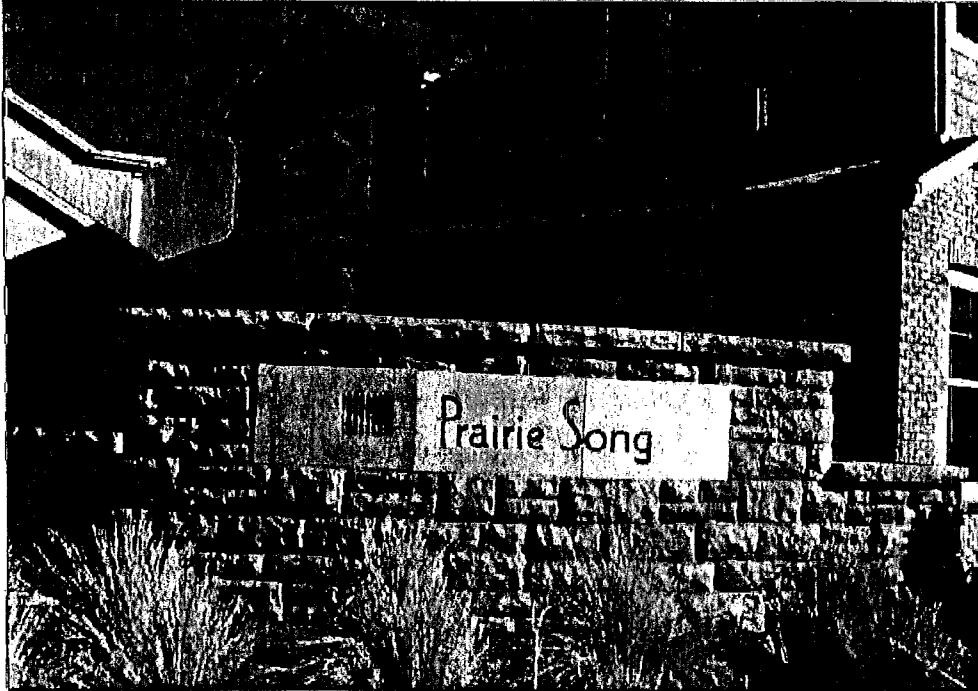


Prairie Hawk HOA

Deerwood Drive
Longmont, CO 80501



Level 1 Reserve Analysis

Original Reserve Study with Property Inspection

Report Period – 01/01/05 – 12/31/05

Client Reference Number - 04116

Property Type – Single Family Detached Homes

Number of Units – 228

Fiscal Year End – December 31

Date of Property Inspection –	February 2, 2005	<div style="border: 1px solid black; padding: 5px; text-align: center;">Final Version</div>
Report Prepared by –	G. Michael Kelsen	
Property Inspected by -	G. Michael Kelsen	
Main Contact Person -	Mr. Chip Frye (at time of report preparation) Ms. Gwen Rohrer (Current Community Manager)	
Report was prepared on -	March 14, 2005 (original date) Friday, December 09, 2005 (copy) Monday, January 30, 2006 (final version)	

P.O. Box 260936 • Littleton, CO 80163-0936 • Phone (303) 790-7572 • Fax (303) 688-3083
Email: aspenrs@aol.com

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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 15% - 40% 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 in the **Asset Inventory Section** (Section 2) of this Reserve Analysis. The **Financial Analysis Section** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a finding 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 3 (pages 1 – 13) 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 inspection. 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 also been excluded from 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 judgement 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 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. Deterioration 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 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 Analysis is required, but how are you going to know you have enough funds in the account if you don't have the proper information? Hypothetically, 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 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 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 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 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.

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 Prairie Hawk HOA -

Association ID # - 04116

Projected Starting Balance as of February 1, 2005 -	\$8,547
Ideal Reserve Balance as of February 1, 2005 -	\$2,040
Percent Funded as of February 1, 2005 -	419%
Recommended Reserve Allocation (per month) -	\$190
Minimum Reserve Allocation (per month) -	\$170
Recommended Special Assessment -	\$0

Information to complete this Reserve Analysis was gathered during a property inspection of the common area elements on February 2, 2005. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative (Property 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 association will contain 228 homes within a master planned community with construction expected to be completed by mid 2006. The association's maintenance responsibilities include the mailboxes in two separate neighborhoods (Prairie Song and Summer Hawk), and the entrance monuments for each neighborhood, and some small irrigation areas. Since the property is relatively new, there have not been any Reserve projects completed recently.

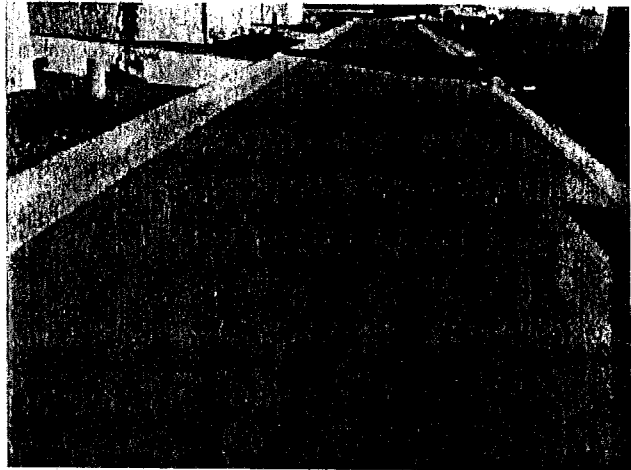
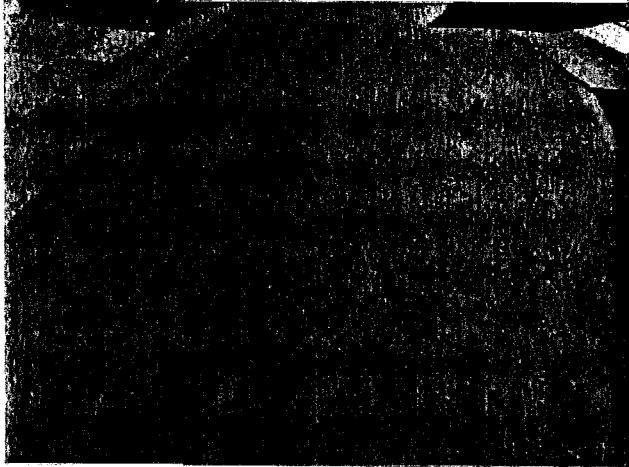
In comparing the projected balance of \$8,547 versus the ideal Reserve Balance of \$2,040, we find the association Reserve fund to be in an extreme surplus financial position (approximately 419% funded of ideal) at this time. While this may seem to be a good position to be in at this point of time, it also indicates that too much money has been set aside, resulting in not being equitable for the current owners if they decide to move. Therefore, based on the information contained within this report, we find the current Reserve allocation (\$810 average per month) to be more than sufficient in maintaining the strength in the account for future Reserve projects. While this does not occur very frequently, we are suggesting a decrease of the Reserve contribution to \$190 per month (representing a decrease of almost \$2.75 per unit), followed by nominal annual increases of 3.25% thereafter to help offset the effects of inflation. By following the recommendation, the plan will maintain the Reserve account in a positive manner, while gradually increasing to a fully funded position within the thirty-year period. Due to increases in other categories not related to Reserves (landscape maintenance, utilities, insurance, etc.), we suggest checking the operating budget carefully before deciding to lower the total assessment level.

In the percent Funded graph, you will see that we have also suggested a minimum Reserve contribution of \$170 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 possible 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 is between the two scenarios and how it would not make financial sense to contribute less money (approximately \$.08 per unit per month in this case) to the Reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be extremely minimal, and based on the risk involved, we strongly suggest the recommended Reserve Allocation is followed.



Comp #: 401 Alleyways - Maintenance



Observations:

There was evidence of some damage from construction traffic after asphalt was initially applied. There were also some signs of minor hairline cracks. It was reported the city will be responsible for maintenance and replacement of all items throughout the alleyways. Therefore, Reserve funding is not required for seal coating, resurfacing, or repairs to the curb and gutter.

Location: Alleyways

Quantity: Approx. 59,025 GSF

Life Expectancy: N/A Remaining Life:

Best Cost: \$0

Worst Cost: \$0

General Notes:

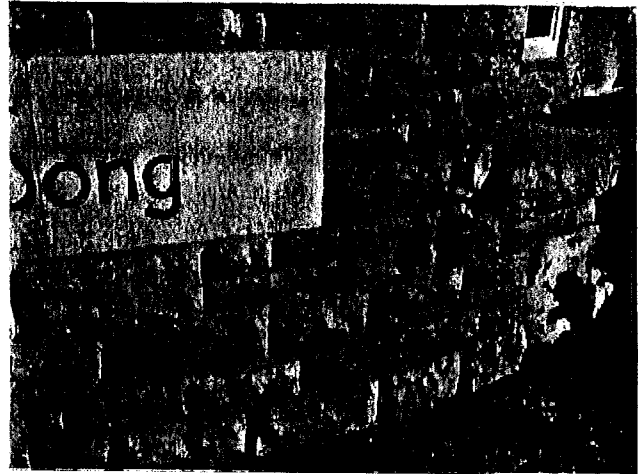
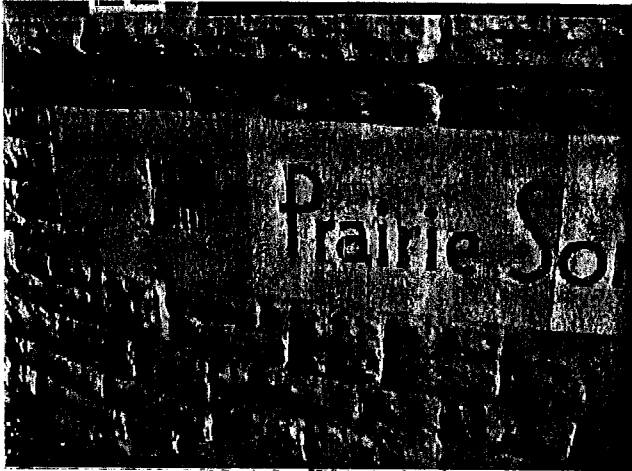
Asphalt -
 built as of 2/2/05 - 33125 GSF
 being graded 2/2/05 - approximately 25900 GSF

curb and gutters -
 built as of 2/2/05 - 14200 GSF
 being graded 2/2/05 - approximately 11100 GSF

Source of Information:



Comp #: 801 Monument - Rebuild



Observations:

The monument at the Prairie Song section was stable and in very good condition at time of inspection. The monument for Summer Hawk had not been constructed as of the inspection date, but it was reported that similar size and materials would be used during construction. While the materials to be used should have an indefinite life expectancy, in our experience, most associations seem to remodel and renovate monument structures every 20 - 30 years, depending on décor and trends at the time.

Location: Bluefield Ave. and Deerwood Dr.

General Notes:

Quantity: (3) Monuments

Bluefield Ave. and Deerwood Dr. -
Approx. 110 GSF brick
engraved tile section 6'x1'6"

Life Expectancy: 25 *Remaining Life:* 24

Best Cost: \$24,000
\$8000/monument; Estimate to replace

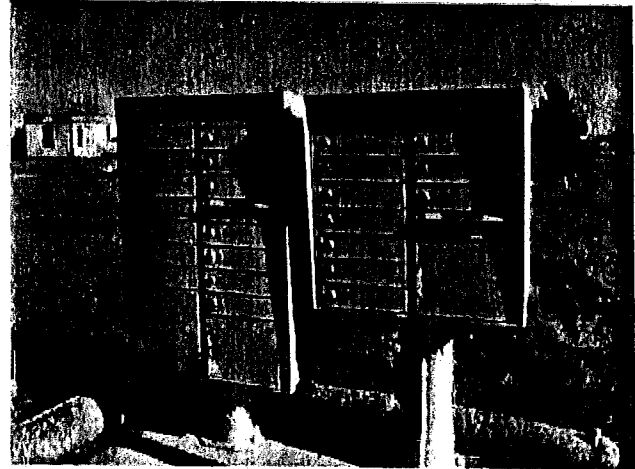
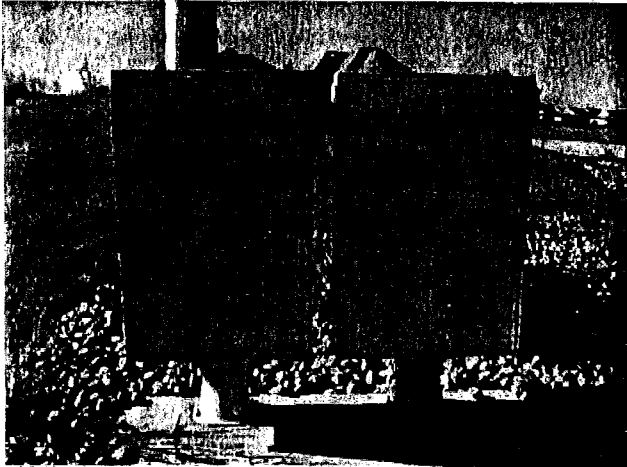
Reported a similar monument will be installed at
the Summer Hawk section

Worst Cost: \$30,000
\$10000/monument; Higher estimate

Source of Information: Cost database



Comp #: 803 Mailboxes - Replace



Observations:

These mailbox structures (referred to as CBU's - Cluster box units) are relatively new and in good condition. It is expected that 5 more CBU's will be installed when construction is near complete in the rest of the community. The Prairie Song section has individual boxes and the individual owners will be responsible for these boxes. According to the USPS, the association will be responsible for replacement when necessary. The average life expectancy for these boxes will range from 12 - 18 years, according to the manufacturer. Remaining life is based on average age of all units.

Location: Summer Hawk section

Quantity: (12) Assorted CBU's

Life Expectancy: 15 *Remaining Life:* 14

Best Cost: \$13,200
\$1100/CBU; Estimate to replace boxes

Worst Cost: \$15,600
\$1300/CBU; Higher estimate

Source of Information: American Locker catalog

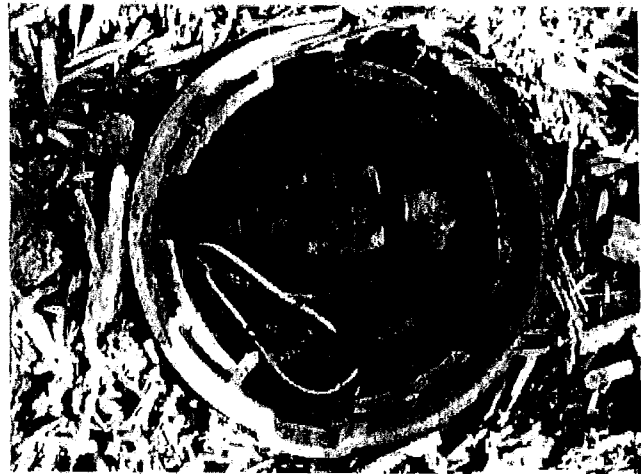
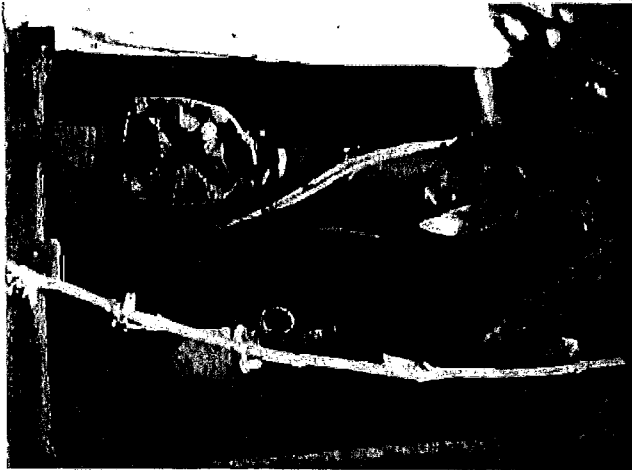
General Notes:

Existing:
502 Peregrine Cr. -
(2) 13 box CBU's with 1 parcel, 1 outgoing
534 Peregrine Cr. -
(1) 16 box CBU with 2 parcel, 1 outgoing
(1) 12 box CBU with 1 parcel, 1 outgoing

To be installed: (assumed)
(6) 16 box CBU with 2 parcel, 1 outgoing
(2) 12 box CBU with 1 parcel, 1 outgoing

Prairie Song area has individual boxes

Comp #: 1701 Irrigation System - Rebuild



Observations:

System was winterized at time of inspection, so unable to test to see how system was functioning. No reports of problems with system at time of report preparation. Typically, small systems like this can be repaired on an individual basis as part of operating. At this time, there is no expectancy to completely replace the system. Therefore, no Reserve funding is required for this component.

Location: Monument areas, Islands in cul-de-sac

Quantity: Minimal system

Life Expectancy: N/A **Remaining Life:**

Best Cost: \$0

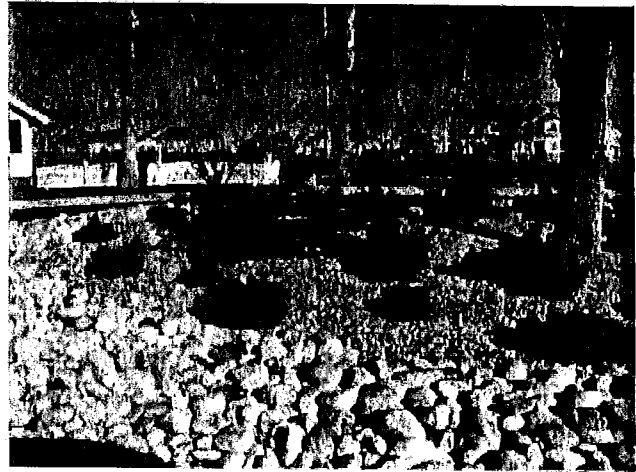
Worst Cost: \$0

General Notes:

To be built:
(2) Small park areas with minimal grass and irrigation system

Source of Information:

Comp #: 1801 Groundcover - Replenish



Observations:

Majority of groundcover is rock and xeriscape type material that does not require excessive watering during summer months. Since it is difficult to predict when shrubs and trees will die and need replacement, we suggest treating as part of landscape maintenance operating expense. Therefore, no Reserve funding is required for this component.

Location: Islands, monument areas

Quantity: Xeriscape with shrubs

Life Expectancy: N/A *Remaining Life:*

Best Cost: \$0

Worst Cost: \$0

General Notes:

To be built:
(2) Small park areas with minimal grass and irrigation system

Source of Information:

Funding Summary For Prairie Hawk HOA

Beginning Assumptions

Financial Information Source	Research With Client
# of units	228
Fiscal Year End	31-Dec
Budgeted Monthly Dues	\$2,260
Budgeted Monthly Reserve Allocation	\$810
Projected Starting Reserve Balance	\$8,547
Ideal Starting Reserve Balance	\$2,040

Economic Factors

Current Inflation Rate	3.50%
Reported After-Tax Interest Rate	2.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	419%
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Recommendations

Reserve Allocation	\$190
Per Unit	\$0.83
Minimum Reserve Allocation	\$170
Per Unit	\$0.75
Primary Annual Increases	3.25%
# of Years	30
Secondary Annual Increases	0.00%
# of Years	0
Special Assessment (2005)	\$0
Per Unit	\$0

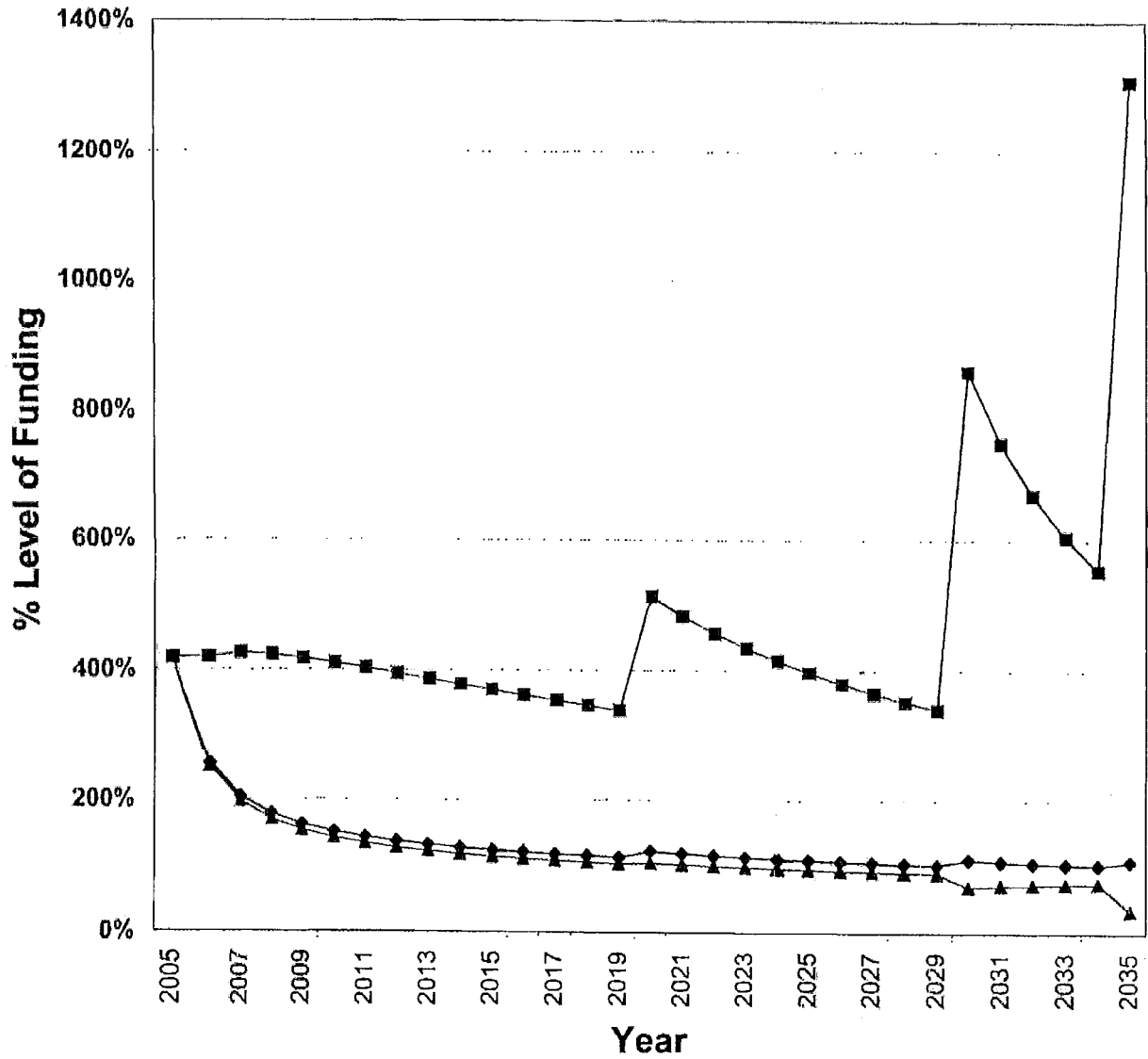
Changes From Prior Year

Increase/Decrease to Reserve Allocation	-\$620
as Percentage	-77%
Per Unit	-\$2.72

Percent Funded Graph For Prairie Hawk HOA

Percent Funded

- ◆ Recommended
- Current
- ▲ Minimum



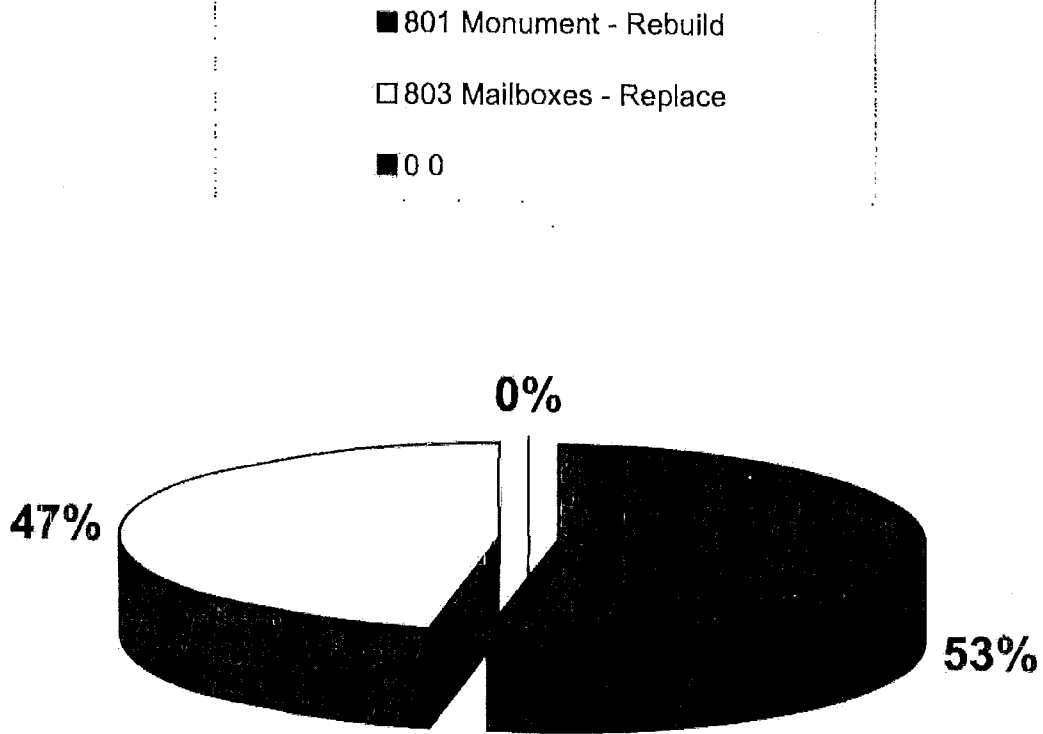
Component Inventory for Prairie Hawk HOA

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Drive Materials	401	Alleyways - Maintenance	N/A		\$0	\$0
Prop. Identification	801	Monument - Rebuild	25	24	\$24,000	\$30,000
	803	Mailboxes - Replace	15	14	\$13,200	\$15,600
Irrig. System	1701	Irrigation System - Rebuild	N/A		\$0	\$0
Landscaping	1801	Groundcover - Replenish	N/A		\$0	\$0

Significant Components For Prairie Hawk HOA

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
801	Monument - Rebuild	25	24	\$27,000	\$1,080	52.9412%
803	Mailboxes - Replace	15	14	\$14,400	\$960	47.0588%

Significant Components Graph For Prairie Hawk HOA



Asset ID	Asset Name	UL	RUL	Significance: (Curr Cost/UL)		
				Average Curr. Cost	As \$	As %
801	Monument - Rebuild	25	24	\$27,000	\$1,080	53%
803	Mailboxes - Replace	15	14	\$14,400	\$960	47%
0	0	0	0	\$0		#####

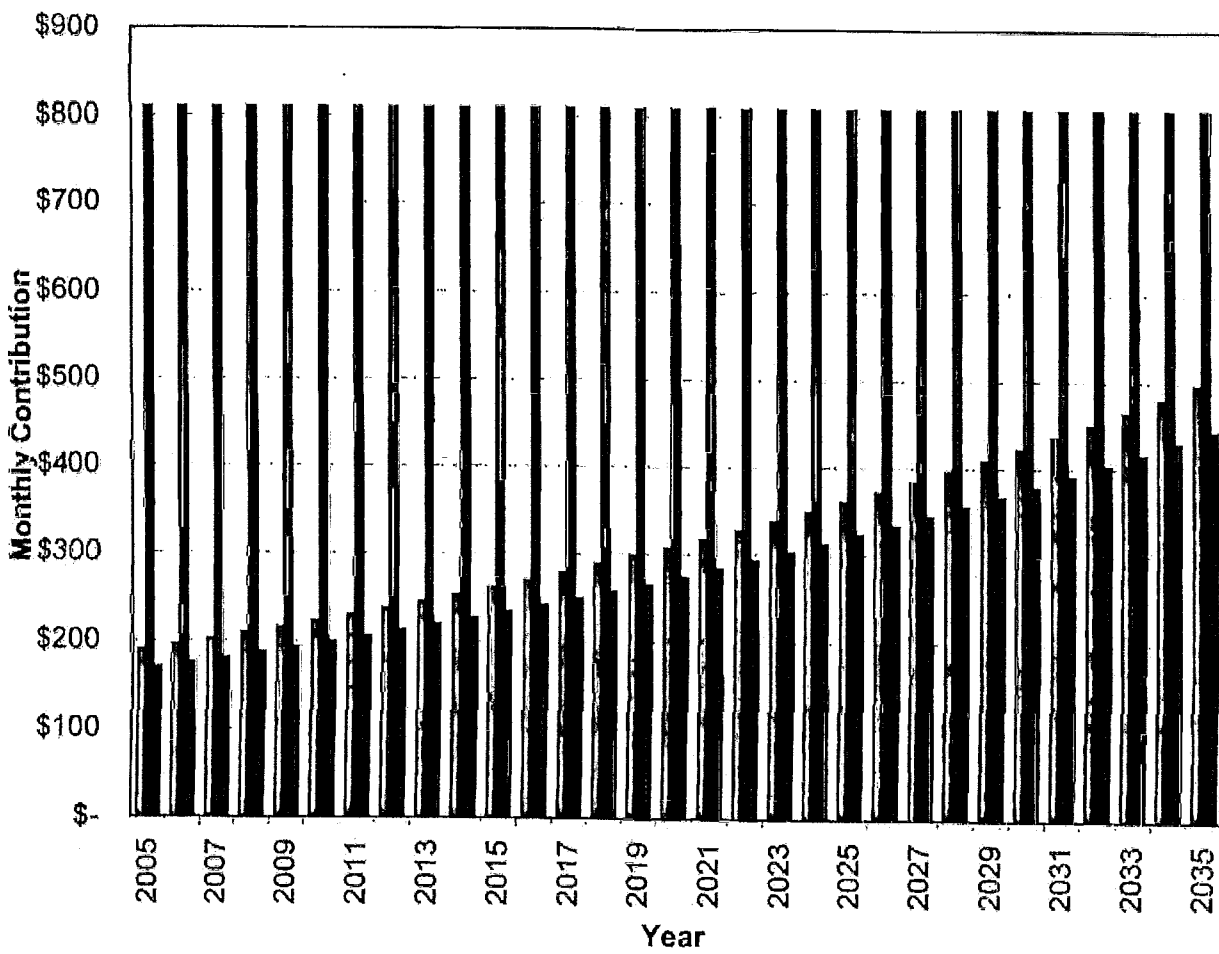
Yearly Summary For Prairie Hawk HOA

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Interest Income	Reserve Expenses
2005	\$2,040	\$8,547	419%	\$2,090	\$196	\$0
2006	\$4,223	\$10,833	257%	\$2,354	\$242	\$0
2007	\$6,556	\$13,429	205%	\$2,431	\$296	\$0
2008	\$9,047	\$16,155	179%	\$2,510	\$351	\$0
2009	\$11,705	\$19,016	162%	\$2,591	\$410	\$0
2010	\$14,537	\$22,017	151%	\$2,675	\$471	\$0
2011	\$17,554	\$25,184	143%	\$2,762	\$536	\$0
2012	\$20,764	\$28,462	137%	\$2,852	\$603	\$0
2013	\$24,177	\$31,918	132%	\$2,945	\$674	\$0
2014	\$27,803	\$35,536	128%	\$3,041	\$748	\$0
2015	\$31,654	\$39,325	124%	\$3,139	\$825	\$0
2016	\$35,740	\$43,290	121%	\$3,241	\$906	\$0
2017	\$40,074	\$47,437	118%	\$3,347	\$991	\$0
2018	\$44,667	\$51,775	116%	\$3,455	\$1,080	\$0
2019	\$49,532	\$56,311	114%	\$3,568	\$937	\$23,309
2020	\$30,558	\$37,507	123%	\$3,684	\$794	\$0
2021	\$35,165	\$41,985	119%	\$3,803	\$886	\$0
2022	\$40,057	\$46,674	117%	\$3,927	\$982	\$0
2023	\$45,248	\$51,583	114%	\$4,055	\$1,082	\$0
2024	\$50,764	\$56,719	112%	\$4,186	\$1,187	\$0
2025	\$56,590	\$62,093	110%	\$4,323	\$1,297	\$0
2026	\$62,771	\$67,712	108%	\$4,483	\$1,412	\$0
2027	\$69,317	\$73,587	106%	\$4,608	\$1,341	\$0
2028	\$76,243	\$79,727	105%	\$4,758	\$1,453	\$0
2029	\$83,570	\$86,142	103%	\$4,912	\$947	\$61,650
2030	\$27,508	\$30,571	111%	\$5,072	\$434	\$0
2031	\$33,461	\$36,311	109%	\$5,237	\$536	\$0
2032	\$39,796	\$42,334	106%	\$5,407	\$643	\$0
2033	\$46,534	\$48,650	105%	\$5,583	\$755	\$0
2034	\$53,695	\$55,271	103%	\$5,764	\$479	\$39,051

Yearly Summary For Prairie Hawk HOA

Reserve Contributions

- Recommended
- Current
- Minimum



Component Funding Information For Prairie Hawk HOA

ID	Component Name	Ave Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
801	Monument - Rebuild	\$27,000	\$61,650	\$1,080	\$4,525	\$100.59
803	Mallboxes - Replace	\$14,400	\$23,309	\$960	\$4,022	\$89.41

Yearly Cash Flow For Prairie Hawk HOA

Year	2005	2006	2007	2008	2009
Starting Balance	\$15,535	\$16,855	\$16,428	\$16,156	\$19,016
Reserve Income	\$2,095	\$2,354	\$2,601	\$2,450	\$2,587
Interest Earnings	\$195	\$275	\$284	\$351	\$410
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$16,339	\$19,428	\$19,155	\$19,016	\$22,017
Reserve Expenditures	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$16,339	\$19,428	\$19,155	\$19,016	\$22,017

Year	2010	2011	2012	2013	2014
Starting Balance	\$22,017	\$25,164	\$28,462	\$31,918	\$35,536
Reserve Income	\$2,675	\$2,762	\$2,852	\$2,945	\$3,041
Interest Earnings	\$471	\$536	\$603	\$674	\$748
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$25,164	\$28,462	\$31,918	\$35,536	\$39,325
Reserve Expenditures	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$25,164	\$28,462	\$31,918	\$35,536	\$39,325

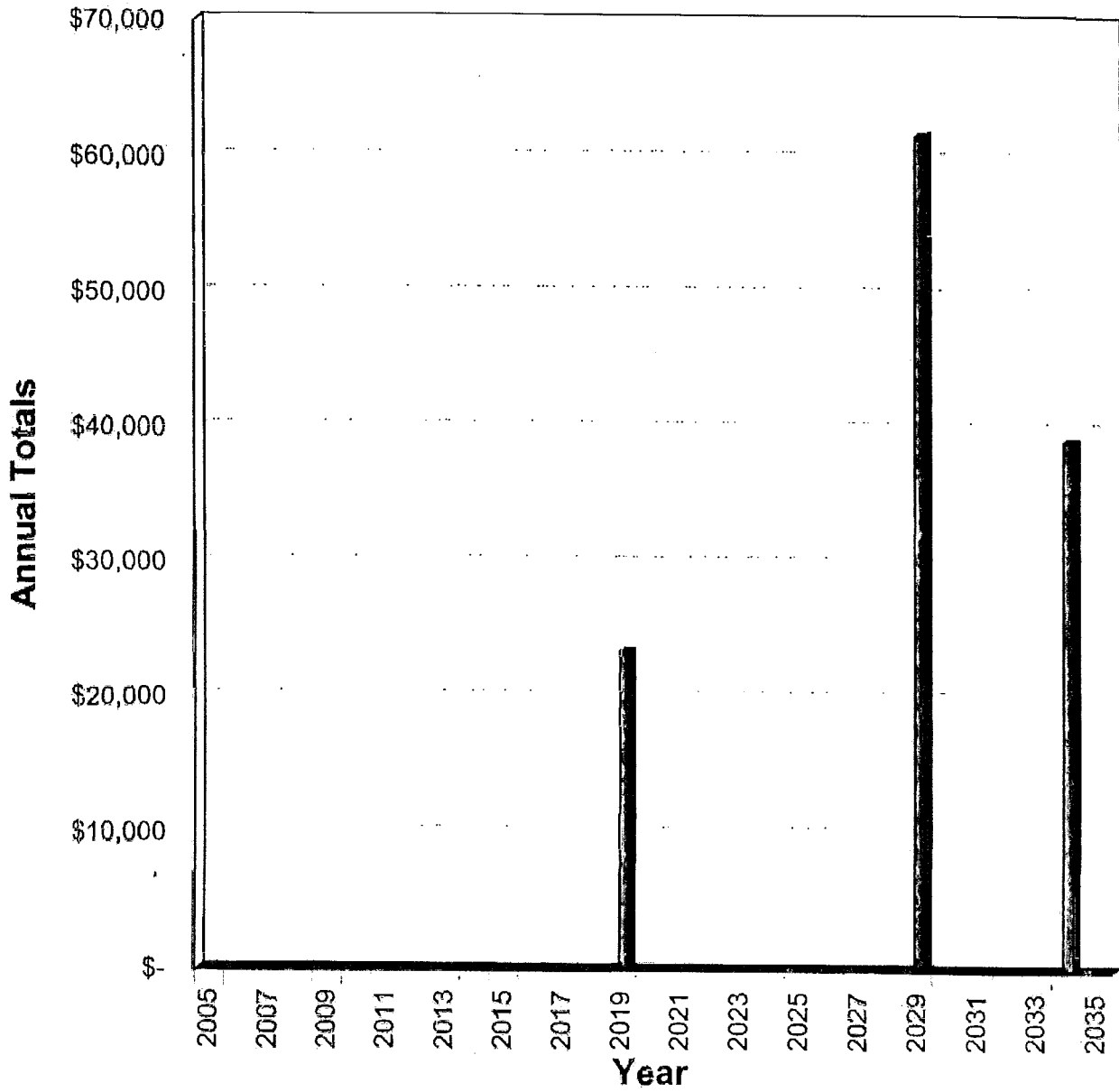
Year	2015	2016	2017	2018	2019
Starting Balance	\$39,325	\$43,290	\$47,437	\$51,775	\$56,311
Reserve Income	\$3,139	\$3,241	\$3,347	\$3,455	\$3,566
Interest Earnings	\$825	\$906	\$991	\$1,080	\$937
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$43,290	\$47,437	\$51,775	\$56,311	\$60,814
Reserve Expenditures	\$0	\$0	\$0	\$0	\$23,909
Ending Balance	\$43,290	\$47,437	\$51,775	\$56,311	\$37,607

Year	2020	2021	2022	2023	2024
Starting Balance	\$37,507	\$41,985	\$46,674	\$51,583	\$56,719
Reserve Income	\$3,684	\$3,803	\$3,927	\$4,055	\$4,186
Interest Earnings	\$794	\$886	\$982	\$1,082	\$1,187
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$41,985	\$46,674	\$51,583	\$56,719	\$62,093
Reserve Expenditures	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$41,985	\$46,674	\$51,583	\$56,719	\$62,093

Year	2025	2026	2027	2028	2029
Starting Balance	\$62,093	\$67,712	\$73,587	\$79,727	\$86,142
Reserve Income	\$4,323	\$4,463	\$4,606	\$4,758	\$4,912
Interest Earnings	\$1,297	\$1,412	\$1,532	\$1,657	\$1,166
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$67,712	\$73,587	\$79,727	\$86,142	\$92,221
Reserve Expenditures	\$0	\$0	\$0	\$0	\$61,650
Ending Balance	\$67,712	\$73,587	\$79,727	\$86,142	\$30,671

Year	2030	2031	2032	2033	2034
Starting Balance	\$30,571	\$36,311	\$42,334	\$48,650	\$55,271
Reserve Income	\$5,072	\$5,237	\$5,407	\$5,583	\$5,764
Interest Earnings	\$668	\$786	\$909	\$1,038	\$780
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$36,311	\$42,334	\$48,650	\$55,271	\$61,815
Reserve Expenditures	\$0	\$0	\$0	\$0	\$39,051
Ending Balance	\$36,311	\$42,334	\$48,650	\$55,271	\$22,764

Reserve Expenditures



Projected Reserve Expenditures For Prairie Hawk HOA

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2005		No Expenditures Projected		\$0
2006		No Expenditures Projected		\$0
2007		No Expenditures Projected		\$0
2008		No Expenditures Projected		\$0
2009		No Expenditures Projected		\$0
2010		No Expenditures Projected		\$0
2011		No Expenditures Projected		\$0
2012		No Expenditures Projected		\$0
2013		No Expenditures Projected		\$0
2014		No Expenditures Projected		\$0
2015		No Expenditures Projected		\$0
2016		No Expenditures Projected		\$0
2017		No Expenditures Projected		\$0
2018		No Expenditures Projected		\$0
2019	803	Mallboxes - Replace	\$23,309	\$23,309
2020		No Expenditures Projected		\$0
2021		No Expenditures Projected		\$0
2022		No Expenditures Projected		\$0
2023		No Expenditures Projected		\$0
2024		No Expenditures Projected		\$0
2025		No Expenditures Projected		\$0
2026		No Expenditures Projected		\$0
2027		No Expenditures Projected		\$0
2028		No Expenditures Projected		\$0
2029	801	Monument - Rebuild	\$61,650	\$61,650
2030		No Expenditures Projected		\$0
2031		No Expenditures Projected		\$0
2032		No Expenditures Projected		\$0
2033		No Expenditures Projected		\$0
2034	803	Mallboxes - Replace	\$39,051	\$39,051
2035		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.

Accrued Fund 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.

$$\text{AFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$

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 associations 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 Specialists*.

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.

