Reserve Funding

Robin Meadows Homeowners' Association, Inc.

P. O. Box 1549
Sherwood, Oregon
August 25, 2010

Prepared by:
D.L. "Dan" Huntley, RS, PRA
Tamarra "Tammy" Axton, PRA

TABLE OF CONTENTS
Robin Meadows Homeowners' Association, Inc.

Robin Meadows Homeowners' Association, Inc.
Category Detail Index

Robin Meadows Homeowners' Association, Inc.
Category Detail Index

RESERVE STUDIES BY RESERVE FUNDING

Attached herewith is the reserve study (physical and financial analysis) for the Association**. Interest from reserve savings accounts must stay in the reserve account(s) and not be used as an offset against monthly assessments.**

When the term Limited Common Element is used it is assumed the Association is maintaining certain Limited Common Elements but not all. One would need to read the Declaration (CC&R's) to determine responsibilities of the Association and of the Owners.

You are encouraged to thoroughly review this document and its individual reports for conformity to the description of responsibility for the Association's Common or Limited Common Element as defined in your Declaration of Covenants, Conditions and Restrictions. In addition, please pay close attention to the reserve bank balance estimated to be on hand by your staff. **Any discrepancy in the figure or interest rate can have a significant effect on the reserve study and the outcome of the assumptions shown**.

The intention of the reserve study is to forecast, as they wear out in future years, the Association's ability to repair, replace, restore or maintain major components with a life expectancy of over one year and an estimated cost of over one thousand dollars. The reports will provide the Association's Board of Directors (Board) the information necessary to make the reserve projection disclosures required by existing statutes, lender's requirements, or the governing documents.

The cost outlined in the reserve study is subjective in some areas, therefore we may use costs submitted by the Declarant, Management or the Board, and are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time the repair, replacement or restoration is done, and on actual price levels prevailing at the time the future repair, replacement, or restoration must be done.

The estimates on future repair, replacement and restoration in the reserve study will be good faith estimates and projections, based upon the estimated future inflation rate and interest (yield) on the monies set aside which may or may not prove accurate. Consultant submits that the probability that it may project in its reserve study, or that the Board could project in its disclosures, future costs or actual

future remaining useful lives of components having useful lives extended beyond one year with precision is the functional equivalent of winning the lottery (while it may happen in rare instances by chance, one may not reasonably expect it to happen). As a result, Consultant cannot, and does not, warrant or guaranty its projections. Assumptions on future costs and life expectancy's should be reviewed and adjusted on an annualized basis, as current and future cost projections and life expectancy's become more uncertain.

This reserve study is limited to an off-site, on-site or plan take-off physical analysis of the property, and as such did not disturb the major components. Therefore, all Common and Limited Common Elements for which there is no access without defacement are specifically omitted. However, if sufficient historical data including costs were available that would allow a reasonable projection of future expenditures for any unobserved components, e.g., plumbing, utilities, electrical wiring, those components could be included in the reserve study and may require an engineer's report.

Since no destructive testing was undertaken, this reserve study, as stated above, does not purport to address any latent and/or patent defects, nor does it address any life expectancies that are abnormally short due either to improper design or installation, or to subsequent improper maintenance. It is assumed that all components are to be reasonably maintained for the remainder of their life expectancy.

The seal below the signature is evidence that the reserve study was performed under the guidelines and policies of the Association of Professional Reserve Analyst and the Community Association Institute.

Sincerely,

D. L. "Dan" Huntley**, PRA, RS**
Tamarra "Tammy" Axton**, PRA**

Association of Professional Reserve Analyst-APRA-(PRA)
Community Association Institute-CAI-(RS) Reserve Specialist

MEMBER OF community ASSOCIATIONS INSTITUTE

EXECUTIVE SUMMARY

At the direction of the Association that recognizes the need for proper reserve planning, we have prepared a Reserve Study (physical and financial analysis) of the Association's Common or Limited Common Areas and submit our findings in this report. The purpose of this Reserve Study is to establish a reasonable yearly reserve contribution necessary to meet future expenditures for major replacements or repairs of the Common or Limited Common Areas in compliance with Oregon Revised Statutes 94.595 and 100.175 that components have a life expectancy of more than one year and less than thirty years.

All major common elements are likely to require capital repair or replacement over the next thirty years. Our analysis considered current and future costs of replacement for the subject Common or Limited Common Areas, the average annual fund balance, interest on invested funds, and anticipated inflation. Based on the investigation and analysis as detailed in the accompanying narrative, the attached *CURRENT ASSESSMENT FUNDING MODEL PROJECTION* report details the average reserve contributions that are recommended to fund the expected capital expenditures of the subject Common or Limited Common Areas over the next thirty years.

We arrived at these recommendations in part by matching the anticipated expenditures noted in the *ANNUAL EXPENDITURE DETAIL* against current fund balances and the annual levels of funding. **Reserve funds would not become depleted within the next thirty years at the levels of funding recommended**.

The *CURRENT ASSESSMENT FUNDING MODEL PROJECTION* enumerates the details regarding recommended annual reserve contributions and projected year-end reserve balances. We recommend, in accordance with state statutes, subsequent yearly off-site updates of this reserve study and an on-site physical analysis every five years to confirm that the recommended reserve contributions are appropriate in view of possible changes in the property, components not completed as detailed in the expenditure report, interest rates, inflation rates, costs, and movement of any excess operating funds to the reserve savings accounts as approved by the membership.

It is necessary that regular maintenance of the Common or Limited Common Areas be done to insure maximum useful life and optimum performance of the reserve components. Components of concern include items associated with water intrusion and safety.

The maintenance plan is a cyclical plan that calls for regular maintenance at regular intervals and will list the maintenance activity and the frequency of maintenance as well as a short narrative.

Checklists developed by Reed Construction Data, Inc., can be accessed, photocopied or downloaded from the RS Means web site at www.rsmeans.com/supplement/67346.asp. We strongly urge the Board to use these forms.

NARRATIVE REPORT

The following reports illustrate our recommendations and observations concerning anticipated expenditures, recommended reserve funding and projected fund balances during the next thirty years.

We have not investigated the title to or any liabilities against the property subject to this report.

At the direction of the Association, which recognizes the need for proper reserve planning, we have made a reserve study (physical and financial analysis) of this community and submit our findings in this report.

The purpose of this study is to establish a reasonable yearly reserve contribution necessary to meet future expenditures for major replacements or repairs of the common elements of the Association as of the beginning of its fiscal year.

Reserves for replacement are estimates of that amount of money that must be put aside to repair or replace major items or building components that will wear out before the entire facility or project wears out.

State law, such as that found in California, Oregon and Washington, clearly establishes the fiduciary duty of "boards" and the necessity for adequate assessments including reserve funds. The legislative intent of these acts is to better protect current owners and future buyers of units in community associations. Reserving funds for future repair or replacement of the shorter-lived building components is also one of the most reliable ways of protecting the future market value of an individual's investment property from the deleterious effects of special assessments.

For the purposes of this study, the detailed cash flow analysis is limited to those components or elements that are likely to require replacement or major rehabilitation during the next thirty-year period. Replacement of an entire planned development or condominium in 50 to 75 years is not a typical event. Preventive maintenance generally extends the useful life of many components. As such, estimating useful lives beyond thirty years from the date of this study is indeterminate and it is recommended that periodic updates of this study be made to consider actual facts and circumstances regarding extended or diminished component lives, inflation, and appreciation of the reserves.

Our investigation included Common and Limited Common Areas as set forth in your declaration associated with the property of the Association. Excluded from our consideration was all other property, including land, property owned individually by unit or home owners, personal property, and intangible assets.

Expenditures relating to the operating budget and apart from reserves are excluded from this reserve analysis. It is our understanding that the operating budget and future operating budgets will provide for the on-going normal maintenance of common elements unless specifically identified in the component description on the *DETAIL REPORT BY CATEGORY*.

Our report comprises:

This letter, that sets forth the nature and extent of the investigation, identifies the classes of property considered, and presents the conclusions reached.

An Executive Summary identifies the property, current reserves, recommended reserve funding, and projections concerning reserve funding.

Consideration and Methodology

The purpose of this study is to estimate the amount of yearly reserve contributions necessary to meet future expenditures for major replacements and repairs of the common area components of the Association without a special assessment. We reviewed the property subject of this investigation and considered the following:

Local costs of material, equipment and labor combined in the cost factor,

The current and future costs of replacement or repair for the common elements as detailed in the *DETAIL REPORT BY CATEGORY*,

The cost of removal if required of the worn out components as part of the cost of replacement,

The anticipated effects of inflation on the amount to be reserved annually,

The anticipated effects of appreciation of the reserves over time in accord with your average current return or yield on investments. **We were informed all accrued interest on Association investments would be included within the reserve funds.**

The past and current maintenance practices of your Association and their effects on remaining lives.

We have not considered as part of the reserve contributions the amounts required for yearly maintenance activities.

SUMMARY AND CONCLUSION

This study indicates that based on the anticipated expenditures noted in the ANNUAL EXPENDITURE DETAIL report, the current reserves and annual recommended levels of funding are adequate to avoid future special assessments. Reserves would not become depleted within the next thirty years at current recommended levels of funding

ASSUMPTIONS, SCOPE, AND LIMITED CONDITIONS

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others or ourselves that have been used in formulating this analysis.

No soils analysis or geological studies were ordered or made in conjunction with this report, nor was any water, oil, gas, coal or other subsurface mineral and use rights or conditions investigated.

Any latent defects will not be a part of the reserve study. Should we find signs of possible latent defects or problems not within the scope of the reserve study, the Association will be notified so that the Association can retain the proper experts. However, the study will not be designed to uncover any possible latent defects, and the absence of any indications to such effect will not be, and should not be construed to be, an indication that there are no defects not so noted, or that we warrant the absence of any such defects.

Substances such as fungi, mold, asbestos, lead paint, urea-formaldehyde foam insulation, termite control substances other chemicals, toxic wastes, radon gas, electro-magnetic radiation or other potentially hazardous materials (on the surface or sub-surface) could, if present, adversely affect the validity of our reserve study. Unless otherwise stated in our reserve study, the existence of hazardous substances, that may or may not be present on the property, will not be considered nor will there be any inspection for termites. Our opinions are predicated on the assumption that there is no such material on or in the property nor existence of termites. No responsibility is assumed for any such conditions, and you are advised that we are not qualified to detect such substances, quantify the impact, or develop the remedial cost.

The Association needs to review each line item in the reports to be certain corrections are made from information you may possess that we are not aware of. It is assumed in our reserve study that no work, or expenditures from the reserve funds will occur for the balance of the fiscal year. If this is not correct, you need to let us know what extra work was done and how much money will be spent.

This physical analysis was made by individuals generally familiar with real estate and building construction and 30 years experience preparing reserve studies; however, no invasive testing was performed. Our report does not consider electrical wiring, plumbing or utilities that may be the responsibility of the Association. Accordingly, we do not opine on, nor are we responsible for, the structural integrity of the property, including, but not limited to, its conformity to specific governmental code requirements, such as fire, building safety, earthquake, occupancy, land movement and/or slides, or any physical defects that were not readily apparent in our physical analysis. This reserve study is not an engineering study.

The cost outlined in the reserve study is subjective in some areas; therefore, we may use costs submitted by the Association that are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time the repair, replacement or restoration is done, and on actual price levels prevailing at the time the future repair, replacement or restoration must be done. The estimates on future repair, replacement and restoration in the reserve study will be good faith estimates and projections, based upon the estimated future inflation rate and interest (yield) on the monies set aside which may or may not prove accurate. We submit that the probability that the board may project in its reserve study or disclosures, future costs or actual future remaining useful lives of components having useful lives extended beyond one year with precision is the functional equivalent of winning the lottery (while it may happen in rare instances by chance, one may not reasonably expect it to happen). As a result, we cannot, and do not, guaranty its projections. Assumptions on future costs and life expectancies should be reviewed and adjusted on an annualized basis, as current future costs projections and life expectancies become more uncertain.

PROFESSIONAL SERVICE CONDITIONS

The services provided by Reserve Studies by Reserve Funding© were performed in accordance with our professional practice standards. Our compensation is not contingent in any way upon our conclusions. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor. All files, work papers or documents developed by us during the course of the engagement will remain our property.

Our report is to be used only for the purposes stated herein. Any use or reliance for any other purpose, by you or third parties, is invalid. You may show our report in its entirety to those third parties that need to review the information contained herein. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You shall defend, indemnify, and hold harmless Reserve Studies by Reserve Funding© and its employees and subagents, who were or are a party or are threatened to be made a party to any threatened, pending, or completed actions, suits, or proceedings, whether civil, criminal, administrative, or investigative by reason of the fact that Reserve Studies by Reserve Funding©, and its employees and subagents, are or were the authorized representatives of the Association, as to any expense, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by Reserve Studies by Reserve Funding© and its employees and subagents, in connection with such action, suit, or proceeding, if Reserve Studies by Reserve Funding© and its employees and subagents acted in good faith and in a manner Reserve Studies by reserve Funding and its employees and subagents reasonably believed to be in, or not opposed to, the best interest of the Association, and with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful.

We have prepared an initial draft of the study and will make one adjustment to the report upon a written request from the Association within 30 days of the date the initial draft of the study is sent to the Board.

We reserve the right to include your Association's name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings.

These conditions can only be modified by written documents executed by both parties.

Respectfully submitted

D. L. "Dan" Huntley, PRA, RS

Tamarra "Tammy" Axton, PRA

Association of Professional Reserve Analyst-APRA-(PRA)
Community Association Institute-CAI-(RS) Reserve Specialist

Robin Meadows Homeowners' Association, Inc.
Base Line Assessment Funding Model Summary

Report Date	August 25, 2010
Account Number	SCM-458
Version	2.0 (2011)-Off-Site
Budget Year Beginning	January 01, 2011
Budget Year Ending	December 31, 2011
Total Units	46
Phase Development	1 of 1

Report Parameters

Inflation	2.39%
Interest Rate on Reserve Deposit	0.76%
Contingency	0.00%
2011 Beginning Balance	$128,361.00

Current Assessment Funding Model Summary
Cash Flow Time Value Of Money With Threshold

BUSINESS JUDGEMENT RULE
(as we understand it)

The business judgment of the Board require that board members make ordinary and reasonable inquiry before making a decision. They are protected if they act in good faith, with the best interests of the Association and with such care as an ordinary prudent and reasonable person in a like position would use.

- **NOTE: The Board MUST (under the new statutes) - adopt an annual budget that includes moneys to be allocated to the reserve account - see ORS 94.645(1)-(2). The old statute used to say that "unless otherwise provided in the bylaws" which would have allowed for schemes for budget approval by members. The Oregon State Legislature took that away in the 2007 session. The only way to reduce funding is by a vote of 75% of the owners. Complete non-funding is only by unanimous approval and must be done on an annual basis. See, e.g., ORS 94.595(8).**

  So, the Board has mandatory duties to budget properly - the members can vote to depart from proper budget by vote. I presume if they underfunded the reserves for a good period of time they would have to come back to a special assessment to address the shortfall. (re-printed from RESERVE OVERVIEW by Eric J. TenBrook, Atty.)

Robin Meadows Homeowners' Association, Inc.
Base Line Assessment Funding Model Summary

- **This reserve study is for budget and planning purposes and identifies the status of the reserve fund and schedules the anticipated major commonly owned item replacements.**

  This reserve study will also estimate the expected useful life and remaining useful life of the building and site components or systems, and will provide an estimate replacement or refurbishment cost for those components or systems. Major components or systems may include, but are not limited to, painting, gutters and downspouts. mailboxes, roofing, siding, windows, doors, paving, mechanical equipment, common area furnishings and amenities and other commonly owned systems or items.

- **The scope of work identified within our contract is to provide the association with an "Updated No-Site Visit" (off-site) reserve study which includes:**

  Component/System Inventory

  Expected Useful Life and Remaining Useful Life Estimates

  Condition Assessment (based upon on-site visual observations if applicable).

  Component/System Replacement Schedule and Estimated Pricing

  Identify Current Reserve Account Balance

  30 Year Funding Plan

- **<u>How to Use a Reserve Study</u>**

  The documents included within the reserve study are intended to be used as guidelines and estimates. It is nearly impossible to know exactly when a building component system will fail; however, an estimation of useful life based on similar product history and professional experience is used to estimate the time of replacement and associated costs. All costs included within this reserve study should be used as budgeting figures. For exact pricing, a qualified, licensed contractor should be contacted to provide a bid for any anticipated replacements.

  The replacement schedule lists all known components and systems that are anticipated to "wear out" or fail within 30 years. Items which are anticipated to be replaced or repaired in the current year are not included within the reserve study as those items should already be budgeted for, and scheduled to be replaced or repaired.

On the reserve schedule, review which items are anticipated to fail in the near future, and keep a close eye on them. It is always better to replace items prior to failure to eliminate the opportunity for surrounding components or associated systems to be affected. Be cognizant of items scheduled for replacement or repair within 2-3 years of the current year. Remember, items listed are scheduled based on history and replacement or repair is scheduled as an estimate. Items commonly fail sooner or later than the estimated date.

- **Disclosures**
- **General - The Robin Meadows Homeowners' Association, Inc. and Reserve Funding by WSSC a Division of Western States Subdivision Consulting have no professional or personal involvements with each other, other than the scope of work identified in the reserve study contract. This relationship cannot be perceived as a conflict of interest.**
- **Physical Analysis - If an on-site reserve study was performed observations were limited to visual observations only. Destructive testing (invasive testing) was not performed. Any items that were not clearly visible at the time of the site observation were not viewed, and therefore were not included in the drafting of this reserve study.**
- **Measurements - Measuring and inventory (+/- 10%) were identified via a combination of on-site physical measurements, previous reserve study and/or drawing take-offs. Drawing sets (if used) were provided by the property manager or Declarant for our use relating only to the reserve study scope of work.**
- **Reliance on Client Data - Data received from property management, association representatives and/or Declarant is deemed reliable by Reserve Funding. Such data may include financial information, physical deficiencies or physical conditions, quantity of physical assets, or historical issues.**
- **Scope - The Reserve Study is a reflection of information provided to the Consultant and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, or background checks of historical records.**
- **Reserve Balance - The actual or projected (estimated) total presented in this reserve study is based upon information provided or collected and was not audited.**

Robin Meadows Homeowners' Association, Inc.
Base Line Assessment Funding Model Summary

- **Reserve Projects -Information provided or collected for the purpose of this reserve study will be considered reliable and should not be considered a project audit or quality inspection.**
- **Adjustments to Reserve Study - Should components suggested by Consultant be removed from the reserve study or any life cycles or costs other than current bids, engineering construction standards, or current component history be used in this reserve study the Client accepts full responsibility for the results of the reserve study and is not warranted by Consultant.**
- **Information Provided - Quantity, design and material information included in this report was provided in part by the Association and is subject to course of construction changes.**
- **Limitations on Inventory -The following items, but not limited to, are not included in the physical analysis because they have a useful life greater than 30 years. Grading/drainage, foundations/footings, party walls, bearing and shear walls, perimeter walls, beams, columns and girders, sub floors, unfinished floors, concrete stair surfaces, windows, exterior doors, window and door frames, plumbing system, flues (chimneys), air delivery or return systems, ducts, chutes, conduits, pipes, plumbing, sanitary sewage and storm drains, wire, telephone, cable, central television system, sprinklers systems and internet lines.**
- **Warranty or Guaranty - This reserve study and its recommendations should not be construed in any way to constitute a warranty or guaranty regarding the current or future performance of the components. Components will be replaced as required, not necessarily in their expected replacement year.**
- **Annual Updates - Often times there can be a significant expenditure in those years that exceeds the life of the reserve study. Hence, annual updates should be done to allow adjustments in the reserve contribution each year if required.**
- **Tax Consequences - The tax consequences are not considered in this reserve study due to the uncertainty of all factors affecting net taxable income and the election of the tax form to be filed.**
- **We recommend a building envelope (water intrusion) inspection every two years and a roofing inspection every six years (not funded in the reserve).**

Robin Meadows Homeowners' Association, Inc.
Base Line Assessment Funding Model Summary

- **House Bill 955 (HB 955), in Oregon since 1/1/2006, specifically calls for the provision of a reserve study, reserve study update, maintenance plan and reserve summary. ORS 94.595 states that: "The board of directors of the association annually shall conduct a reserve study, or review and update an existing reserve study to determine the reserve study requirements". In addition ORS 94.595 (3)(B)(c) and ORS 100.175 (3)(C)(c) further require that a Reserve Study Update be done each year.**
- **House Bill 2665 (Chapter 409, Oregon Laws 2007) revises portions on SB 955 by removing the requirement for a maintenance plan from the reserve study and makes it a separate requirement. Also, after 9/27/2007 HB 2665 no longer requires that owners be provided a reserve summary of the reserve study or any revisions thereto.**
- **Further House Bill 2665 makes windows and unit access doors, except for glazing and screening, general common elements, unless Declaration provides otherwise, (Sec 5).**
- **NOTE: Management or the Board shall notify the reserve study provider if the windows and doors are the responsibility of the Association and if so, will be added to the next update of the reserve study. Management or the Association to provide the count of windows and doors including type and size.**
- **<u>Preparation of a Reserve Study</u>**

  Data is collected from many sources to prepare a reserve study and a variety of document reviews, interviews, and site observations are required to adequately fulfill our duties as a reserve provider. The following sources, but not limited to, and methods were utilized in the preparation of this reserve study document:

  Property Management Personnel Interviews

  As built Plans and Specifications Document Reviews

  On-site Observations - If Applicable

  In-house company consultations with accredited RS and PRA personnel

  Discussions with Engineering or Architectural Consultants

RS Means Facilities Maintenance & Repair Cost Data, 15th Edition (2008) printed manual

Interviewing General Contractor Consultants

- **A tabular list of commonly owned items has been developed and given a current condition grade, expected useful life, and remaining useful life. A portion of that data will determine in what year it is estimated the component should be replaced.**
- **<u>Property Information</u>**
- **Original Starting Date of Reserve Study - Unless otherwise indicated, we have used January 1, 2002 to begin aging the original components in this reserve study.**
- **Number of Units/Lots and Location - This reserve study is a total of 46 units located in Hillsboro, Oregon.**
- **Date of Last Reserve Study (if applicable) - The last off-site physical analysis done by Reserve Funding by WSSC was completed on October 10, 2005.**
- **NOTE: All interest accrued from reserve savings account(s) must remain in the reserve savings account(s) and not used as an off-set for operating expenses.**
- **NOTE: The water intrusion (building envelope) inspection is part of the operating budget and not a reserve line item at the request of the board.**
- **Funding Required - A minimum threshold of $10,000.00 has been used over the thirty years of this reserve study with a monthly reserve assessment of $59.41 and an annual increase of 5%.**

The industry standards for percent funded are:

0% to 29% - Poor

30% to 69% - Fair

70% to 100% - Good

This association is 40% funded in 2011.

Robin Meadows Homeowners' Association, Inc.
Base Line Assessment Funding Model Summary

Base Line Funding Model Summary of Calculations

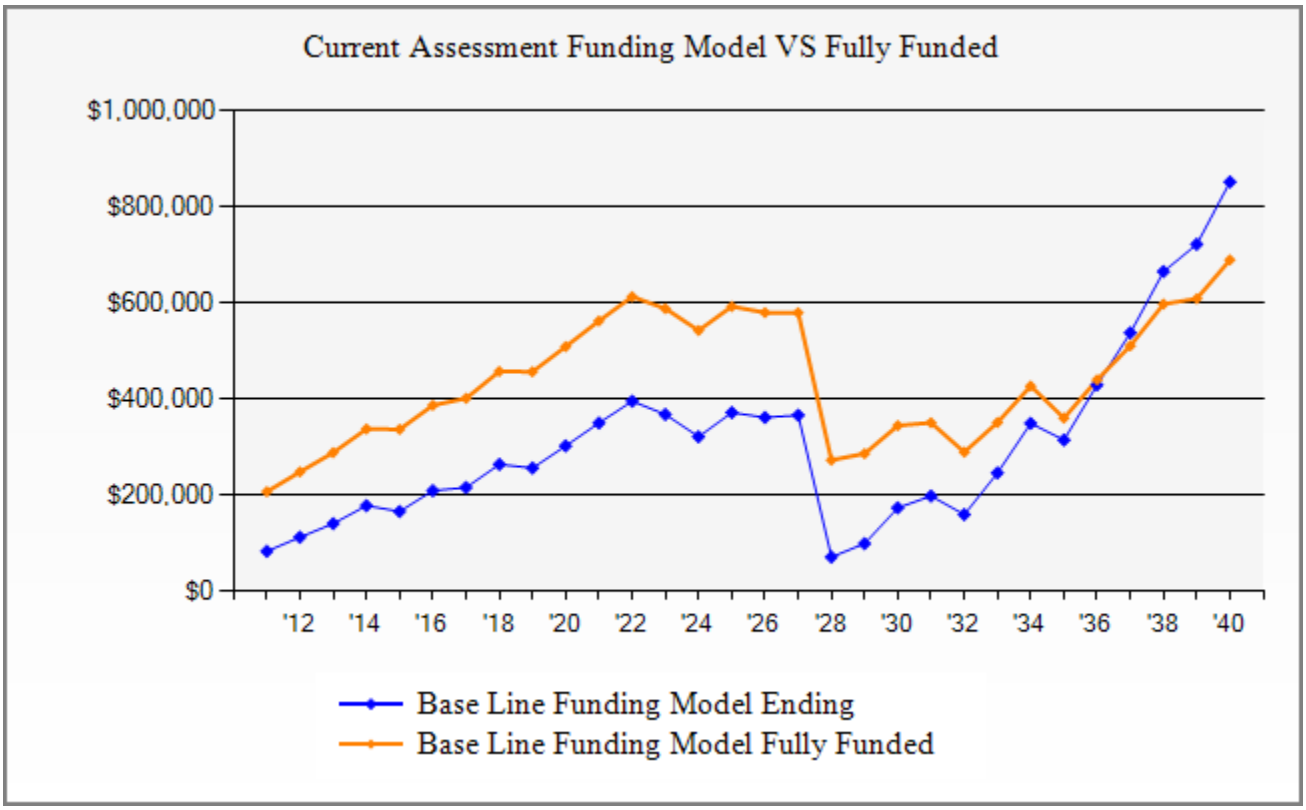
Required Monthly Contribution	$2,732.83
$59.41 per unit monthly	
Average Net Monthly Interest Earned	$53.16
Total Monthly Allocation to Reserves	$2,785.99
$60.56 per unit monthly	

Robin Meadows Homeowners' Association, Inc.
Base Assessment Funding Model Projection

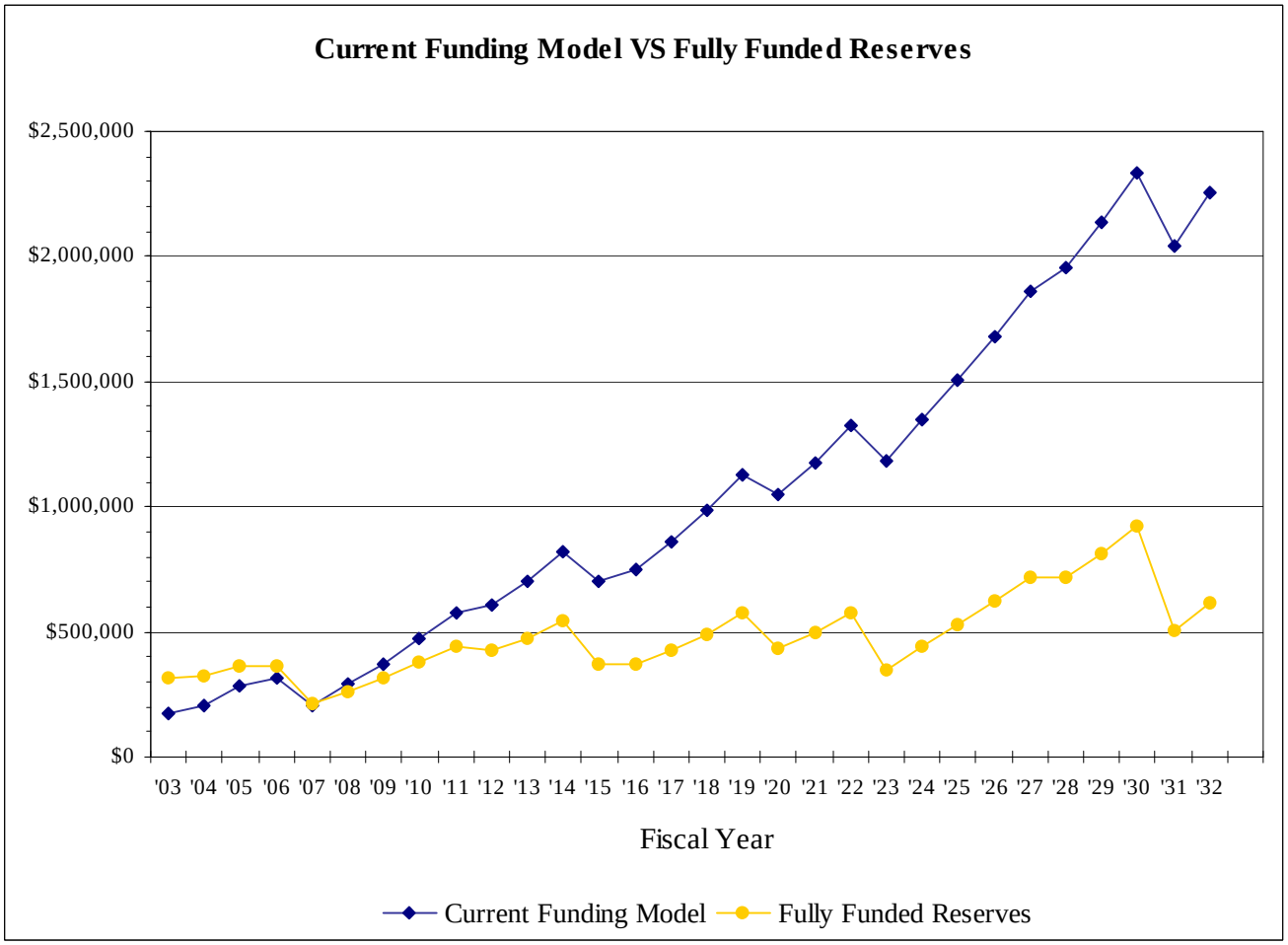
Beginning Balance: $128,361

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2011	576,138	32,794	638	77,225	84,568	208,311	40%
2012	589,908	34,434	858	6,143	113,716	249,381	45%
2013	604,007	36,155	1,070	9,094	141,848	289,424	49%
2014	618,443	37,963	1,350	2,147	179,014	338,575	52%
2015	633,223	39,861	1,260	53,026	167,110	337,867	49%
2016	646,107	41,854	1,587	186	210,365	387,723	54%
2017	661,549	43,947	1,635	39,166	216,782	402,222	53%
2018	677,360	46,144	1,998		264,925	458,253	57%
2019	693,548	48,452	1,942	57,872	257,446	457,477	56%
2020	710,124	50,874	2,289	7,163	303,447	509,740	59%
2021	727,096	53,418	2,648	8,452	351,060	563,095	62%
2022	744,474	56,089	2,989	13,894	396,244	613,344	64%
2023	762,267	58,893	2,780	89,314	368,603	588,790	62%
2024	780,485	61,838	2,431	110,519	322,353	543,186	59%
2025	799,139	64,930	2,811	17,350	372,745	593,166	62%
2026	818,238	68,176	2,735	81,067	362,589	580,410	62%
2027	837,794	71,585	2,768	69,908	367,034	580,115	63%
2028	857,817	75,164	548	370,126	72,620	273,792	26%
2029	878,319	78,923	757	51,999	100,300	287,282	34%
2030	899,311	82,869	1,317	9,854	174,632	345,686	50%
2031	920,804	87,012	1,501	64,080	199,067	351,438	56%
2032	942,812	91,363	1,212	130,962	160,679	290,353	55%
2033	965,345	95,931	1,865	11,222	247,254	351,956	70%
2034	988,416	100,728	2,642	284	350,340	427,810	81%
2035	1,012,040	105,764	2,381	142,807	315,677	361,167	87%
2036	1,036,227	111,052	3,243		429,973	440,809	97%
2037	1,060,993	116,605	4,060	12,333	538,304	511,423	105%
2038	1,086,351	122,435	5,022		665,761	598,091	111%
2039	1,112,315	128,557	5,449	77,407	722,359	609,353	118%
2040	1,138,899	134,985	6,426	11,815	851,955	689,865	123%

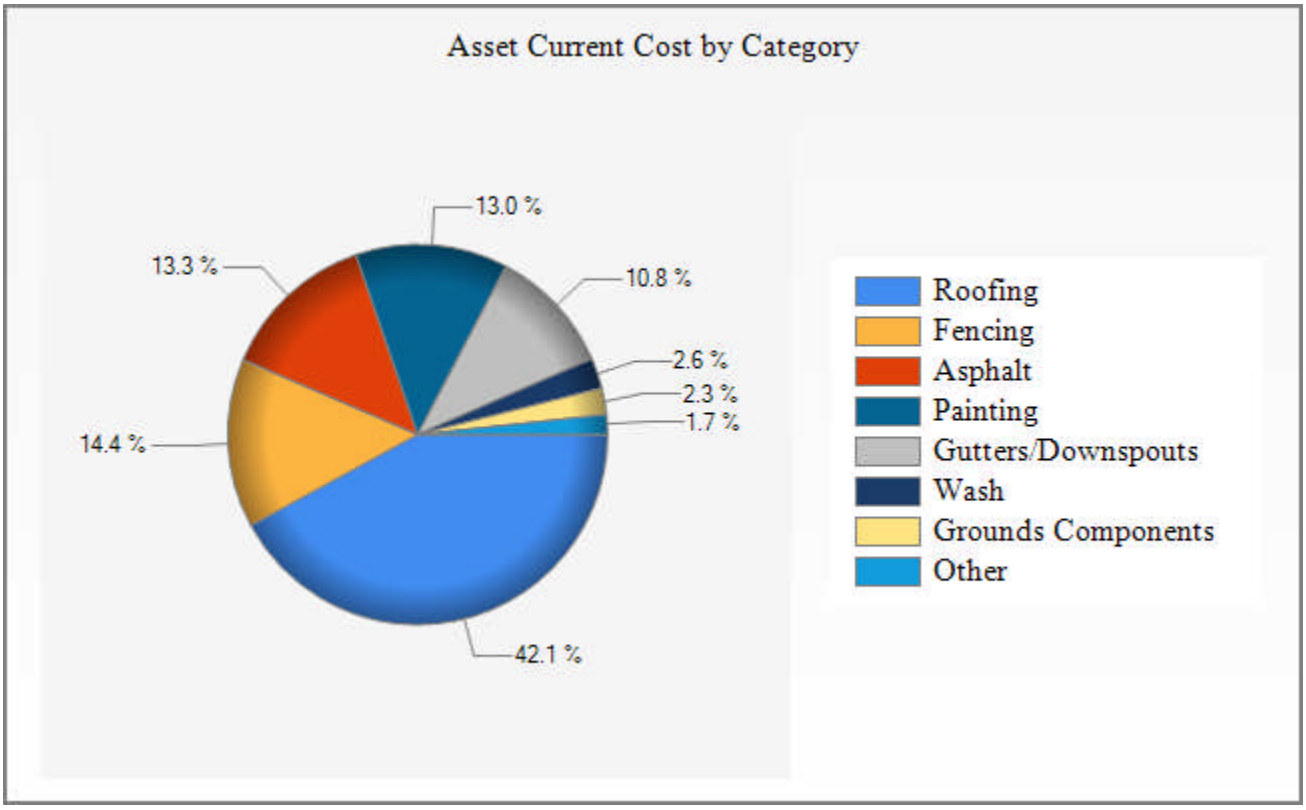
Robin Meadows Homeowners' Association, Inc.
Base Line Funding Model & Fully Funded Comparison Chart



Robin Meadows Homeowners' Association, Inc.
Base Line Funding Model & Fully Funded Comparison Chart



The Current Assessment Funding Model is based on the current annual assessment, parameters, and reserve fund balance. Because it is calculated using the current annual assessment, it will give the accurate projection of how well the association is funded for the next 30 years of planned reserve expenditures.


Asset Current Cost by Category
13.0 %
13.3 %
10.8 %
2.6 %
2.3 %
1.7 %
14.4 %
42.1 %
Roofing
Fencing
Asphalt
Painting
Gutters/Downspouts
Wash
Grounds Components
Other

Robin Meadows Homeowners' Association, Inc.
Base Line Funding Model Assessment by Capital & Non-Capital

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Capital							
Asphalt-O/L-Drives	2032	30	0	21	67,729	10,540	20,319
Asphalt-O/L-Paths	2032	30	0	21	3,049	475	915
Curbs-Concrete	2032	30	0	21	399	62	120
Fence Wood-Replace	2024	20	0	13	81,300	14,761	28,455
Fences-Vinyl-Replace	2032	30	0	21	1,574	245	472
Gutters/Downspouts-A	2028	24	0	17	50,342	7,617	14,683
Gutters/Downspouts-B	2026	24	0	15	11,776	2,291	4,416
Irrigation Controls	2012	10	0	1	4,000	1,867	3,600
Mailboxes	2022	20	0	11	4,050	945	1,822
Monument	2022	20	0	11	2,500	584	1,125
Roof-Architectural Composition-38	2028	24	0	17	197,219	29,840	57,522
Roof-Architectural Composition-8	2026	24	0	15	45,107	8,775	16,915
Siding-Fiber Cement	*unfunded*						
Siding-Vinyl-Repair	2016	6	0	5	165	14	27
Signs-Common Area	2015	15	0	4	500	190	367
Storm Drains	2032	30	0	21	3,000	467	900
Capital - Total					$472,710	$78,673	$151,658
Non-Capital							
Asphalt Seal Coat-Drives	2015	5	0	4	5,541	575	1,108
Asphalt-Seal Coat-Paths	2015	5	0	4	249	26	50
Bark Dust	2011	2	0	0	5,974	5,974	5,974
Insurance Deductible	2011	1	0	0	2,000	2,000	2,000
Paint-Fence-Wood	2011	6	0	0	27,317	27,317	27,317
Paint-Siding-Fiber Cement	2011	8	1	0	27,666	27,666	27,666
Paint-Wood-Trim & Doors	2015	8	0	4	19,713	5,113	9,856
Siding-Vinyl-Wash-A	2011	4	2	0	14,268	14,268	14,268
Siding-Vinyl-Wash-B	2013	4	0	2	700	182	350
Non-Capital - Total					$103,429	$83,120	$88,589
Total Asset Summary					$576,138	$161,793	$240,248
Fully Funded Level						67%	

Robin Meadows Homeowners' Association, Inc.
Distribution by Percentage of Ideally Funded

Description	Remaining Life	Ideally Funded	Beginning Balance	Percent Funded	Assessment Distributed	Interest Distributed	Expenditures	Ending Balance
Asphalt								
Asphalt Seal Coat-Drives	4	1,108	421	38%	151	3		575
Asphalt-O/L-Drives	21	20,319	7,713	38%	2,774	54		10,540
Asphalt-O/L-Paths	21	915	347	38%	125	2		475
Asphalt-Seal Coat-Paths	4	50	19	38%	7			26
Asphalt - Total		$22,392	$8,500	38%	$3,056	$59		$11,616
Building Components								
Siding-Fiber Cement		*Unfunded*						
Siding-Vinyl-Repair	5	27	10	38%	4			14
Building Components - Total		$27	$10	38%	$4			$14
Concrete								
Curbs-Concrete	21	120	45	38%	16			62
Concrete - Total		$120	$45	38%	$16			$62
Fencing								
Fence Wood-Replace	13	28,455	10,801	38%	3,884	76		14,761
Fences-Vinyl-Replace	21	472	179	38%	64	1		245
Fencing - Total		$28,927	$10,981	38%	$3,949	$77		$15,006
Grounds Components								
Bark Dust	0	5,974	5,143	86%	815	16	5,974	0
Irrigation Controls	1	3,600	1,367	38%	491	10		1,867
Storm Drains	21	900	342	38%	123	2		467
Grounds Components - Total		$10,474	$6,851	65%	$1,430	$28	$5,974	$2,334
Gutters/Downspouts								
Gutters/Downspouts-A	17	14,683	5,574	38%	2,004	39		7,617
Gutters/Downspouts-B	15	4,416	1,676	38%	603	12		2,291
Gutters/Downspouts - Total		$19,099	$7,250	38%	$2,607	$51		$9,908
Insurance								
Insurance Deductible	0	2,000	1,722	86%	273	5	2,000	0
Insurance - Total		$2,000	$1,722	86%	$273	$5	$2,000	
Painting								
Paint-Fence-Wood	0	27,317	23,516	86%	3,729	73	27,317	0
Paint-Siding-Fiber Cement	0	27,666	23,816	86%	3,776	73	27,666	0
Paint-Wood-Trim & Doors	4	9,856	3,741	38%	1,345	26		5,113
Painting - Total		$64,839	$51,073	79%	$8,851	$172	$54,983	$5,113

Robin Meadows Homeowners' Association, Inc.
Distribution by Percentage of Ideally Funded

Description	Remaining Life	Ideally Funded	Beginning Balance	Percent Funded	Assessment Distributed	Interest Distributed	Expenditures	Ending Balance
Roofing								
Roof-Architectural Composition-38	17	57,522	21,835	38%	7,852	153		29,840
Roof-Architectural Composition-8	15	16,915	6,421	38%	2,309	45		8,775
Roofing - Total		$74,437	$28,256	38%	$10,161	$198		$38,614
Signs								
Monument	11	1,125	427	38%	154	3		584
Signs-Common Area	4	367	139	38%	50	1		190
Signs - Total		$1,492	$566	38%	$204	$4		$774
Wash								
Siding-Vinyl-Wash-A	0	14,268	12,283	86%	1,948	38	14,268	0
Siding-Vinyl-Wash-B	2	350	133	38%	48	1		182
Wash - Total		$14,618	$12,415	85%	$1,995	$39	$14,268	$182
Mailboxes	11	1,822	692	38%	249	5		945
- Total		$1,822	$692	38%	$249	$5		$945
Grand - Total		$240,248	$128,361		$32,794	$638	$77,225	$84,568

Robin Meadows Homeowners' Association, Inc.
Asset Summary Report

Description	Date in Service	Replacement Year	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Asphalt Seal Coat-Drives	1002	01/01/10	5,541	5	0	4	6,091	61572 @	0.09

Remarks:

This item is the sealcoat (slurry seal) of the drives and includes any re-striping and ADA stencils as required.

This component has been moved back by the board to the year 2008, 2009 and now 2010

Asphalt-O/L-Drives	1001	01/01/02	67,729	30	0	21	111,220	61572 @	1.10

Remarks:

This item is the overlay (1 1/2" to 2") of the private drives and includes re-setting manhole or valve covers and grinding edges as required.

Asphalt-O/L-Paths	1003	01/01/02	3,049	30	0	21	5,007	2772 @	1.10

Remarks:

This item is the overlay (1 1/2" to 2") of the pathways in the common area.

Asphalt-Seal Coat-Paths	1004	08/01/10	249	5	0	4	274	2772 @	0.09

Remarks:

This item is the sealcoat (slurry seal) of the pathways in the common area.

This component has been moved back by the board to the year 2008, 2009 and now 2010.

Bark Dust	1023	07/01/09	5,974	2	0	0	5,974	1 @	5,974.00

Remarks:

This item is the replacement of bark dust in the planted common areas.

This item has been moved back by the Board to the year 2003, 2004, 2005, 2006, 2007, 2008 and now 2009.

Curbs-Concrete	1005	01/01/02	399	30	0	21	655	57 @	7.00

Remarks:

This item is the concrete curbs in the parking area.

Fence Wood-Replace	1007	01/01/04	81,300	20	0	13	110,519	2710 @	30.00

Remarks:

This item is the replacement of the wooden yard fences.

Fences-Vinyl-Replace	1008	01/01/02	1,574	30	0	21	2,584	125 @	12.59

Remarks:

This item is the replacement of the vinyl fencing on some back yard perimeters.

Gutters/Downspouts-A	1009	01/01/04	50,342	24	0	17	75,216	7866 @	6.40

Remarks:

This item is the gutters and downspouts on 38 units.

Description	Date in Service	Replacement Year	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Gutters/Downspouts-B	1010	01/01/02	11,776	24	0	15	16,783	1840 @	6.40

Remarks:

This item is the gutters and downspouts on the first buildings, including the garages.

Insurance Deductible	1025	01/01/10	2,000	1	0	0	2,000	1 @	2,000.00

Remarks:

We suggest once the total $10,000 has been collected the board remove the funds from the reserve study and put the money in a savings account set up for the insurance deductible expense.

Irrigation Controls	1011	01/01/02	4,000	10	0	1	4,096	4 @	1,000.00

Remarks:

This item is the electric irrigation controllers in the common area.

Mailboxes	1012	01/01/02	4,050	20	0	11	5,252	3 @	1,350.00

Remarks:

This item is the gang mailboxes in the common area.

Monument	1013	01/01/02	2,500	20	0	11	3,242	1 @	2,500.00

Remarks:

This item is the repair or refurbishing of the entry monument.

Paint-Fence-Wood	1006	07/01/05	27,317	6	0	0	27,317	32520 @	0.84

Remarks:

This item is the cleaning, treating and staining of the wooden fences for the back yard perimeters.

Cost was provided by Vendor bid.

Paint-Siding-Fiber Cement	1021	01/01/02	27,666	8	1	0	27,666	19080 @	1.45

Remarks:

This item is the painting of the cementeous siding and includes trim, fascia, soffit, doors and windows.

Costs include any re-caulking as needed.

This item has been moved back by the Board to the year 2010 and now 2011.

Paint-Wood-Trim & Doors	1019	01/01/07	19,713	8	0	4	21,666	13595 @	1.45

Remarks:

This item is re-painting of the wood trim and doors on all buildings and the garages.

Some painting was been done in the year 2006 and the balance was painted in 2007.

Costs include any re-caulking as needed.

Description	Date in Service	Replacement Year	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Roof-Architectural Composition-38	1014	01/01/04	197,219	24	0	17	294,663	64032 @	3.08

Remarks:

This item is the replacement of the dimensional asphalt composition three-tab shingles and flashings on 38 units.

Costs include hauling away of all debris and protection of plants, trees and shrubs.

Roof-Architectural Composition-8	1015	01/01/02	45,107	24	0	15	64,284	14645 @	3.08

Remarks:

This item is the replacement of the dimensional asphalt composition three-tab shingles and flashings on 8 units.

Costs include hauling away of all debris and protection of plants, trees and shrubs.

Siding-Fiber Cement *1016 Unfunded*

Remarks:

This item is the replacement of the cementeous siding for 8 units including the garages in the year 2052, which exceeds the parameters of this reserve study. This item should be brought into the study in the year 2017.

Costs include any re-caulking as needed.

Siding-Vinyl-Repair	1017	06/01/10	165	6	0	5	186	1 @	165.00

Remarks:

This item is the repair of the vinyl siding (cracks or broken siding) for 38 units at the time the trim is painted.

Some funds were spent in 2007 at a cost of $100.00.

This item has been moved back by the Board to the year 2009 and now 2010.

Siding-Vinyl-Wash-A	1020	01/01/05	14,268	4	2	0	14,268	95120 @	0.15

Remarks:

This item is the low pressure washing of the vinyl siding.

Siding-Vinyl-Wash-B	1024	07/01/09	700	4	0	2	734	4667 @	0.15

Remarks:

This item is the low pressure washing of the vinyl siding on 13 buildings.

Signs-Common Area	1026	01/01/00	500	15	0	4	550	1 @	500.00

Remarks:

This item is the repair, maintenance or replacement of the common area signs.

Robin Meadows Homeowners' Association, Inc.
Asset Summary Report

Description	Date in Service	Replacement Year	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Storm Drains	1018	01/01/02	3,000	30	0	21	4,926	1 @	3,000.00

Remarks:

This item is any repairs that may need to be made in the drainage system in the common area.

Robin Meadows Homeowners' Association, Inc.
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2011	
Bark Dust	5,974
Insurance Deductible	2,000
Paint-Fence-Wood	27,317
Paint-Siding-Fiber Cement	27,666
Siding-Vinyl-Wash-A	14,268
Total for 2011	**$77,225**
Replacement Year 2012	
Insurance Deductible	2,048
Irrigation Controls	4,096
Total for 2012	**$6,143**
Replacement Year 2013	
Bark Dust	6,263
Insurance Deductible	2,097
Siding-Vinyl-Wash-B	734
Total for 2013	**$9,094**
Replacement Year 2014	
Insurance Deductible	2,147
Total for 2014	**$2,147**
Replacement Year 2015	
Asphalt Seal Coat-Drives	6,091
Asphalt-Seal Coat-Paths	274
Bark Dust	6,566
Insurance Deductible	2,198
Paint-Wood-Trim & Doors	21,666
Siding-Vinyl-Wash-A	15,682
Signs-Common Area	550
Total for 2015	**$53,026**
Replacement Year 2016	
Siding-Vinyl-Repair	186
Total for 2016	**$186**
Replacement Year 2017	
Bark Dust	6,884

Robin Meadows Homeowners' Association, Inc.
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2017 continued...	
Paint-Fence-Wood	31,476
Siding-Vinyl-Wash-B	807
Total for 2017	**$39,166**
No Replacement in 2018	
Replacement Year 2019	
Bark Dust	7,216
Paint-Siding-Fiber Cement	33,420
Siding-Vinyl-Wash-A	17,235
Total for 2019	**$57,872**
Replacement Year 2020	
Asphalt Seal Coat-Drives	6,854
Asphalt-Seal Coat-Paths	309
Total for 2020	**$7,163**
Replacement Year 2021	
Bark Dust	7,566
Siding-Vinyl-Wash-B	887
Total for 2021	**$8,452**
Replacement Year 2022	
Irrigation Controls	5,187
Mailboxes	5,252
Monument	3,242
Siding-Vinyl-Repair	214
Total for 2022	**$13,894**
Replacement Year 2023	
Bark Dust	7,932
Paint-Fence-Wood	36,268
Paint-Wood-Trim & Doors	26,172
Siding-Vinyl-Wash-A	18,943
Total for 2023	**$89,314**
Replacement Year 2024	
Fence Wood-Replace	110,519
Total for 2024	**$110,519**

Robin Meadows Homeowners' Association, Inc.
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2025	
Asphalt Seal Coat-Drives	7,713
Asphalt-Seal Coat-Paths	347
Bark Dust	8,315
Siding-Vinyl-Wash-B	974
Total for 2025	**$17,350**
Replacement Year 2026	
Gutters/Downspouts-B	16,783
Roof-Architectural Composition-8	64,284
Total for 2026	**$81,067**
Replacement Year 2027	
Bark Dust	8,717
Paint-Siding-Fiber Cement	40,371
Siding-Vinyl-Wash-A	20,820
Total for 2027	**$69,908**
Replacement Year 2028	
Gutters/Downspouts-A	75,216
Roof-Architectural Composition-38	294,663
Siding-Vinyl-Repair	247
Total for 2028	**$370,126**
Replacement Year 2029	
Bark Dust	9,139
Paint-Fence-Wood	41,789
Siding-Vinyl-Wash-B	1,071
Total for 2029	**$51,999**
Replacement Year 2030	
Asphalt Seal Coat-Drives	8,680
Asphalt-Seal Coat-Paths	391
Signs-Common Area	783
Total for 2030	**$9,854**
Replacement Year 2031	
Bark Dust	9,581

Robin Meadows Homeowners' Association, Inc.
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2031 continued...	
Paint-Wood-Trim & Doors	31,615
Siding-Vinyl-Wash-A	22,883
Total for 2031	**$64,080**
Replacement Year 2032	
Asphalt-O/L-Drives	111,220
Asphalt-O/L-Paths	5,007
Curbs-Concrete	655
Fences-Vinyl-Replace	2,584
Irrigation Controls	6,569
Storm Drains	4,926
Total for 2032	**$130,962**
Replacement Year 2033	
Bark Dust	10,045
Siding-Vinyl-Wash-B	1,177
Total for 2033	**$11,222**
Replacement Year 2034	
Siding-Vinyl-Repair	284
Total for 2034	**$284**
Replacement Year 2035	
Asphalt Seal Coat-Drives	9,768
Asphalt-Seal Coat-Paths	440
Bark Dust	10,530
Paint-Fence-Wood	48,152
Paint-Siding-Fiber Cement	48,767
Siding-Vinyl-Wash-A	25,150
Total for 2035	**$142,807**
No Replacement in 2036	
Replacement Year 2037	
Bark Dust	11,040
Siding-Vinyl-Wash-B	1,294
Total for 2037	**$12,333**

Robin Meadows Homeowners' Association, Inc.
Annual Expenditure Detail

Description	Expenditures
No Replacement in 2038	
Replacement Year 2039	
Bark Dust	11,574
Paint-Wood-Trim & Doors	38,191
Siding-Vinyl-Wash-A	27,642
Total for 2039	**$77,407**
Replacement Year 2040	
Asphalt Seal Coat-Drives	10,992
Asphalt-Seal Coat-Paths	495
Siding-Vinyl-Repair	327
Total for 2040	**$11,815**

Robin Meadows Homeowners' Association, Inc.
Annual Expenditure Detail

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Asphalt Seal Coat-Drives					6,091					6,854
Asphalt-O/L-Drives										
Asphalt-O/L-Paths										
Asphalt-Seal Coat-Paths					274					309
Bark Dust	5,974		6,263		6,566		6,884		7,216	
Curbs-Concrete										
Fence Wood-Replace										
Fences-Vinyl-Replace										
Gutters/Downspouts-A										
Gutters/Downspouts-B										
Insurance Deductible	2,000	2,048	2,097	2,147	2,198					
Irrigation Controls		4,096								
Mailboxes										
Monument										
Paint-Fence-Wood	27,317						31,476			
Paint-Siding-Fiber Cement	27,666								33,420	
Paint-Wood-Trim & Doors					21,666					
Roof-Architectural Composition-38										
Roof-Architectural Composition-8										
Siding-Fiber Cement	*unfunded*									
Siding-Vinyl-Repair						186				
Siding-Vinyl-Wash-A	14,268				15,682				17,235	
Siding-Vinyl-Wash-B			734				807			
Signs-Common Area					550					
Storm Drains										
Year Total:	**77,225**	**6,143**	**9,094**	**2,147**	**53,026**	**186**	**39,166**		**57,872**	**7,163**

Robin Meadows Homeowners' Association, Inc.
Annual Expenditure Detail

Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Asphalt Seal Coat-Drives					7,713					8,680
Asphalt-O/L-Drives										
Asphalt-O/L-Paths										
Asphalt-Seal Coat-Paths					347					391
Bark Dust	7,566		7,932		8,315		8,717		9,139	
Curbs-Concrete										
Fence Wood-Replace				110,519						
Fences-Vinyl-Replace										
Gutters/Downspouts-A								75,216		
Gutters/Downspouts-B						16,783				
Insurance Deductible										
Irrigation Controls		5,187								
Mailboxes		5,252								
Monument		3,242								
Paint-Fence-Wood			36,268						41,789	
Paint-Siding-Fiber Cement							40,371			
Paint-Wood-Trim & Doors			26,172							
Roof-Architectural Composition-38								294,663		
Roof-Architectural Composition-8						64,284				
Siding-Fiber Cement	*unfunded*									
Siding-Vinyl-Repair		214						247		
Siding-Vinyl-Wash-A			18,943				20,820			
Siding-Vinyl-Wash-B	887				974				1,071	
Signs-Common Area										783
Storm Drains										
Year Total:	**8,452**	**13,894**	**89,314**	**110,519**	**17,350**	**81,067**	**69,908**	**370,126**	**51,999**	**9,854**

Robin Meadows Homeowners' Association, Inc.
Annual Expenditure Detail

Description	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Asphalt Seal Coat-Drives					9,768					10,992
Asphalt-O/L-Drives		111,220								
Asphalt-O/L-Paths		5,007								
Asphalt-Seal Coat-Paths					440					495
Bark Dust	9,581		10,045		10,530		11,040		11,574	
Curbs-Concrete		655								
Fence Wood-Replace										
Fences-Vinyl-Replace		2,584								
Gutters/Downspouts-A										
Gutters/Downspouts-B										
Insurance Deductible										
Irrigation Controls		6,569								
Mailboxes										
Monument										
Paint-Fence-Wood					48,152					
Paint-Siding-Fiber Cement					48,767					
Paint-Wood-Trim & Doors	31,615								38,191	
Roof-Architectural Composition-38										
Roof-Architectural Composition-8										
Siding-Fiber Cement	*unfunded*									
Siding-Vinyl-Repair				284						327
Siding-Vinyl-Wash-A	22,883				25,150				27,642	
Siding-Vinyl-Wash-B			1,177				1,294			
Signs-Common Area										
Storm Drains		4,926								
Year Total:	**64,080**	**130,962**	**11,222**	**284**	**142,807**		**12,333**		**77,407**	**11,815**

Asphalt Seal Coat-Drives

		61,572 SF	@ $0.09
Asset ID	1002	Asset Cost	$5,541.48
Group	Non-Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$6,090.54
Placed in Service	January 2010		
Useful Life	5		
Replacement Year	2015		
Remaining Life	4		

Remarks:

This item is the sealcoat (slurry seal) of the drives and includes any re-striping and ADA stencils as required.

This component has been moved back by the board to the year 2008, 2009 and now 2010

Asphalt-O/L-Drives

		61,572 SF	@ $1.10
Asset ID	1001	Asset Cost	$67,729.20
Group	Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$111,220.37
Placed in Service	January 2002		
Useful Life	30		
Replacement Year	2032		
Remaining Life	21		

Remarks:

This item is the overlay (1 1/2" to 2") of the private drives and includes re-setting manhole or valve covers and grinding edges as required.

Asphalt-O/L-Paths

		2,772 SF	@ $1.10
Asset ID	1003	Asset Cost	$3,049.20
Group	Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$5,007.19
Placed in Service	January 2002		
Useful Life	30		
Replacement Year	2032		
Remaining Life	21		

Remarks:

This item is the overlay (1 1/2" to 2") of the pathways in the common area.

Asphalt-Seal Coat-Paths

		2,772 SF	@ $0.09
Asset ID	1004	Asset Cost	$249.48
Group	Non-Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$274.20
Placed in Service	August 2010		
Useful Life	5		
Replacement Year	2015		
Remaining Life	4		

Remarks:

This item is the sealcoat (slurry seal) of the pathways in the common area.

This component has been moved back by the board to the year 2008, 2009 and now 2010.

Bark Dust

		1 Total	@ $5,974.00
Asset ID	1023	Asset Cost	$5,974.00
Group	Non-Capital	Percent Replacement	100%
Category	Grounds Components	Future Cost	$5,974.00
Placed in Service	July 2009		
Useful Life	2		
Replacement Year	2011		
Remaining Life	0		

Remarks:

This item is the replacement of bark dust in the planted common areas.

This item has been moved back by the Board to the year 2003, 2004, 2005, 2006, 2007, 2008 and now 2009.

Curbs-Concrete

		57 LF	@ $7.00
Asset ID	1005	Asset Cost	$399.00
Group	Capital	Percent Replacement	100%
Category	Concrete	Future Cost	$655.21
Placed in Service	January 2002		
Useful Life	30		
Replacement Year	2032		
Remaining Life	21		

Remarks:

This item is the concrete curbs in the parking area.

Fence Wood-Replace

		2,710 LF	@ $30.00
Asset ID	1007	Asset Cost	$81,300.00
Group	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	$110,519.42
Placed in Service	January 2004		
Useful Life	20		
Replacement Year	2024		
Remaining Life	13		

Remarks:

This item is the replacement of the wooden yard fences.

Fences-Vinyl-Replace

		125 LF	@ $12.59
Asset ID	1008	Asset Cost	$1,573.75
Group	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	$2,584.31
Placed in Service	January 2002		
Useful Life	30		
Replacement Year	2032		
Remaining Life	21		

Remarks:

This item is the replacement of the vinyl fencing on some back yard perimeters.

Gutters/Downspouts-A

		7,866 LF	@ $6.40
Asset ID	1009	Asset Cost	$50,342.40
Group	Capital	Percent Replacement	100%
Category	Gutters/Downspouts	Future Cost	$75,216.33
Placed in Service	January 2004		
Useful Life	24		
Replacement Year	2028		
Remaining Life	17		

Remarks:

This item is the gutters and downspouts on 38 units.

Gutters/Downspouts-B

		1,840 LF	@ $6.40
Asset ID	1010	Asset Cost	$11,776.00
Group	Capital	Percent Replacement	100%
Category	Gutters/Downspouts	Future Cost	$16,782.66
Placed in Service	January 2002		
Useful Life	24		
Replacement Year	2026		
Remaining Life	15		

Remarks:

This item is the gutters and downspouts on the first buildings, including the garages.

Insurance Deductible

		1 Total	@ $2,000.00
Asset ID	1025	Asset Cost	$2,000.00
Group	Non-Capital	Percent Replacement	100%
Category	Insurance	Future Cost	$2,000.00
Placed in Service	January 2010		
Useful Life	1		
Replacement Year	2011		
Remaining Life	0		

Remarks:

We suggest once the total $10,000 has been collected the board remove the funds from the reserve study and put the money in a savings account set up for the insurance deductible expense.

Irrigation Controls

		4 Total	@ $1,000.00
Asset ID	1011	Asset Cost	$4,000.00
Group	Capital	Percent Replacement	100%
Category	Grounds Components	Future Cost	$4,095.60
Placed in Service	January 2002		
Useful Life	10		
Replacement Year	2012		
Remaining Life	1		

Remarks:

This item is the electric irrigation controllers in the common area.

Mailboxes

		3 Total	@ $1,350.00
Asset ID	1012	Asset Cost	$4,050.00
Group	Capital	Percent Replacement	100%
Category		Future Cost	$5,251.56
Placed in Service	January 2002		
Useful Life	20		
Replacement Year	2022		
Remaining Life	11		

Remarks:

This item is the gang mailboxes in the common area.

Monument

		1 Total	@ $2,500.00
Asset ID	1013	Asset Cost	$2,500.00
Group	Capital	Percent Replacement	100%
Category	Signs	Future Cost	$3,241.70
Placed in Service	January 2002		
Useful Life	20		
Replacement Year	2022		
Remaining Life	11		

Remarks:

This item is the repair or refurbishing of the entry monument.

Paint-Fence-Wood

		32,520 SF	@ $0.84
Asset ID	1006	Asset Cost	$27,316.80
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$27,316.80
Placed in Service	July 2005		
Useful Life	6		
Replacement Year	2011		
Remaining Life	0		

Remarks:

This item is the cleaning, treating and staining of the wooden fences for the back yard perimeters.

Cost was provided by Vendor bid.

Paint-Siding-Fiber Cement

		19,080 SF	@ $1.45
Asset ID	1021	Asset Cost	$27,666.00
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$27,666.00
Placed in Service	January 2002		
Useful Life	8		
Adjustment	1		
Replacement Year	2011		
Remaining Life	0		

Remarks:

This item is the painting of the cementeous siding and includes trim, fascia, soffit, doors and windows.

Costs include any re-caulking as needed.

This item has been moved back by the Board to the year 2010 and now 2011.

Paint-Wood-Trim & Doors

		13,595 SF	@ $1.45
Asset ID	1019	Asset Cost	$19,712.75
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$21,665.93
Placed in Service	January 2007		
Useful Life	8		
Replacement Year	2015		
Remaining Life	4		

Remarks:

This item is re-painting of the wood trim and doors on all buildings and the garages. Some painting was been done in the year 2006 and the balance was painted in 2007. Costs include any re-caulking as needed.

Roof-Architectural Composition-38

		64,032 SF	@ $3.08
Asset ID	1014	Asset Cost	$197,218.56
Group	Capital	Percent Replacement	100%
Category	Roofing	Future Cost	$294,663.28
Placed in Service	January 2004		
Useful Life	24		
Replacement Year	2028		
Remaining Life	17		

Remarks:

This item is the replacement of the dimensional asphalt composition three-tab shingles and flashings on 38 units.

Costs include hauling away of all debris and protection of plants, trees and shrubs.

Roof-Architectural Composition-8

		14,645 sf	@ $3.08
Asset ID	1015	Asset Cost	$45,106.60
Group	Capital	Percent Replacement	100%
Category	Roofing	Future Cost	$64,284.05
Placed in Service	January 2002		
Useful Life	24		
Replacement Year	2026		
Remaining Life	15		

Remarks:

This item is the replacement of the dimensional asphalt composition three-tab shingles and flashings on 8 units.

Costs include hauling away of all debris and protection of plants, trees and shrubs.

Siding-Fiber Cement

		19,080 SF	@ $6.35
Asset ID	1016	Asset Cost	$121,158.00
Group	Capital	Percent Replacement	100%
Category	Building Components	Future Cost	$283,546.07
Placed in Service	January 2002		
Useful Life	45		
Replacement Year	2047		
Remaining Life	36		

Remarks:

This item is the replacement of the cementeous siding for 8 units including the garages in the year 2052, which exceeds the parameters of this reserve study. This item should be brought into the study in the year 2017.

Costs include any re-caulking as needed.

Siding-Vinyl-Repair

		1 Total	@ $165.00
Asset ID	1017	Asset Cost	$165.00
Group	Capital	Percent Replacement	100%
Category	Building Components	Future Cost	$185.68
Placed in Service	June 2010		
Useful Life	6		
Replacement Year	2016		
Remaining Life	5		

Remarks:

This item is the repair of the vinyl siding (cracks or broken siding) for 38 units at the time the trim is painted.

Some funds were spent in 2007 at a cost of $100.00.

This item has been moved back by the Board to the year 2009 and now 2010.

Siding-Vinyl-Wash-A

		95,120 SF	@ $0.15
Asset ID	1020	Asset Cost	$14,268.00
Group	Non-Capital	Percent Replacement	100%
Category	Wash	Future Cost	$14,268.00
Placed in Service	January 2005		
Useful Life	4		
Adjustment	2		
Replacement Year	2011		
Remaining Life	0		

Remarks:

This item is the low pressure washing of the vinyl siding.

Siding-Vinyl-Wash-B

		4,667 SF	@ $0.15
Asset ID	1024	Asset Cost	$700.05
Group	Non-Capital	Percent Replacement	100%
Category	Wash	Future Cost	$733.91
Placed in Service	July 2009		
Useful Life	4		
Replacement Year	2013		
Remaining Life	2		

Remarks:

This item is the low pressure washing of the vinyl siding on 13 buildings.

Signs-Common Area

		1 Total	@ $500.00
Asset ID	1026	Asset Cost	$500.00
Group	Capital	Percent Replacement	100%
Category	Signs	Future Cost	$549.54
Placed in Service	January 2000		
Useful Life	15		
Replacement Year	2015		
Remaining Life	4		

Remarks:

This item is the repair, maintenance or replacement of the common area signs.

Storm Drains

		1 Total	@ $3,000.00
Asset ID	1018	Asset Cost	$3,000.00
Group	Capital	Percent Replacement	100%
Category	Grounds Components	Future Cost	$4,926.40
Placed in Service	January 2002		
Useful Life	30		
Replacement Year	2032		
Remaining Life	21		

Remarks:

This item is any repairs that may need to be made in the drainage system in the common area.

Important Information

This document has been provided pursuant to an agreement containing restrictions on its use. No part of this document may be copied or distributed, in any form or by any means, nor disclosed to third parties without the expressed written permission of Reserve Studies by Reserve Funding©. The client shall have the right to reproduce and distribute copies of this report, or the information contained within, as may be required for compliance with all applicable regulations.

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Association Institute, Association of Professional Reserve Analyst and various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration (our contract provides that we shall update the reserve study annually). All of the information collected during our physical analysis of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

Reserve Studies by Reserve Funding© would like to thank you for using our services. We invite you to call us at any time, should you have questions, comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide a revised study. Client shall accept all responsibility and liability for changes made and the results thereof. Consultant does not warranty the results of the revised study.

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

Part III

Introduction

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first, and only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by **assessing an adequate level of reserves** as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership. The community is not only comprised of present members, but also future members. Any decision by the Board of Directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits, would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary monies. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a $150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association's overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

In a **Full Reserve Study**, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan".

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the "fund status and "funding plan."

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the "fund status" and "funding plan."

The Reserve Study: A Physical and a Financial Analysis

There are two components of a reserve study: a physical analysis and a financial analysis.

Physical Analysis

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

Developing a Component List

The budget process begins with full inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense.

Operational Expenses

Occur at least annually, no matter how large the expense, and can be effectively budgeted each year. They are characterized as being reasonably predictable, both in terms of frequency and cost. Operational expenses include all minor expenses, which would not otherwise adversely affect an operational budget from one year to the next. Examples of ***operational expenses*** include:

Utilities:
- Electricity
- Gas
- Water
- Telephone
- Cable TV

Administrative:
- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees
- Insurance(s)

Services:
- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

Repair Expenses:
- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

Reserve Expenses

These are major expenses that occur other than annually, and which must be budgeted in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved in advance. Examples of reserve expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Asphalt Seal Coating
- Asphalt Repairs
- Asphalt Overlays
- Equipment Replacement
- Interior Furnishings
- Park/Play Equipment
- Pool/Spa Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing (if applicable)
- Lighting Replacement
- Insurance(s) (if reserve item)
- Reserve Study (if reserve item)

Budgeting is Normally Excluded for:

Repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses that may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Expenses that are necessitated by acts of nature, accidents, or other occurrences that are more properly insured, rather than reserved, are also excluded.

Financial Analysis

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan."

Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives, and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufactured quality, usage, exposure to the elements, and maintenance history.

By following the recommendations of an effective reserve study, the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

Funding Methods

From the simplest to the most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash flow method and the component method.

The cash flow method develops 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The Reserve Funding© Threshold and the Reserve Funding© Current Assessment funding models are based upon the cash flow method.

The component method develops a reserve-funding plan where the total contribution is based upon the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserve over time. This method also allows for computations on individual components in the analysis. The Reserve Funding© Component Funding model is based upon the component methodology.

Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

Full Funding---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = **Age** divided by **Useful Life** the results multiplied by **Current Replacement Cost**

When an association's total accumulated reserves for all components meet this criterion, its reserves are considered "fully-funded."

The Reserve Studies by Reserve Funding© **Threshold Funding Model (Minimum Funding)**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.

The Reserve Studies by Reserve Funding © **Threshold Funding Model.** This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than $0).

The Reserve Studies by Reserve Funding © **Current Assessment Funding Model**. This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

The Reserve Studies by Reserve Funding © **Component Funding Model**. This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model". This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details this calculation process.

Distribution of Reserves

Component Funding Model Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

Fully Funded Reserves = (Age/Useful Life) x Current Replacement Cost

The Reserve Studies by Reserve Funding© software program performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available is depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (scheduled for replacement in the current fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life items to one year, and that asset assumes its new grouping position alphabetically in the final printed report.

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any under-funding over the longest remaining life of all assets under consideration, thereby minimizing the impact of any deficiency. For example, if the report indicates an under funding of $50,000, this under-funding will be assigned to components with the longest remaining lives in order to give more time to “replenish” the account. If the $50,000 under-funding were to be assigned to short remaining life items, the impact would be felt immediately.

If the reserves are under-funded, the monthly contribution requirements, as outlined in this report, can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes that may be under consideration.

Funding Reserves

Three assessment and contribution figures are provided in the report, the “Monthly Reserve Assessment Required”, the “Average Net Monthly Interest Earned” contribution and the “Total Monthly Allocation to Reserves.” The association should allocate the “Monthly Reserve Assessment Required” amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in the reserve account and only amounts set aside for taxes should be removed .

The second alternative is to allocate the "Total Monthly Allocation" to reserves (this is the member assessment plus the anticipated interest earned for the fiscal year. This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid, the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocating only those moneys net of taxes.

Users' Guide to your Reserve Analysis Study

Part II of your Reserve Funding© Report contains the reserve analysis study for your association. There are seven types of reports in the study as described below.

Report Summaries

The Report Summary for all funding models lists all of the parameters that were used in calculating the report as well as the summary of your reserve analysis study.

Index Reports

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the "Component Funding Model" calculation.

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

Detail Reports

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufactured quality, usage, exposure to elements and maintenance history.

The Reserve Funding© Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

Projections

Thirty-year projections add to the usefulness of your reserve analysis study.

Definitions

Report I.D.
Includes the Report Date (example: June 19, 2006), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

Budget Year Beginning/Ending
The budgetary year for which the report is prepared. For associations with fiscal years ending December 31st, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

Number of Units and/or Phases
If applicable, the number of units and/or phases included in this version of the report.

Inflation
This figure (information taken from "Inflationdata.com" and averaged over 5 years is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement, and the total is used in calculating the monthly reserve contribution that will be necessary to accumulate the required funds in time for replacement.

Annual Assessment Increase
This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. For example, in order to accumulate $10,000 in 10 years, you could set aside $1,000 per year. As an alternative, you could set aside $795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

Investment Yield Before Taxes
The average interest rate anticipated by the association based upon its current investment practices.

Taxes on Interest Yield
The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

Projected Reserve Balance
The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

Percent Fully Funded
The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

Phase Increment Detail and/or Age
Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

Monthly Assessment
The assessment to reserves required by the association each month.

Interest Contribution (After Taxes)
The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

Total Monthly Allocation
The sum of the monthly assessment and interest contribution figures.

Group and Category
The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

Percentage of Replacement or Repairs
In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

Placed-In-Service Date
The month and year that the asset was placed-in-service. This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

Estimated Useful Life
The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

Adjustment to Useful Life
Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

Estimated Remaining Life

This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

Replacement Year
The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

Annual Fixed Reserves

An optional figure which, if used, will override the normal process of allocating reserves to each asset.

Fixed Assessment
An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

Salvage Value
The salvage value of the asset at the time of replacement, if applicable.

One-Time Replacement
Notation if the asset is to be replaced on a one-time basis.

Current Replacement Cost
The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

Future Replacement Cost
The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

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

A Multi-Purpose Tool

Your Reserve Studies by Reserve Funding © Report is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your Reserve Studies by Reserve Funding© reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- The Reserve Studies by Reserve Funding© reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your Reserve Studies by Reserve Funding © Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your Reserve Funding© Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.
- Since the Reserve Studies by Reserve Funding © reserve analysis study includes measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The Reserve Studies by Reserve Funding © reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.
- The Reserve Studies by Reserve Funding © Owners' Summary meets the disclosure requirements of the Oregon Civil Codes §94.595 and §100.175.
- Your Reserve Studies by Reserve Funding © Report provides a record of the time, cost, and quantities of past reserve replacements. At times the association's management company and board of directors are transitory which may result in the loss of these important records.