
Ending Reserve Balance:	\$291,772	\$303,157	\$305,009	\$299,278	\$311,423

**Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)****20796-0**

Fiscal Year	2022	2023	2024	2025	2026
Starting Reserve Balance	\$311,423	\$308,747	\$309,644	\$322,653	\$303,704
Annual Reserve Contribution	\$14,514	\$14,950	\$15,398	\$15,860	\$16,336
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,648	\$4,635	\$4,739	\$4,695	\$4,653
<b>Total Income</b>	<b>\$330,585</b>	<b>\$328,331</b>	<b>\$329,781</b>	<b>\$343,207</b>	<b>\$324,693</b>
<b># Component</b>					
103 Conc. Deck/Walk - Repair/Replace	\$4,032	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation/Backflow - Replace/Upgrd	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$2,937	\$0
1005 Trees - Replace (partial)	\$8,063	\$0	\$0	\$8,811	\$0
1109 Wood Fence - Restain	\$0	\$0	\$0	\$20,413	\$0
1402 Signage/Monument - Repair	\$0	\$11,766	\$0	\$0	\$0
1505 Landscape Lights - Replace	\$3,024	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$21,839</b>	<b>\$18,687</b>	<b>\$7,129</b>	<b>\$39,504</b>	<b>\$7,563</b>
Ending Reserve Balance:	\$308,747	\$309,644	\$322,653	\$303,704	\$317,130

**Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)****20796-0**

Fiscal Year	2027	2028	2029	2030	2031
Starting Reserve Balance	\$317,130	\$322,783	\$327,335	\$341,938	\$333,209
Annual Reserve Contribution	\$16,826	\$17,331	\$17,851	\$18,386	\$18,938
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,796	\$4,873	\$5,016	\$5,060	\$5,004
<b>Total Income</b>	<b>\$338,752</b>	<b>\$344,987</b>	<b>\$350,202</b>	<b>\$365,385</b>	<b>\$357,150</b>
<b># Component</b>					
103 Conc. Deck/Walk - Repair/Replace	\$4,674	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation/Backflow - Replace/Upgrd	\$7,790	\$8,024	\$8,264	\$8,512	\$8,768
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$3,507
1005 Trees - Replace (partial)	\$0	\$9,628	\$0	\$0	\$10,521
1109 Wood Fence - Restain	\$0	\$0	\$0	\$23,664	\$0
1402 Signage/Monument - Repair	\$0	\$0	\$0	\$0	\$0
1505 Landscape Lights - Replace	\$3,505	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$15,969</b>	<b>\$17,652</b>	<b>\$8,264</b>	<b>\$32,176</b>	<b>\$22,796</b>
Ending Reserve Balance:	\$322,783	\$327,335	\$341,938	\$333,209	\$334,354

**Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)****20796-0**

Fiscal Year	2032	2033	2034	2035	2036
Starting Reserve Balance	\$334,354	\$340,405	\$340,486	\$345,242	\$116,908
Annual Reserve Contribution	\$19,506	\$20,091	\$20,694	\$21,315	\$21,954
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,057	\$5,103	\$5,140	\$3,464	\$1,855
<b>Total Income</b>	<b>\$358,918</b>	<b>\$365,600</b>	<b>\$366,319</b>	<b>\$370,021</b>	<b>\$140,717</b>
<b># Component</b>					
103 Conc. Deck/Walk - Repair/Replace	\$5,418	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$215,812	\$0
1001 Irrigation/Backflow - Replace/Upgrd	\$9,031	\$9,301	\$9,581	\$9,868	\$10,164
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$0	\$11,497	\$0	\$0
1109 Wood Fence - Restain	\$0	\$0	\$0	\$27,433	\$0
1402 Signage/Monument - Repair	\$0	\$15,813	\$0	\$0	\$0
1505 Landscape Lights - Replace	\$4,064	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$18,513</b>	<b>\$25,114</b>	<b>\$21,077</b>	<b>\$253,112</b>	<b>\$10,164</b>
Ending Reserve Balance:	\$340,405	\$340,486	\$345,242	\$116,908	\$130,553

**Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)****20796-0**

Fiscal Year	2037	2038	2039	2040	2041
Starting Reserve Balance	\$130,553	\$116,809	\$131,176	\$146,138	\$115,841
Annual Reserve Contribution	\$22,613	\$23,291	\$23,990	\$24,710	\$25,451
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,854	\$1,859	\$2,079	\$1,964	\$1,853
<b>Total Income</b>	<b>\$155,020</b>	<b>\$141,959</b>	<b>\$157,244</b>	<b>\$172,811</b>	<b>\$143,145</b>
<b># Component</b>					
103 Conc. Deck/Walk - Repair/Replace	\$6,281	\$0	\$0	\$0	\$0
505 Wood Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Irrigation/Backflow - Replace/Upgrd	\$10,469	\$10,783	\$11,106	\$11,440	\$11,783
1003 Irrigation Controllers - Replace	\$4,188	\$0	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$12,563	\$0	\$0	\$13,728	\$0
1109 Wood Fence - Restain	\$0	\$0	\$0	\$31,802	\$0
1402 Signage/Monument - Repair	\$0	\$0	\$0	\$0	\$0
1505 Landscape Lights - Replace	\$4,711	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$38,211</b>	<b>\$10,783</b>	<b>\$11,106</b>	<b>\$56,969</b>	<b>\$11,783</b>
Ending Reserve Balance:	\$116,809	\$131,176	\$146,138	\$115,841	\$131,362

## Accuracy, Limitations, and Disclosures

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves, Inc., and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Carmine R. DeLisio, RS, company president, is a Colorado licensed General Contractor (Licensed #15126), and credentialed Reserve Specialist (#184). All work done by Association Reserves - Colorado is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association’s situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association’s representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our “Site Inspection Notes” comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.



## Terms and Definitions

<b>BTU</b>	British Thermal Unit (a standard unit of energy)
<b>DIA</b>	Diameter
<b>GSF</b>	Gross Square Feet (area)
<b>GSY</b>	Gross Square Yards (area)
<b>HP</b>	Horsepower
<b>LF</b>	Linear Feet (length)

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

**Fully Funded Balance (FFB):** The Reserve Balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

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

**Inflation:** Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

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

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

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

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

# Photographic Inventory Appendix