



**CAPITAL RESERVE ANALYSTS**

Arizona | Nevada | Texas | Utah | New Mexico

# CAPITAL RESERVE STUDY

prepared for:

San Ignacio Heights

Date of report:

2/20/2024

*Capital Reserve Analysts | BRINGING THE FUTURE INTO THE PRESENT*

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## Disclosures and Limitations

### **Forward Looking Statements:**

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters. Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected.

### **Future Updates:**

Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections.

It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually. We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association’s and its vendors representation of current and historical Reserve projects reliable.

### **Limited Scope:**

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

## Report Guide

This report is a budgeting tool designed to help you navigate the uncertain future and contains findings of the current Reserve Fund Status and a recommendation for an appropriate Reserve contribution rate in order to adequately plan for ongoing major maintenance, repair and replacement of common area elements. Our recommendations are just that, recommendations and do not include all possible funding scenarios. This report is divided into the following sections:

- **Project and Financial Overview:** this section provides an overview of the project and outlines our findings and recommendations. This section of the report should be used as a quick reference in helping the reader to understand the parameters and results of the study.
- **Introduction and Methodology:** Details the framework, methods, and materials used in developing this report.
- **Financial Analysis:** This section contains the current reserve fund strength and our recommended funding plan.
- **Data Tables Appendix:** This section includes detailed tables outlining projected expenses, funding requirements and reserve balance calculations.
- **Physical Evaluation/Maintenance Recommendations:** This section includes detailed tables outlining projected expenses, funding requirements and reserve balance calculations. Provides in-depth, detailed condition assessments along with maintenance recommendations.

If you have questions about this Reserve Study, please contact us. We look forward to doing business with you in the future.

Thank you,  
Capital Reserve Analysts,

Prepared by:

Casey Arnett, P.R.A  
Project Manager

# Project Overview

<b>Association Name</b> San Ignacio Heights	<b>Project Description</b> Single Family Homes	<b>Number of Units</b> 159
<b>Location</b> Green Valley, AZ	<b>Scope of Work</b> Level I	<b>Date Prepared</b> 2/20/2024
<b>Approximate Construction Year</b> 1992	<b>Recommended Funding Strategy</b> Full Funding	<b>Report Year</b> 2024



## Project Summary

Report Period	2024 - 2054	
Inflation Rate: (30-YR Average)	3.00%	
Interest Rate: (30-YR Average)	3.00%	
Projected Starting Reserve Balance	\$220,643	Current projected Reserve Fund balance on 1/1/2024
Fully Funded Balance	\$1,262,820	100% "Ideal" Reserve Fund Balance
Percent Funded Status	17%	

\*Projected starting Reserve Balance provided by client. This figure is not audited.

## Financial Overview

This section is made up of a finding of the client's current Reserve Fund Status (measured in cash and Percent Funded) and a recommendation for an appropriate Reserve contribution rate (Funding Plan) in order to adequately plan for the ongoing major maintenance, repair and replacement of common area elements.

<b>1. Projected Starting Reserve Balance:</b>	<b>\$220,643</b>
<b>2. Fully Funded Reserve Balance:</b>	<b>\$1,262,820</b>
<b>3. Current Percent Funded Level:</b>	<b>17%</b>
<b>4. Recommended Monthly Reserve Contributions:</b>	<b>\$6,000</b>
<b>5. Recommended Special Assessments this year:</b>	<b>\$1,000,000</b>

**1. Projected Starting Reserve Balance** is the dollar amount projected to be in the reserve account at the beginning of the report period. This amount is calculated based on client figures and is not audited.

**2. Fully Funded Balance** is the "Ideal" amount of money that should be in reserves at a given point in time. The Fully Funded Balance (FFB) is calculated for each reserve component and summed to provide this year's FFB.

**3. Percent Funded Level** compares what you currently have in the reserve account to the Fully Funded Balance or "Ideal" balance.

**4. Recommended Reserve Contributions** are the amount of money we recommend contributing to reserves in order to achieve and maintain a healthy reserve fund status.

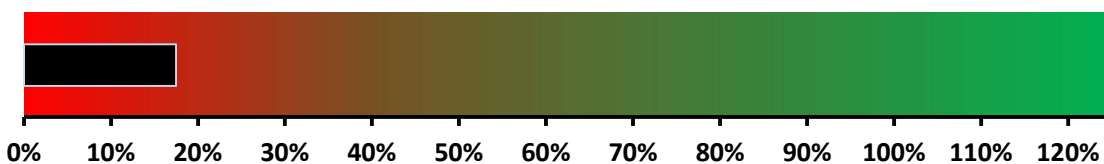
**5. Recommended Special Assessments** are needed when reserve levels are too low to pay for future reserve expenses.

### Reserve Fund Strength

Reserve fund strength is measured as a percentage. Typically clients with a percent funded level of 70% and above have a low risk for special assessments. However, clients with a percent funded level of 30% and below have a high risk of special assessments and deferred maintenance. The chart below illustrates your reserve fund strength or percent funded.

The current Reserve Fund percentage is **17%**

This is considered a **Weak** financial position.



|-----WEAK-----| |-----FAIR-----| |-----STRONG-----| |----SURPLUS----|

# Introduction and Methodology

## Introduction and Purpose

Every property owner can benefit from a Reserve Study. A Reserve Study specifically benefits projects owned or maintained by Common Interest Associations. The Board of Directors or governing body of common interest entities has a fiduciary responsibility to maintain and preserve the value of assets belonging to the community. As part of this fiduciary duty, board members are responsible for the long-term planning and funding of large-scale maintenance or renovation projects such as; building remodeling, retrofit of the fire alarm system and resurfacing of private streets.

A **Reserve Study** prepared by an independent, certified consultant will provide specific recommendations regarding the appropriate amount of Reserve Contributions to ensure that funds for major repairs and replacements will be available when needed.

Key benefits include:

Protect and preserve property values by maintaining physical assets with timely repair and replacement of common elements.

Fairness: With the help of a Reserve Study, dues/assessments can be set to ensure both current and future owners pay for the use and enjoyment of community amenities.

Reduce the probability of large or sudden assessments.

A Reserve Study is made up of two parts:

**1) The Physical Evaluation/Assessment** is the information about the physical status and repair/replacement cost of the major common area components. This section is comprised of the Component Inventory, Condition Assessment, and Life and Valuation Estimates. Condition Assessments and Life and Valuation Estimates will change as time elapses; therefore, these should be updated on an annual basis.

**2) The Financial Analysis** is the evaluation and analysis of the Reserve balance, income, and expenses. The Financial Analysis is made up of a finding of the client's current Reserve Fund Status (measured in cash or as Percent Funded) and a recommendation for an appropriate Reserve contribution rate (Funding Plan). A Reserve Funding Plan typically takes the form of a budget recommendation for a monthly Reserve Contribution rate.

# Introduction and Methodology

## Physical Evaluation/Assessment

The Physical Analysis is the first and most important step in developing a Reserve Study because the data and assessments gathered during this phase forms the baseline or foundation of this report. The Physical Analysis contains the following estimates/projections:

### Site Inspection:

This phase begins with a project engineer performing the property inspection to record, measure and assess the current condition of each common element/component. As part of the on-site inspection, the project engineer takes photos to document the condition of the common elements.

### Reserve Component Criteria:

Reserve Components should be major, predictable expenses. It is incorrect to include “lifetime” components, unpredictable expenses (such as insurance related losses), and expenses more appropriately handled from the operational budget. Capital Reserve Analysts utilizes CAI’s national-standard four-part test as a guideline to determine reserve components.

- ☑ Part 1: Item must be a common area maintenance responsibility per the accepted governing documents.
- ☑ Part 2: the component must have a predictable useful life. Typically items that do not have a predictable useful life include: Electrical Wiring, Underground Utilities and Building Structures.
- ☑ Part 3: the item's life expectancy falls within the projection period. Components with a life expectancy beyond the report time frame (typically 30-years) will not be included under normal circumstances.
- ☑ Part 4: the repair or replacement cost must be above a minimum threshold cost. Minor repairs usually under \$1,000 should be funded with Operating funds in order to minimize clutter in the Reserve Component list.

### Assumptions/Notes:

It should be noted that the projections made in this study are just that, projections and do not predict with 100% surety the future. We do however, use well defined methodologies and extensive research is done in preparation of each Reserve Study.

## Introduction and Methodology

### **Component Useful Life (UL):**

Component Useful Life is the estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed and maintained. Useful Life is a prediction based on accurate historical records if provided, exposure to the elements, initial quality and installation, extent of use, and the amount of preventative maintenance exercised. In addition to the above listed factors, the following sources are used to determine Reserve Component Useful Life:

- 1) Visual Inspection (observed wear and age)
- 2) Proprietary Cost Database of experience and similar projects
- 3) Historical component data (client maintenance records)
- 4) Vendor/Manufacturers' Expertise and Recommendations

### **Remaining Useful Life (RUL):**

The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year of this report have "zero" Remaining Useful Life. Intuitively, the RUL of a component should equal the UL (Useful Life) less its chronological age. However, this is not the "real world" reality. To accurately estimate the remaining useful life of a component, the following factors should be considered:

- Chronological age (number of years in service)
- Observed physical condition at the time of inspection
- Extent of utilization compared to design specifications
- Historical and current levels of preventative maintenance
- Exposure to elements
- Quality and design of materials
- Installation method compared to manufacturer's specifications

### **Assumptions/Notes:**

It is important to note that we may recommend future replacement based factors other than normal wear and tear. For example, interior finishes and fixtures may have a functional Useful Life of 30-40 years, however remodeling or updating interior elements will most likely take place at the 15-20 year mark for aesthetic purposes. Another example of recommended replacement before the end of a component's UL would be technology components. Obsolescence and advancements in technology could accelerate the need for replacement of computers, security equipment, electrical components etc.

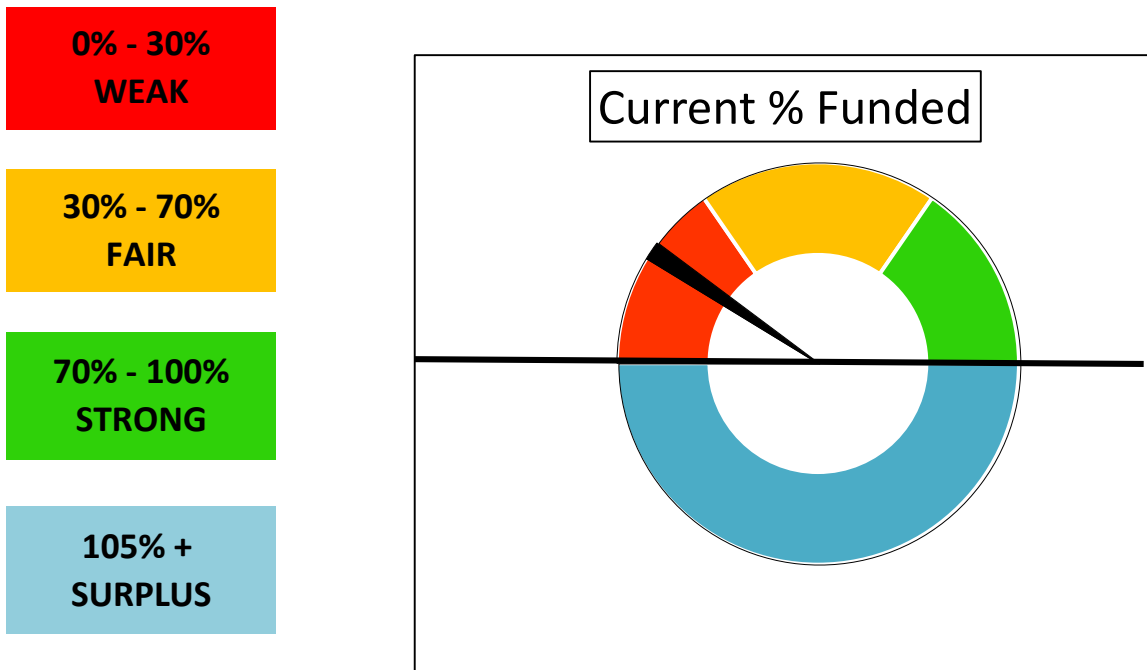
## Introduction and Methodology

### Financial Analysis

The data compiled during the physical analysis is the baseline for the Financial Analysis and resulting recommendations. This is because the physical analysis details what you are reserving for and when future expenditures can be expected. The Financial Analysis contains the following key results:

#### Reserve Fund Strength or Percent Funded Level:

The adequacy of current reserves is determined by comparing what you have (current reserves) to the ideal amount of reserves (the Fully Funded Balance). This is done by dividing current reserves by the Fully Funded Balance (what you should have) and expressing as a percentage. The Percent Funded Level is a metric developed by the CAI (Community Association Institute) to determine a Reserve Fund's strength.



#### Fully Funded Balance (FFB):

This concept is best illustrated by the following example: Assume XYZ Association has (2) reserve items: a 1-year old roof and a 5-year old pool. Assume a useful life of 20 years for the roof and a current replacement cost estimate of \$50,000. For the pool, assume a useful life of 10 years for resurfacing at a current cost estimate of \$20,000.

The roof has “used up” (1) year of the 20-year useful life or 1/20th of \$50,000 = \$2,500. The pool has “used up” (5) years of the 10-year useful life or 5/10ths of \$20,000 = \$10,000. XYZ's Fully Funded Balance is the total deterioration since the last time the roof was replaced and the last time the pool was resurfaced. The FFB is calculated as \$2,500 + \$10,000 = \$12,500.

## Introduction and Methodology

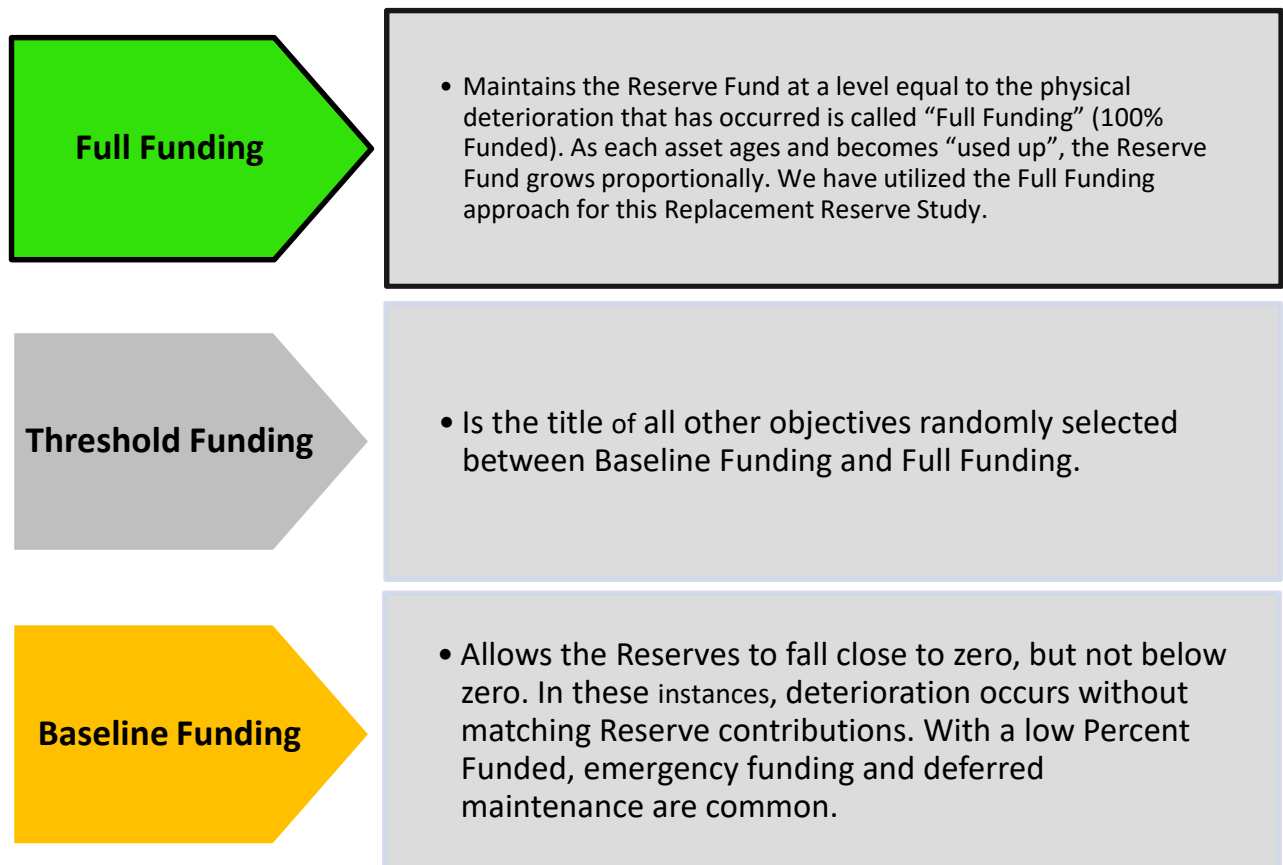
### Reserve Component Cost Estimates:

We determine cost estimates in the following order:

- Actual client historical records
- Internal database of similar projects
- Local vendor/contractor recommendations
- National cost estimating databases (R S Means, Marshall Swift etc.)

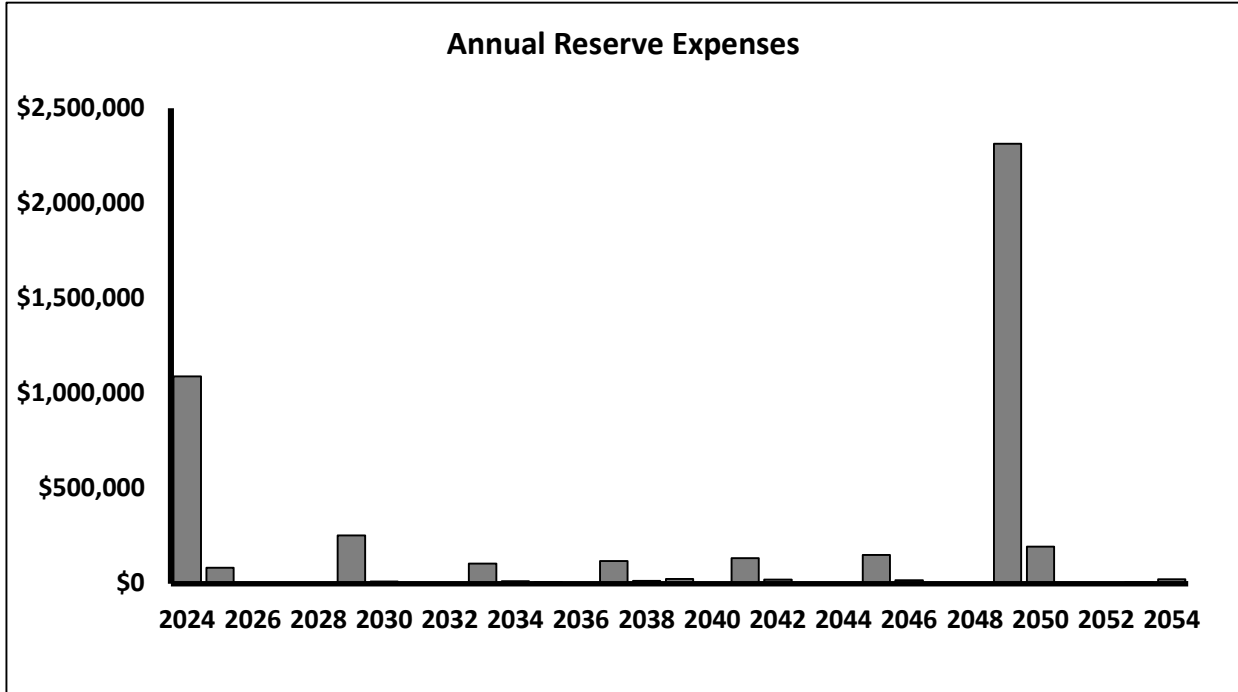
### Recommended Reserve Contribution or Funding Plan:

After we project future reserve expenses and calculate the FFB, we begin to develop a recommended funding plan which includes the recommended monthly/annual contributions to reserves. The recommended funding plan is designed to provide sufficient reserves to fund future expenses in a timely manner. Stable contributions are needed to make sure both current and future owners pay their "fair" share of the cost to maintain and replace common area amenities.



## Financial Analysis

The chart below shows the near-term and long-term future reserve expenses. Although we use well defined methodologies to project into the future, it is impossible to predict with 100% certainty future conditions. Focus should be on near-term projections (Years 1-5) in this report. Annual updates to this report are recommended to account for changes in association plans, cost estimates and economic conditions.



### 5-Year Cash Flow Summary

The table below shows our five year forecast based on a funding goal of 100%.

FISCAL YEAR	2024	2025	2026	2027	2028
<b>Starting Reserve Balance</b>	\$220,643	\$209,359	\$206,529	\$290,256	\$378,820
<b>Recommended Contribs.</b>	\$72,000	\$74,160	\$76,385	\$78,676	\$81,037
<b>Special Assessment</b>	\$1,000,000	\$0	\$0	\$0	\$0
<b>Interest Earnings</b>	\$6,355	\$6,146	\$7,342	\$9,888	\$12,580
<b>Total Income</b>	\$1,298,998	\$289,665	\$290,256	\$378,820	\$472,437
<b>Total Expenses</b>	\$1,089,639	\$83,135	\$0	\$0	\$0
<b>Ending Reserve Balance:</b>	<b>\$209,359</b>	<b>\$206,529</b>	<b>\$290,256</b>	<b>\$378,820</b>	<b>\$472,437</b>
Percent Funded Level:	17%	85%	85%	88%	90%

# Financial Analysis

## Reserve Fund Status:

How much should we have in Reserves?

The answer to this question depends on several factors; community age, size and quantity of assets are just a few of these factors. CAI (Community Association's Institute) and NRSS (National Reserve Study Standards) measure Reserve Fund strength by the ratio of current funds to the "Ideal" amount of funds or the FFB (Fully Funded Balance)

Your starting Reserve Fund balance is the baseline for this analysis. This balance has been provided by the client and is not audited.

**Starting Reserve Fund Balance: \$220,643**

Your Fully Funded Balance is the sum of all the individual components' FFB (see TABLE #5).

**Fully Funded Balance Calculation: \$1,262,820**

Your Reserve Fund Status or strength is simply the ratio of the Starting Reserve Balance and Fully Funded Balance

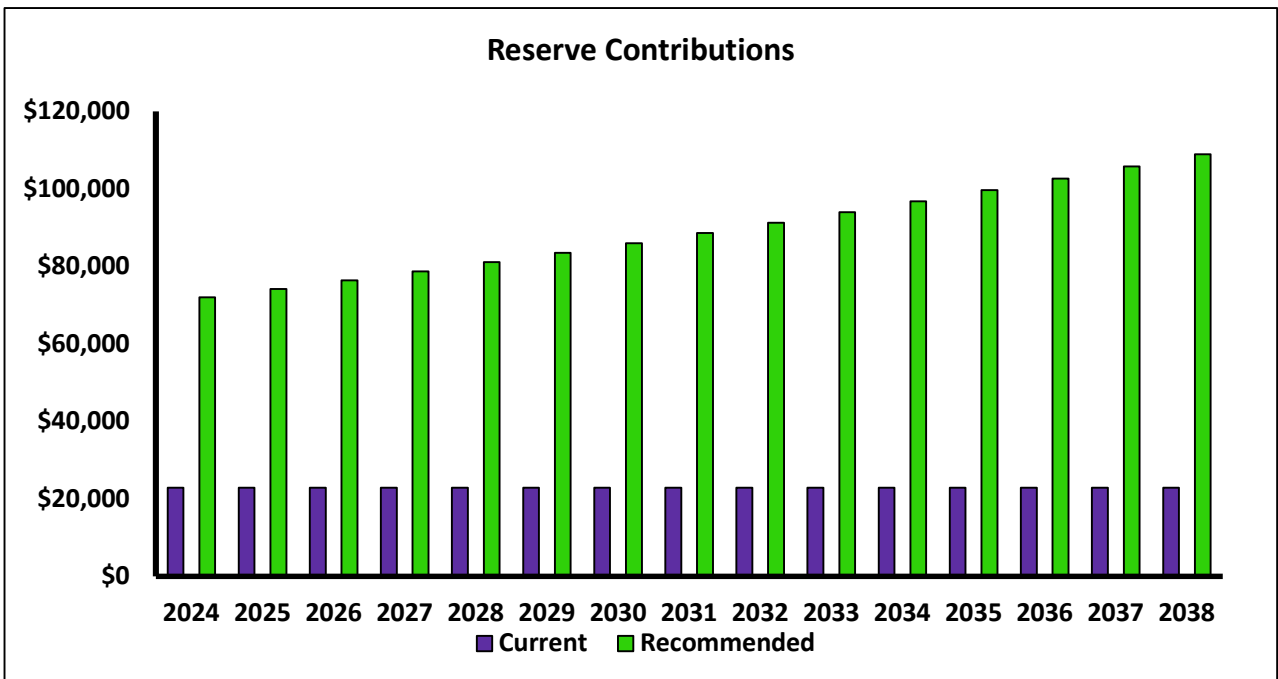
**Reserve Percent Funded Level: 17%**  
**Financial Position: Weak**

## Recommended Funding Plan

Based on your current Percent Funded and expected reserve expenses, we recommend Reserve Contributions (See Below). These recommendations represent year one of a 30-year plan. To distribute the contribution burden over current and future owners, nominal annual increases should be expected in future years to keep up with inflation.

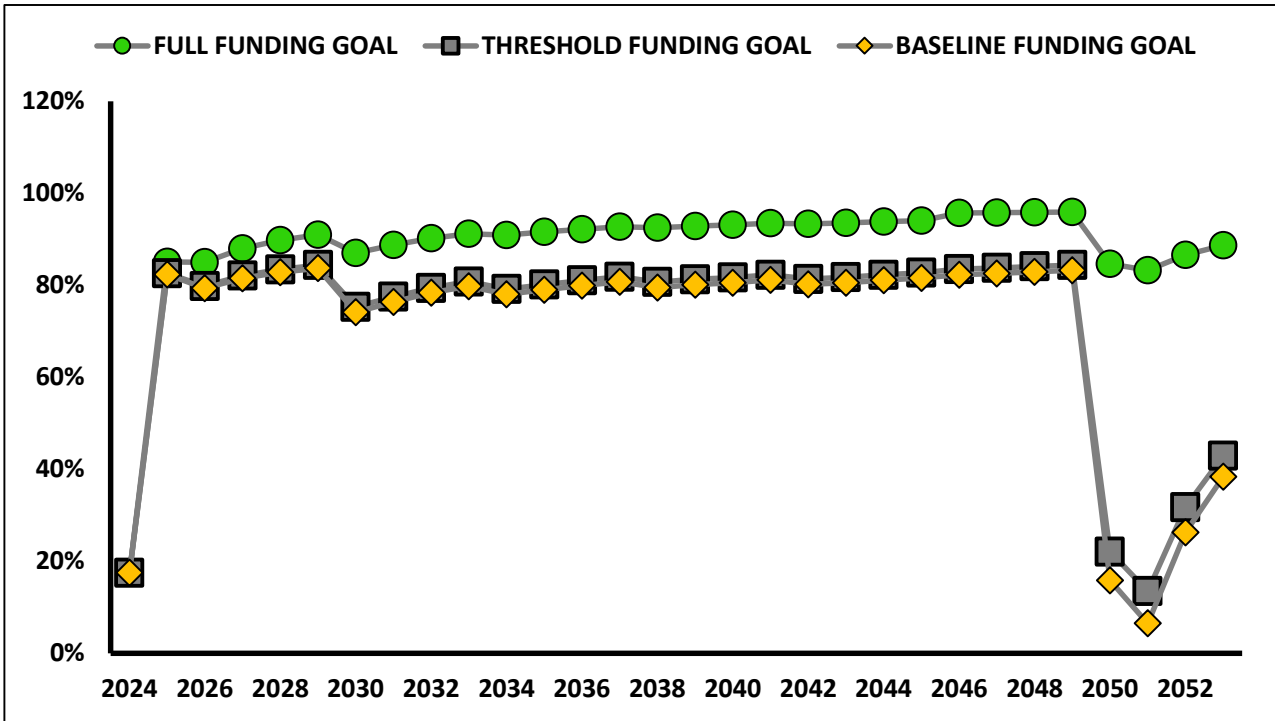
	<b>Monthly</b>	<b>Annual</b>
<b>Recommended Reserve Contributions:</b>	\$6,000	\$72,000

The chart below shows our recommended funding plan.

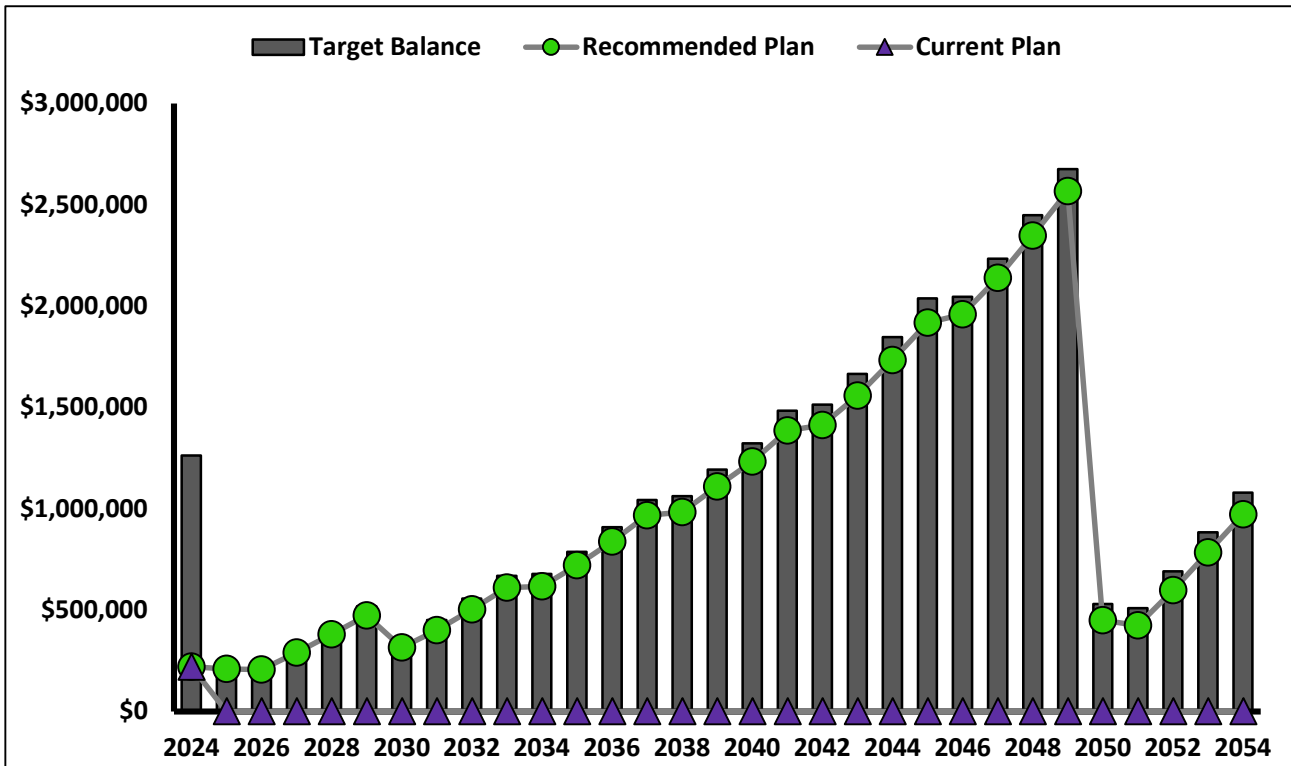


# Financial Analysis

The chart below shows the Percent Funded Level over time with all three funding scenarios.



The chart below shows your Reserve Balance over time based on our recommended funding plan and your current funding plan.



## Data Tables Appendix

- TABLE 1.** is a 30-year income/expense summary showing percent funding levels based with a "Full Funding" objective.
- TABLE 2.** is a 30-year income/expense summary showing percent funding levels based with a "Threshold Funding" objective.
- TABLE 3.** is a 30-year income/expense summary showing percent funding levels based with a "Baseline Funding" objective.
- TABLE 4.** is a detailed listing of your Reserve Components. This table is the baseline and driver of our recommendations.
- TABLE 5.** shows the significance or impact each component has on the Fully Funded Balance and ultimately the Reserve contribution rate.
- TABLES 6-8.** shows detailed annual expense projections for each component for all 30 years.

**TABLE 1 - 30-Year Cash Flow - Full Funding Goal**

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Starting Balance</b>	\$220,643	\$209,359	\$206,529	\$290,256	\$378,820	\$472,437	\$314,662	\$400,373	\$502,263	\$609,907
<b>Fully Funded Balance</b>	\$1,262,820	\$246,196	\$242,963	\$329,991	\$422,022	\$519,277	\$361,527	\$450,967	\$556,935	\$668,855
<b>% Funded</b>	17%	85%	85%	88%	90%	91%	87%	89%	90%	91%
<b>Reserve Fund Strength</b>	Weak	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
<b>Reserve Contributions</b>	\$72,000	\$74,160	\$76,385	\$78,676	\$81,037	\$83,468	\$85,972	\$88,551	\$91,207	\$93,944
<b>Special Assessments</b>	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Interest Earnings</b>	\$6,355	\$6,146	\$7,342	\$9,888	\$12,580	\$11,632	\$10,567	\$13,339	\$16,436	\$18,127
<b>Reserve Expenses</b>	\$1,089,639	\$83,135	\$0	\$0	\$0	\$252,875	\$10,828	\$0	\$0	\$105,313
<b>Ending Balance</b>	\$209,359	\$206,529	\$290,256	\$378,820	\$472,437	\$314,662	\$400,373	\$502,263	\$609,907	\$616,664
Year	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
<b>Starting Balance</b>	\$616,664	\$721,007	\$836,772	\$966,070	\$982,064	\$1,108,144	\$1,231,524	\$1,385,742	\$1,412,695	\$1,557,773
<b>Fully Funded Balance</b>	\$678,517	\$787,331	\$907,863	\$1,042,261	\$1,061,818	\$1,193,234	\$1,322,059	\$1,482,333	\$1,513,623	\$1,664,951
<b>% Funded</b>	91%	92%	92%	93%	92%	93%	93%	93%	93%	94%
<b>Reserve Fund Strength</b>	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
<b>Reserve Contributions</b>	\$96,762	\$99,665	\$102,655	\$105,734	\$108,906	\$112,174	\$115,539	\$119,005	\$122,575	\$126,252
<b>Special Assessments</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Interest Earnings</b>	\$19,769	\$23,021	\$26,643	\$28,790	\$30,890	\$34,576	\$38,679	\$41,356	\$43,899	\$48,627
<b>Reserve Expenses</b>	\$12,187	\$6,921	\$0	\$118,531	\$13,716	\$23,370	\$0	\$133,408	\$21,396	\$0
<b>Ending Balance</b>	\$721,007	\$836,772	\$966,070	\$982,064	\$1,108,144	\$1,231,524	\$1,385,742	\$1,412,695	\$1,557,773	\$1,732,652
Year	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
<b>Starting Balance</b>	\$1,732,652	\$1,916,622	\$1,957,667	\$2,138,790	\$2,347,184	\$2,566,156	\$448,592	\$423,126	\$598,151	\$783,298
<b>Fully Funded Balance</b>	\$1,846,695	\$2,037,846	\$2,045,483	\$2,232,968	\$2,448,295	\$2,674,531	\$529,884	\$508,441	\$690,649	\$883,332
<b>% Funded</b>	94%	94%	96%	96%	96%	96%	85%	83%	87%	89%
<b>Reserve Fund Strength</b>	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
<b>Reserve Contributions</b>	\$130,040	\$133,941	\$137,959	\$142,098	\$146,361	\$150,752	\$155,275	\$159,933	\$164,731	\$169,673
<b>Special Assessments</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Interest Earnings</b>	\$53,930	\$57,256	\$60,539	\$66,295	\$72,611	\$44,553	\$12,883	\$15,093	\$20,416	\$25,938
<b>Reserve Expenses</b>	\$0	\$150,152	\$17,375	\$0	\$0	\$2,312,869	\$193,623	\$0	\$0	\$7,070
<b>Ending Balance</b>	\$1,916,622	\$1,957,667	\$2,138,790	\$2,347,184	\$2,566,156	\$448,592	\$423,126	\$598,151	\$783,298	\$971,839

FULL FUNDING GOAL

**TABLE 2 - 30-Year Cash Flow - Threshold Funding Goal**

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Starting Balance	\$220,643	\$203,269	\$193,984	\$270,873	\$352,201	\$438,165	\$272,302	\$349,470	\$442,344	\$540,475
Fully Funded Balance	\$1,262,820	\$246,196	\$242,963	\$329,991	\$422,022	\$519,277	\$361,527	\$450,967	\$556,935	\$668,855
% Funded	17%	83%	80%	82%	83%	84%	75%	77%	79%	81%
Reserve Fund Strength	Weak	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Reserve Contributions	\$66,000	\$67,980	\$70,019	\$72,120	\$74,284	\$76,512	\$78,807	\$81,172	\$83,607	\$86,115
Special Assessments	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$6,265	\$5,871	\$6,870	\$9,208	\$11,680	\$10,500	\$9,189	\$11,702	\$14,524	\$15,926
Reserve Expenses	\$1,089,639	\$83,135	\$0	\$0	\$0	\$252,875	\$10,828	\$0	\$0	\$105,313
Ending Balance	\$203,269	\$193,984	\$270,873	\$352,201	\$438,165	\$272,302	\$349,470	\$442,344	\$540,475	\$537,203
Year	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Starting Balance	\$537,203	\$630,978	\$735,613	\$853,193	\$856,856	\$969,969	\$1,079,716	\$1,219,607	\$1,231,510	\$1,360,784
Fully Funded Balance	\$678,517	\$787,331	\$907,863	\$1,042,261	\$1,061,818	\$1,193,234	\$1,322,059	\$1,482,333	\$1,513,623	\$1,664,951
% Funded	79%	80%	81%	82%	81%	81%	82%	82%	81%	82%
Reserve Fund Strength	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Reserve Contributions	\$88,698	\$91,359	\$94,100	\$96,923	\$99,831	\$102,826	\$105,911	\$109,088	\$112,361	\$115,731
Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$17,264	\$20,196	\$23,480	\$25,272	\$26,997	\$30,291	\$33,980	\$36,223	\$38,310	\$42,559
Reserve Expenses	\$12,187	\$6,921	\$0	\$118,531	\$13,716	\$23,370	\$0	\$133,408	\$21,396	\$0
Ending Balance	\$630,978	\$735,613	\$853,193	\$856,856	\$969,969	\$1,079,716	\$1,219,607	\$1,231,510	\$1,360,784	\$1,519,075
Year	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Starting Balance	\$1,519,075	\$1,685,639	\$1,708,425	\$1,870,402	\$2,058,724	\$2,256,663	\$117,063	\$68,518	\$219,377	\$379,227
Fully Funded Balance	\$1,846,695	\$2,037,846	\$2,045,483	\$2,232,968	\$2,448,295	\$2,674,531	\$529,884	\$508,441	\$690,649	\$883,332
% Funded	82%	83%	84%	84%	84%	84%	22%	13%	32%	43%
Reserve Fund Strength	Strong	Strong	Strong	Strong	Strong	Strong	Weak	Weak	Fair	Fair
Reserve Contributions	\$119,203	\$122,779	\$126,463	\$130,257	\$134,164	\$138,189	\$142,335	\$146,605	\$151,003	\$155,533
Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$47,360	\$50,159	\$52,889	\$58,066	\$63,774	\$35,080	\$2,743	\$4,255	\$8,846	\$13,604
Reserve Expenses	\$0	\$150,152	\$17,375	\$0	\$0	\$2,312,869	\$193,623	\$0	\$0	\$7,070
Ending Balance	\$1,685,639	\$1,708,425	\$1,870,402	\$2,058,724	\$2,256,663	\$117,063	\$68,518	\$219,377	\$379,227	\$541,294

THRESHOLD FUNDING GOAL

**TABLE 3 - 30-Year Cash Flow - Baseline Funding Goal**

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Starting Balance	\$220,643	\$202,660	\$192,729	\$268,935	\$349,539	\$434,738	\$268,066	\$344,380	\$436,352	\$533,532
Fully Funded Balance	\$1,262,820	\$246,196	\$242,963	\$329,991	\$422,022	\$519,277	\$361,527	\$450,967	\$556,935	\$668,855
% Funded	17%	82%	79%	81%	83%	84%	74%	76%	78%	80%
Reserve Fund Strength	Weak	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Reserve Contributions	\$65,400	\$67,362	\$69,383	\$71,464	\$73,608	\$75,817	\$78,091	\$80,434	\$82,847	\$85,332
Special Assessments	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$6,256	\$5,843	\$6,823	\$9,140	\$11,590	\$10,386	\$9,051	\$11,538	\$14,333	\$15,706
Reserve Expenses	\$1,089,639	\$83,135	\$0	\$0	\$0	\$252,875	\$10,828	\$0	\$0	\$105,313
Ending Balance	\$202,660	\$192,729	\$268,935	\$349,539	\$434,738	\$268,066	\$344,380	\$436,352	\$533,532	\$529,257
Year	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Starting Balance	\$529,257	\$621,976	\$725,497	\$841,905	\$844,336	\$956,151	\$1,064,535	\$1,202,993	\$1,213,391	\$1,341,085
Fully Funded Balance	\$678,517	\$787,331	\$907,863	\$1,042,261	\$1,061,818	\$1,193,234	\$1,322,059	\$1,482,333	\$1,513,623	\$1,664,951
% Funded	78%	79%	80%	81%	80%	80%	81%	81%	80%	81%
Reserve Fund Strength	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Reserve Contributions	\$87,892	\$90,529	\$93,245	\$96,042	\$98,923	\$101,891	\$104,948	\$108,096	\$111,339	\$114,679
Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$17,013	\$19,913	\$23,164	\$24,920	\$26,608	\$29,862	\$33,510	\$35,710	\$37,751	\$41,953
Reserve Expenses	\$12,187	\$6,921	\$0	\$118,531	\$13,716	\$23,370	\$0	\$133,408	\$21,396	\$0
Ending Balance	\$621,976	\$725,497	\$841,905	\$844,336	\$956,151	\$1,064,535	\$1,202,993	\$1,213,391	\$1,341,085	\$1,497,717
Year	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Starting Balance	\$1,497,717	\$1,662,540	\$1,683,501	\$1,843,563	\$2,029,878	\$2,225,713	\$83,910	\$33,057	\$181,500	\$338,820
Fully Funded Balance	\$1,846,695	\$2,037,846	\$2,045,483	\$2,232,968	\$2,448,295	\$2,674,531	\$529,884	\$508,441	\$690,649	\$883,332
% Funded	81%	82%	82%	83%	83%	83%	16%	7%	26%	38%
Reserve Fund Strength	Strong	Strong	Strong	Strong	Strong	Strong	Weak	Weak	Weak	Fair
Reserve Contributions	\$118,120	\$121,663	\$125,313	\$129,073	\$132,945	\$136,933	\$141,041	\$145,272	\$149,630	\$154,119
Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$46,703	\$49,449	\$52,124	\$57,243	\$62,891	\$34,132	\$1,729	\$3,171	\$7,689	\$12,370
Reserve Expenses	\$0	\$150,152	\$17,375	\$0	\$0	\$2,312,869	\$193,623	\$0	\$0	\$7,070
Ending Balance	\$1,662,540	\$1,683,501	\$1,843,563	\$2,029,878	\$2,225,713	\$83,910	\$33,057	\$181,500	\$338,820	\$498,240

BASELINE FUNDING GOAL

TABLE 4. RESERVE COMPONENT LIST

ITEM #	CATEGORY	LOCATION	RESERVE ASSET DESCRIPTION	QTY	% FUNDED	UOM	EST. LIFE	RUL	CURRENT COST	UNIT COST	IN-SVC YR	REPL YR	FUTURE COST	
<b>ASPHALT SURFACES</b>														
1	Asphalt Surfaces	Acala St	Asphalt Surfaces - Mill & Replace	3,675	100%	Sq. Yds	25	0	\$99,225	\$27.00	1995	2024	\$207,755	
2	Asphalt Surfaces	Amulet PL	Asphalt Surfaces - Mill & Replace	2,004	100%	Sq. Yds	25	0	\$54,108	\$27.00	1995	2024	\$113,290	
3	Asphalt Surfaces	Anastacia Ct	Asphalt Surfaces - Mill & Replace	2,447	100%	Sq. Yds	25	0	\$66,069	\$27.00	1995	2024	\$138,334	
4	Asphalt Surfaces	Campina Ct N & S	Asphalt Surfaces - Mill & Replace	2,527	100%	Sq. Yds	25	5	\$68,229	\$27.00	1995	2029	\$79,096	
5	Asphalt Surfaces	Circulo de la pinata	Asphalt Surfaces - Mill & Replace	4,366	100%	Sq. Yds	25	0	\$117,882	\$27.00	1995	2024	\$246,819	
6	Asphalt Surfaces	Constancia	Asphalt Surfaces - Mill & Replace	1,684	100%	Sq. Yds	25	0	\$45,468	\$27.00	1995	2024	\$95,200	
7	Asphalt Surfaces	Emelita Dr	Asphalt Surfaces - Mill & Replace	3,921	100%	Sq. Yds	25	0	\$105,867	\$27.00	1995	2024	\$221,662	
8	Asphalt Surfaces	Manolita Dr	Asphalt Surfaces - Mill & Replace	1,884	100%	Sq. Yds	25	0	\$50,868	\$27.00	1995	2024	\$106,506	
9	Asphalt Surfaces	Mariquita St East & West	Asphalt Surfaces - Mill & Replace	9,815	100%	Sq. Yds	25	0	\$265,005	\$27.00	1995	2024	\$554,862	
10	Asphalt Surfaces	Westcotta Dr	Asphalt Surfaces - Mill & Replace	3,505	100%	Sq. Yds	25	0	\$94,635	\$27.00	1995	2024	\$198,145	
11	Asphalt Surfaces	Wescotta Ct	Asphalt Surfaces - Mill & Replace	2,007	100%	Sq. Yds	25	5	\$54,189	\$27.00	1995	2029	\$62,820	
12	Asphalt Surfaces	Desert Jewell SIH Section	Asphalt Surfaces - Mill & Replace	7,056	100%	Sq. Yds	25	0	\$190,512	\$27.00	1995	2024	\$398,890	
13	Asphalt Surfaces	2024 Replacements	Asphalt Surfaces - Seal Coat Application	40,357	100%	Sq. Yds	4	1	\$80,714	\$2.00	2022	2025	\$83,135	
14	Asphalt Surfaces	2029 Replacements	Asphalt Surfaces - Seal Coat Application	4,534	100%	Sq. Yds	4	6	\$9,068	\$2	2022	2030	\$10,828	
<b>COMMON AREA</b>														
15	Common Area	Clubhouse	Clubhouse - Remodel	1	100%	Ea.	20	11	\$5,000	\$5,000	2015	2035	\$6,921	
16	Common Area	Clubhouse	Clubhouse Roof - Replace	1	100%	Ea.	30	29	\$3,000	\$3,000	2023	2053	\$7,070	
17	Common Area	Common Areas	Landscape Drainage - Repairs (Allowance)	1	100%	LS	10	5	\$15,000	\$15,000	2011	2029	\$17,389	
18	Common Area	Community Entry	Entry Monmument - Refurbish	1	100%	Ea.	18	-7	\$3,500	\$3,500	1999	2017	\$2,846	
<b>18</b>	<b>Total Components</b>								<b>\$1,328,339</b>					

UOM = Unit of measure

EST. LIFE = Estimated Useful Life

RUL = Remaining Useful Life

TABLE 5. CONTRIBUTION CALCULATION DETAIL

ITEM #	RESERVE ASSET DESCRIPTION	EL	RL	COST	FFB	FUND ALLOCATION	RC ALLOCATION	RC CALCS	FFB CUMULATE	DETERIORATION	SIGNIFICANCE
<b>ASPHALT SURFACES</b>											
1	Asphalt Surfaces - Mill & Replace	25	0	\$99,225	\$99,225	\$99,225	\$337	\$3,969	\$99,225	\$3,969	5.44%
2	Asphalt Surfaces - Mill & Replace	25	0	\$54,108	\$54,108	\$54,108	\$184	\$2,164	\$153,333	\$2,164	2.97%
3	Asphalt Surfaces - Mill & Replace	25	0	\$66,069	\$66,069	\$66,069	\$224	\$2,643	\$219,402	\$2,643	3.62%
4	Asphalt Surfaces - Mill & Replace	25	5	\$68,229	\$54,583	\$1,241	\$232	\$2,729	\$273,985	\$2,729	3.74%
5	Asphalt Surfaces - Mill & Replace	25	0	\$117,882	\$117,882	\$0	\$400	\$4,715	\$391,867	\$4,715	6.46%
6	Asphalt Surfaces - Mill & Replace	25	0	\$45,468	\$45,468	\$0	\$154	\$1,819	\$437,335	\$1,819	2.49%
7	Asphalt Surfaces - Mill & Replace	25	0	\$105,867	\$105,867	\$0	\$359	\$4,235	\$543,202	\$4,235	5.80%
8	Asphalt Surfaces - Mill & Replace	25	0	\$50,868	\$50,868	\$0	\$173	\$2,035	\$594,070	\$2,035	2.79%
9	Asphalt Surfaces - Mill & Replace	25	0	\$265,005	\$265,005	\$0	\$900	\$10,600	\$859,075	\$10,600	14.53%
10	Asphalt Surfaces - Mill & Replace	25	0	\$94,635	\$94,635	\$0	\$321	\$3,785	\$953,710	\$3,785	5.19%
11	Asphalt Surfaces - Mill & Replace	25	5	\$54,189	\$43,351	\$0	\$184	\$2,168	\$997,061	\$2,168	2.97%
12	Asphalt Surfaces - Mill & Replace	25	0	\$190,512	\$190,512	\$0	\$647	\$7,620	\$1,187,573	\$7,620	10.44%
13	Asphalt Surfaces - Seal Coat Application	4	1	\$80,714	\$60,536	\$0	\$1,712	\$20,179	\$1,248,109	\$20,179	27.65%
14	Asphalt Surfaces - Seal Coat Application	4	6	\$9,068	\$0	\$0	\$0	\$0	\$1,248,109	\$2,267	3.11%
<b>COMMON AREA</b>											
15	Clubhouse - Remodel	20	11	\$5,000	\$2,250	\$0	\$21	\$250	\$1,250,359	\$250	0.34%
16	Clubhouse Roof - Replace	30	29	\$3,000	\$100	\$0	\$8	\$100	\$1,250,459	\$100	0.14%
17	Landscape Drainage - Repairs (Allowance)	10	5	\$15,000	\$7,500	\$0	\$127	\$1,500	\$1,257,959	\$1,500	2.06%
18	Entry Monument - Refurbish	18	-7	\$3,500	\$4,861	\$0	\$17	\$194	\$1,262,820	\$194	0.27%
<b>18</b>	<b>Total Components</b>			<b>\$1,328,339</b>	<b>\$1,262,820</b>	<b>\$220,643</b>	<b>\$6,000</b>	<b>\$70,705</b>		<b>\$72,972</b>	<b>100.00%</b>

\$6,081

TABLE 6. ANNUAL EXPENSE PROJECTIONS YEARS 1-10

ITEM #	SUB-CATEGORY	RESERVE ASSET DESCRIPTION	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>ASPHALT SURFACES</b>												
1	Acala St	Asphalt Surfaces - Mill & Replace	\$99,225	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Amulet PL	Asphalt Surfaces - Mill & Replace	\$54,108	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Anastacia Ct	Asphalt Surfaces - Mill & Replace	\$66,069	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Campina Ct N & S	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$79,096	\$0	\$0	\$0	\$0
5	Circulo de la pinata	Asphalt Surfaces - Mill & Replace	\$117,882	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Constancia	Asphalt Surfaces - Mill & Replace	\$45,468	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	Emelita Dr	Asphalt Surfaces - Mill & Replace	\$105,867	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Manolita Dr	Asphalt Surfaces - Mill & Replace	\$50,868	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	Mariquita St East & West	Asphalt Surfaces - Mill & Replace	\$265,005	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Westcotta Dr	Asphalt Surfaces - Mill & Replace	\$94,635	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Wescotta Ct	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$62,820	\$0	\$0	\$0	\$0
12	Desert Jewell SIH Section	Asphalt Surfaces - Mill & Replace	\$190,512	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2024 Replacements	Asphalt Surfaces - Seal Coat Application	\$0	\$83,135	\$0	\$0	\$0	\$93,570	\$0	\$0	\$0	\$105,313
14	2029 Replacements	Asphalt Surfaces - Seal Coat Application	\$0	\$0	\$0	\$0	\$0	\$0	\$10,828	\$0	\$0	\$0
<b>COMMON AREA</b>												
15	Clubhouse	Clubhouse - Remodel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Clubhouse	Clubhouse Roof - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Common Areas	Landscape Drainage - Repairs (Allowance)	\$0	\$0	\$0	\$0	\$0	\$17,389	\$0	\$0	\$0	\$0
18	Community Entry	Entry Monnument - Refurbish	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>			<b>\$1,089,639</b>	<b>\$83,135</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$252,875</b>	<b>\$10,828</b>	<b>\$0</b>	<b>\$0</b>	<b>\$105,313</b>

TABLE 7. ANNUAL EXPENSE PROJECTIONS YEARS 11-20

ITEM #	SUB-CATEGORY	RESERVE ASSET DESCRIPTION	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
<b>ASPHALT SURFACES</b>												
1	Acala St	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Amulet PL	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Anastacia Ct	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Campina Ct N & S	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Circulo de la pinata	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Constancia	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	Emelita Dr	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Manolita Dr	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	Mariquita St East & West	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Westcotta Dr	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Wescotta Ct	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	Desert Jewell SIH Section	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2024 Replacements	Asphalt Surfaces - Seal Coat Application	\$0	\$0	\$0	\$118,531	\$0	\$0	\$0	\$133,408	\$0	\$0
14	2029 Replacements	Asphalt Surfaces - Seal Coat Application	\$12,187	\$0	\$0	\$0	\$13,716	\$0	\$0	\$0	\$15,438	\$0
<b>COMMON AREA</b>												
15	Clubhouse	Clubhouse - Remodel	\$0	\$6,921	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Clubhouse	Clubhouse Roof - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Common Areas	Landscape Drainage - Repairs (Allowance)	\$0	\$0	\$0	\$0	\$0	\$23,370	\$0	\$0	\$0	\$0
18	Community Entry	Entry Monnument - Refurbish	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,959	\$0
<b>Total Expenses</b>			<b>\$12,187</b>	<b>\$6,921</b>	<b>\$0</b>	<b>\$118,531</b>	<b>\$13,716</b>	<b>\$23,370</b>	<b>\$0</b>	<b>\$133,408</b>	<b>\$21,396</b>	<b>\$0</b>

TABLE 8. ANNUAL EXPENSE PROJECTIONS YEARS 21-30

ITEM #	SUB-CATEGORY	RESERVE ASSET DESCRIPTION	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
<b>ASPHALT SURFACES</b>												
1	Acala St	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$207,755	\$0	\$0	\$0	\$0
2	Amulet PL	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$113,290	\$0	\$0	\$0	\$0
3	Anastacia Ct	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$138,334	\$0	\$0	\$0	\$0
4	Campina Ct N & S	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Circulo de la pinata	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$246,819	\$0	\$0	\$0	\$0
6	Constancia	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$95,200	\$0	\$0	\$0	\$0
7	Emelita Dr	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$221,662	\$0	\$0	\$0	\$0
8	Manolita Dr	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$106,506	\$0	\$0	\$0	\$0
9	Mariquita St East & West	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$554,862	\$0	\$0	\$0	\$0
10	Westcotta Dr	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$198,145	\$0	\$0	\$0	\$0
11	Wescotta Ct	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	Desert Jewell SIH Section	Asphalt Surfaces - Mill & Replace	\$0	\$0	\$0	\$0	\$0	\$398,890	\$0	\$0	\$0	\$0
13	2024 Replacements	Asphalt Surfaces - Seal Coat Application	\$0	\$150,152	\$0	\$0	\$0	\$0	\$174,067	\$0	\$0	\$0
14	2029 Replacements	Asphalt Surfaces - Seal Coat Application	\$0	\$0	\$17,375	\$0	\$0	\$0	\$19,556	\$0	\$0	\$0
<b>COMMON AREA</b>												
15	Clubhouse	Clubhouse - Remodel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Clubhouse	Clubhouse Roof - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,070
17	Common Areas	Landscape Drainage - Repairs (Allowance)	\$0	\$0	\$0	\$0	\$0	\$31,407	\$0	\$0	\$0	\$0
18	Community Entry	Entry Monmument - Refurbish	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>			<b>\$0</b>	<b>\$150,152</b>	<b>\$17,375</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,312,869</b>	<b>\$193,623</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,070</b>

## Supplemental Disclosures

**General:**

CRA has no other involvement(s) with the client which could result in actual or perceived conflicts of interest.

**Physical Analysis:**

Capital Reserve Analysts did conduct a physical inspection.

**Completeness:**

CRA has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

**Reliance on Client Data:**

Information provided by the official representative of the client regarding financial, physical, quantity, or historical issues will be deemed reliable by CRA.

**Scope:**

This Reserve Study is a reflection of information provided to CRA and assembled for the client's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

**Reserve Balance:**

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

**Reserve Projects:**

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.

## Definitions

**CASH FLOW METHOD:** A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund.

Different

**COMPONENT:** The individual line items in the Reserve Study developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

**COMPONENT METHOD:** A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See “Cash Flow  
**CONDITION ASSESSMENT:** The task of evaluating the current condition of the component based on observed or reported characteristics.

**CURRENT REPLACEMENT COST:** See “Replacement Cost.”

**DEFICIT:** An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

**EFFECTIVE AGE:** The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

**FINANCIAL ANALYSIS:** The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

**FULLY FUNDED:** 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

**FUNDING GOALS:** Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

**Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

**Full Funding:** Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

**Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than “Fully Funding.”

**EFFECTIVE AGE:** The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

**FINANCIAL ANALYSIS:** The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

**FULLY FUNDED:** 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

**FULLY FUNDED BALANCE (FFB):** Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulae can be utilized, depending on the provider’s sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

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

Or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate})^{\text{Remaining Life}}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate})^{\text{Remaining Life}}]$$

**FUND STATUS:** The status of the reserve fund as compared to an established benchmark such as percent funding.

**FUNDING PLAN:** A plan to provide income to a Reserve fund to offset expenditures from that fund.

Funding Principles:

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

**LIFE AND VALUATION ESTIMATES:** The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

**INVENTORY:** The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the association or cooperative.

**LIFE AND VALUATION ESTIMATES:** The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

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

**PHYSICAL ANALYSIS:** The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

**REMAINING USEFUL LIFE (RUL):** Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have “zero” Remaining Useful Life.

**REPLACEMENT COST:** The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

**RESERVE BALANCE:** Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based upon information provided and not audited.

**RESERVE PROVIDER:** An individual that prepares Reserve Studies.

**RESERVE STUDY:** a long-term capital budget planning tool which identifies the current status of the reserve fund and a stable and equitable funding plan to offset ongoing deterioration, resulting in sufficient funds when those anticipated major common area expenditures actually occur.