

Fox Meadow MA
E. 9th and WCR 1
Longmont, CO 80501



Level 2 Reserve Analysis

Report Period – 01/01/12 – 12/31/12

Client Reference Number - 4115
Property Type – Single Family Homes
Number of Units – 700
Fiscal Year End – December 31

**Final
Version**

Date of Property Observation - February 22, 2012
Project Manager - Matthew Woytek
Main Contact Person - Mr. David McCarty, Community Manager

Report was prepared on - Wednesday, April 11, 2012

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Introduction to the Reserve Analysis –

The elected officials of this association made a wise decision to invest in a Reserve Analysis to get a better understanding of the status of the Reserve funds. This Analysis will be a valuable tool to assist the Board of Directors in making the decision to which the dues are derived. Typically, the Reserve contribution makes up 15% - 40% of the association's total budget. Therefore, Reserves is considered to be a significant part of the overall monthly association payment.

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

The Reserve Analysis is also broken down into two different parts, the Physical Analysis and the Financial Analysis. The Physical Analysis is information regarding the physical status and replacement cost of major common area components that the association is responsible to maintain. It is important to understand that while the Component Inventory will remain relatively "stable" from year to year, the Condition Assessment and Life/Valuation Estimates will most likely vary from year to year. You can find this information in the **Asset Inventory Section** (Section 2) of this Reserve Analysis. The **Financial Analysis Section** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a finding of the clients current Reserve Fund Status (measured as Percent Funded) and a recommendation for an appropriate Reserve Allocation rate (also known as the Funding Plan). You can find this information in Section 3 (pages 1 – 13) of this Reserve Analysis.

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

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

General Information and Answers to Frequently Asked Questions –

Why is it important to perform a Reserve Study?

As previously mentioned, the Reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare a Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

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

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

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

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

How often do we update or review “it”?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Analysis should be reviewed *each year before* the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Aging rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the content of the Reserve Analysis. Therefore, this analysis should be reviewed annually, and a property observation should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 states. The State of Colorado currently requires all associations to adopt a Reserve policy, but does not currently enforce a Reserve Study is completed. Despite enacting this current law, the chances are also very good the documents of the association require the association to have a Reserve fund established. This may not mean a Reserve Analysis is required, but how are you going to know there are enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think \$50,000 is a lot of money and they are in good shape. What they don't know is the roof will need to be replaced within 5 years, and the cost of the roof is going to exceed \$75,000. So while \$50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

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

A “Reserve” asset is an item that is the responsibility of the association to maintain, has a limited Useful Life, predictable Remaining Useful Life expectancies, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold cost. An “operating” expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an “operating” expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a Reserve expense.

The GREY area of “maintenance” items that are often seen in a Reserve Study –

One of the most popular questions revolves around major “maintenance” items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a “capital” item, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a Reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a Reserve component.

The Property Observation –

The Property Observation was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Aspen Reserve Specialties by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the observation. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the observation. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

The Reserve Fund Analysis –

We projected the starting balance from taking the most recent balance statement, adding expected Reserve contributions for the rest of the year, and subtracting any pending projects for the rest of the year. We compared this number to the ideal Reserve Balance and arrived at the Percent funded level. Measures of strength are as follows:

0% - 30% Funded – Is considered to be a “weak” financial position. Associations that fall into this category are subject to Special Assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the Reserve Fund.

31% - 69% Funded – The majority of associations are considered to be in this “fair” financial position. While this doesn’t represent financial strength and stability, the likelihood of Special Assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the Reserve fund.

70% - 99% Funded – This indicates financial strength of a Reserve fund and every attempt to maintain this level should be a goal of the association.

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

Summary of Fox Meadow MA -

Association ID # - 04115

Projected Starting Balance as of January 1, 2012 -	\$153,690
Ideal Reserve Balance as of January 1, 2012 -	\$210,937
Percent Funded as of January 1, 2012 -	73%
Recommended Reserve Allocation (per month) -	\$2,538 (rest of 2012)
Recommended Reserve Allocation (per month) -	\$5,850 (starting 2013)
Minimum Reserve Allocation (per month) -	\$5,400 (starting 2013)
Recommended Special Assessment -	\$0

This report is an update to an existing Reserve Study that was prepared for the association 7 years ago for the 2005 fiscal period. An observation of the property's common area elements took place on February 22, 2012 to verify the information from this previous report. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative. To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This master planned community contains approximately 700 homes. The responsibilities of the master association include perimeter fencing, monument signs, irrigation systems, play equipment, an historical barn building and other amenities. The Reserve projects completed within the past five years included painting the exterior surfaces of the barn building, staining of all perimeter fencing, and minor concrete repairs. Please refer to page 11 and 12 of the Financial Analysis section for a list of when components are scheduled to be addressed.

In comparing the projected balance of \$153,690 versus the ideal Reserve Balance of \$210,937, we find the association Reserve fund to be in an average financial position at this point in time (approximately 73% funded of ideal). Since we are into the current fiscal year, we recommend maintaining the current budgeted Reserve contribution (\$2,583 per month) for the rest of 2012. However, as a result of the information contained in this report, we find the current Reserve allocation to be less than adequate in increasing the strength of the Reserve fund to prepare for future projects. Therefore, we are recommending an increase of the Reserve contribution to \$5,580 (representing an increase of \$4.73 per unit) per month starting January 2013. This should be followed by nominal annual increases of 3.00% for the next 15 years (2027) and a secondary increase of 4.55% thereafter to help offset the effects of inflation. By following the recommendation, the plan will maintain the Reserve account at the fully funded position throughout the thirty-year period.

In the percent Funded graph, you will see we have also provided a "minimum Reserve contribution" of \$5,400 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where additional Special Assessments, deferred maintenance, and lower property values are possible at some point in the future. The minimum Reserve allocation follows the "threshold" theory of Reserve funding where the "percent funded" status is not allowed to dip below 30% funded at any point during the thirty-year period.

This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money (approximately \$0.65 on average per unit per month in this case) to the Reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be minimal, and based on the risk, we strongly suggest the recommended Reserve Allocation is followed.

Comp #: 105 Pitched Roof - Comp Shingle - Replace



Observations:

Roof appeared in good to fair condition at time of observation with only minor surface granule loss visible. While this roof material may have a rating of 30 years from the manufacturer, the average life expectancy for this type of material ranges from 20 - 25 years in our environment. Factors that contribute to a shorter life expectancy include small hailstorms, high winds, temperature fluctuations, etc. The remaining life is based on observed conditions and age..

Location: **Historic buildings**

Quantity: **Approx. 22 squares**

Life Expectancy: **22** *Remaining Life:* **11**

Best Cost: **\$7,150**
\$325/square; Estimate to remove and replace

Worst Cost: **\$7,700**
\$350/square; Higher estimate for more labor costs

Source of Information: Cost database

General Notes:

barn - 22 squares

Comp #: 106 Pitched Roof - Slate Tile - Replace



Observations:

Roofs appeared in good condition at time of observation with no broken or missing tiles note. Typically, the felt roof material has a useful life of approximately 25 years before deterioration causes significant roof leaks. Reserve to completely remove and replace felt underlayment. This is a very labor intensive job as all the tiles will need to be removed for the underlayment to be replaced. According to local contractors, a 10% allowance should be included for tile breakage.

Location: Shade structures in parks

Quantity: Approx.6 squares

Life Expectancy: 30 *Remaining Life:* 22

Best Cost: \$3,000
\$500/square; Estimate to replace underlayment

Worst Cost: \$3,600
Higher estimate for more tile replacement

Source of Information: Cost database

General Notes:

2 are built (S. of Wildflower sub-association, and between Star Wood and Summer Hawk). One to be built by Summer Hawk on the southeast corner of property

each structure is approximately 200 GSF

Comp #: 209 Wood Fencing - Restain



Observations:

It was reported that the fencing was stained in the Spring of 2010. The fences are in need of staining again this fiscal year due to thin, peeling and bare wood surfaces apparent at time of observation. Due to client history and the current conditions of the fence stain, we are recommending that the association Reserve to restain all fencing every 2 years rather than the previously recommended 3 years. Staining every 2 years will provide a longer useful life of fencing and maintain an attractive and consistent appearance throughout the community. We also recommend routinely inspecting irrigation systems and diverting spray away from fence lines as this accelerates the deterioration of the stain. Remaining life based on observed conditions and age.

Location: Perimeter of association

Quantity: Approx. 14,600 LF

Life Expectancy: 2 *Remaining Life:* 0

Best Cost: \$47,450

\$3.25/LF: Estimate to repaint fence

Worst Cost: \$51,830

\$3.55/LF; Higher estimate for more prep work

Source of Information: Cost database

General Notes:

2 rail fence - 10360 LF
privacy fence
Along 9th Ave. - 3360 LF (6' high)
Along Deerwood - 860 LF (5' high)

Comp #: 215 Wood Siding - Repaint



Observations:

The barn appeared to have been painted within the last 2 - 3 years. The white paint was bright, even and free from marking or other damage. Some areas of the wood siding appear to be checking and may need to be replaced as a part of prep operations next time it is painted. The costs included in this line item reflect cost of repainting and some extra prep work costs. We recommend reserving to repaint the barn every 6 years as light colored paints tend to fade less from UV rays and shows less dirt than darker colors. Remaining life based on observed conditions and assumed age of paint.

Location: **Historical Barn**

Quantity: **(1) Barn**

Life Expectancy: **6** *Remaining Life:* **3**

Best Cost: **\$1,500**

Estimate to repaint barn

Worst Cost: **\$1,800**

Higher estimate for more prep work

Source of Information: Cost database

General Notes:

Comp #: 301 Shade Structure Siding - Replace



Observations:

Siding appeared in good condition at time of observation with no unusual problems noted. The siding materials are in very good condition and should have a long life expectancy with proper care and maintenance. Due to the location in park areas, this material may be subject to abuse and vandalism over the years. We suggest planning on replacement of this material every 25 years due to the location. Remaining useful life based on observed conditions and age.

Location: **Pocket parks**

Quantity: **Approx. 840 GSF**

Life Expectancy: **25** *Remaining Life:* **17**

Best Cost: **\$6,720**

\$8.00/GSF; Estimate to replace siding

Worst Cost: **\$7,560**

\$9.00/GSF; Higher estimate for better materials

Source of Information: Cost database

General Notes:

each pocket park structure - 280 GSF x 3 = 840 GSF

Comp #: 303 Wood Siding - Replace



Observations:

The siding on the barn appears to have been well maintained since our last site visit and is in fair condition at time of observation. It was reported that the barn is used by community residents as a place to host barbecues and birthday parties during good weather months. Due to the appearance of the barn being better than our last observation, we have recommended a longer useful life. Continue to maintain the siding and inspect for any problem areas and make minor repairs as needed using operating funds. Remaining useful life based on observed conditions.

Location: Historic buildings

Quantity: Approx. 2,290 GSF

Life Expectancy: 30 *Remaining Life:* 10

Best Cost: \$13,740

\$6.00/GSF; Estimate to replace siding

Worst Cost: \$16,030

\$7.00/GSF: Higher estimate for more renovations

Source of Information: Cost database

General Notes:

barn - 2290

Comp #: 505 Vehicle Iron Gate - Replace



Observations:

Gate was stuck in the open position at time of observation and it was reported that the gate and operator has had problems in the past. We recommend reserving to replace card reader and motor at the same time as both will have similar useful lives. The gate can be repaired and replaced at relatively low cost, use operating funds for any issue regarding the metal gate. Typical useful life for this type of system and that is subject to the elements is between 10 - 12 years not including acts of God or vandalism. Remaining useful life based on observed conditions and age.

Location: West perimeter fence line

Quantity: (1) metal gate w/ving card device

Life Expectancy: 12 *Remaining Life:* 3

Best Cost: \$2,600

Estimate to replace

Worst Cost: \$3,000

Higher estimate

Source of Information: Cost Database

General Notes:

- (1) AS card reader - \$1500 - 1800
- (1) pneumatic gate operator - \$1,100
- (1) 8' metal gate - Operating

Comp #: 601 Concrete Sidewalks - Repair



Observations:

We saw very few areas of new concrete in the community, we assume these repairs were made according to schedule and the community does not have any glaring concrete issues in the sidewalks or roundabouts. There continue to be a few hairline cracks noted on the stamped concrete surfaces in the roundabouts. While it is highly unlikely that all concrete will fail at the same time, we suggest planning on periodic repairs due to how our climate effects the concrete. We suggest continuing to reserve an allowance to replace 10% of area (3100 GSF) every 4 years. As the property ages, the percentage of repairs may need to be increased.

Location: Common areas

Quantity: Approx. 31,000 GSF

Life Expectancy: 4 Remaining Life: 2

Best Cost: \$27,900

Allowance to repair 10% of area every 4 years

Worst Cost: \$29,450

Higher estimate for more repairs

Source of Information: Cost database

General Notes:

stamped concrete in roundabouts - 3040 GSF
by historical buildings - 1800 GSF
common areas (mostly along power line easement) - 19200 GSF
shade structures - approx. 575 GSF
pocket park by Wild Flower - 4650 GSF
pocket park between Starwood & Summer Hawk - 1720 GSF

Comp #: 801 Monument - Rebuild



Observations:

Monuments are still in good condition and stable with no damaged or missing components at time of latest observation. While the materials used in these structures should have an indefinite life expectancy, future renovations and rebuilding of structures will be necessary to keep up with modern trends. Most associations prefer to set up this major renovation schedule every 25 - 30 years. Remaining useful life based on observed conditions and age.

Location: Main entrances to community

Quantity: (4) Stone monuments

Life Expectancy: 28 *Remaining Life:* 19

Best Cost: \$80,000

Estimate for major renovations to monuments

Worst Cost: \$100,000

Higher estimate for more elaborate design

Source of Information: Cost database

General Notes:

9th and Deerwood - (2) monuments each one contains:
Stone - 330 GSF
sign - 42 GSF

WCR 1 & Deerwood -
Stone - 280 GSF
sign - 32 GSF

9th and Summerhawk -
Stone - 280 GSF
sign - 32 GSF

Comp #: 803 Mailboxes - Replace



Observations:

It was reported at time of observation that the master association is not responsible for the replacement or maintenance of the mailboxes. The mailboxes were reported to be the responsibility of the individual sub-associations within the community.

Location: Adjacent to streets

Quantity: Numerous CBU's

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

Best Cost: \$0

Worst Cost: \$0

Source of Information:

General Notes:

- 16 box CBU's - 5
- 13 box CBU's - 4
- 12 Box CBU's - 1

rest of the mailboxes are within the perimeters of each sub association.

Comp #: 1001 Privacy Fencing - Replace



Observations:

Fences, as reported in component #209, are in need of stain this fiscal year but the wood is in overall good to fair condition. Some other minor damage was noted at time of observation, including sections of fence along Deerwood that have many warped boards due to rock in a homeowner's yard impinging on the slats. We recommend repairing this section as an operating expense. Minor repairs and replacement boards are expected as part of prep costs before painting. However, complete replacement of the fence should be anticipated every 20 - 25 years as long as proper maintenance occurs over the years. Without proper maintenance, expect to replace the fence within 10 - 12 years. Remaining life base on observed conditions and age.

Location: **Along 9th Ave and Deerwood**

General Notes:

Quantity: **Approx. 4,220 LF**

Along 9th Ave. - 3360 LF (6' high)
Along Deerwood - 860 LF (5' high)

Life Expectancy: **21** *Remaining Life:* **11**

Best Cost: **\$139,260**

\$33/LF; Estimate to replace

Worst Cost: **\$160,360**

\$38/LF: Higher estimate for better quality

Source of Information: Cost database

Comp #: 1005 Stone Columns - Replace



Picture Unavailable

Observations:

No problems noted or reported in regard to the stone columns on site during observations. The materials used to construct the columns are considered "life time" materials and should not have to be completely replaced due to deterioration factors. We recommend inspecting the columns annually for damage and making minor repairs as needed using operating funds.

Location: Perimeter of community

Quantity: Approx. 3,005 GSF

Life Expectancy: N/A *Remaining Life:*

Best Cost: \$0

Worst Cost: \$0

Source of Information:

General Notes:

<p>Starwood Sub-Association - 525 GSF common areas - 72 GSF Along 9th Ave. - 1765 GSF Along Deerwood - 250 GSF shade structures in pocket parks - 130 GSF each x 3 = 390 GSF</p>
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Comp #: 1009 Two-Rail Fencing - Repair



Observations:

Rail fence appeared stable, plumb and in good to fair condition at time of observation. The rails tend to break easily from climbing, landscaping equipment, etc., the broken rails can be replaced individually as part of prep work before staining. We expect periodic repairs to be necessary, instead of complete replacement every 20 - 25 years. At time of observation, no broken or cracked rails noted or reported. We recommend continuing to reserve to make repairs every 6 years as it appears the maintenance plan is working. Remaining life based on observed conditions and age.

Location: Perimeter of property

Quantity: Approx. 10360 LF

Life Expectancy: 6 Remaining Life: 2

Best Cost: \$13,100

Allowance to replace 10% of area every 6 years

Worst Cost: \$16,350

Higher allowance for more repairs

Source of Information: Cost database

General Notes:

Deerwood - 70 to be installed adjacent to townhomes - apx. 500 LF east perimeter by custom homes & patio homes (along power lines) - 350 LF (raw wood - not stained), 635 LF (stained) along WCR 1 - (north of Deerwood) - 1255 LF, note: nothing installed south of Deerwood open area (future school area) - 1000 LF along power line easement (east of Prairie Song) - 1320 LF along golf course - 3155 LF (west perimeter) along golf course - 1555 LF (south perimeter) detention pond - 520 LF

Comp #: 1301 Play Equipment - Replace



Observations:

Structures were stable and in very good condition with no signs of abuse, mistreatment, or vandalism noted at time of inspection. Depending on overall level of use and care, the average life expectancy for play equipment ranges from 15 - 18 years. Expect high use for this facility due to the demographics of the community with the majority being young families with children. Remaining life based on observed conditions and age.

Location: Park near Prairie Hawk sub assoc.

Quantity: (1) metal and plastic structure

Life Expectancy: 18 **Remaining Life:** 17

Best Cost: \$55,000

Estimate to replace with similar type

Worst Cost: \$60,000

Higher estimate for larger structure

Source of Information: Research with supplier

General Notes:

- Play equipment -
- (4) fabric canopies
- (1) geodesic climber
- (1) large slide
- (1) small slide
- (5) platforms
- (1) tunnel climber
- (4) stairs
- (1) "s" ladder
- monkey bars
- (1) spiral staircase
- (1) climbing wall

Comp #: 1303 Tot Lot Groundcover - Refill



Observations:

Ground cover was in good condition at time of observation with no noticeable low or bare spots. We assume the sand was filled to specifications at time of play equipment installation. This material will be affected by wind, children, use and organics. We recommend reserving to replenish the sand box every 10 years barring any unusual circumstances that may arise (high winds, flood, vandalism, etc.). Between major refill operations, place small amounts of sand as needed using operating funds. Remaining life based on observed conditions and age.

Location: Park near Prairie Hawk sub assoc.

General Notes:

Quantity: Approx. 80 tons

Life Expectancy: 10 *Remaining Life:* 9

Best Cost: \$3,040
\$38/ton; Estimate to replenish

Worst Cost: \$3,360
\$42/ton; Higher estimate for more material

Source of Information: Research with contractor

Comp #: 1306 Park Furnishings - Replace



Observations:

All park equipment appeared in good condition at time of observation, prompting us to recommend a longer remaining useful life. Composite materials were fairly new at time of last observation in 2005 and it was unknown how the materials would perform in the harsh Colorado sunshine. Composite materials have an expected useful life of 15 - 18 years in normal conditions, we recommend reserving to replace the park furniture in the next 8 - 10 years in order to maintain a consistent and attractive appearance throughout the community. Remaining life based on observed condition and average age of all equipment age.

Location: Various pocket parks

Quantity: Approx. 13 pieces

Life Expectancy: 18 **Remaining Life:** 10

Best Cost: \$9,000

Estimate to replace all furnishings at same time

Worst Cost: \$9,500

Higher estimate for upgraded materials

Source of Information: Cost database

General Notes:

Along Deerwood - (1) pet pick up station - \$200

each pocket park (3 parks total) -
(2) Trex type benches - \$800 each
(1) Trex type trash receptacle - \$500 each
(1) pet pick up station - \$200 each

Park near Prairie Hawk -
(1) 8' coated metal picnic table - \$1,100
(1) 8' coated metal park bench - \$650
(1) Trex type trash receptacle - \$500

Comp #: 1701 Irrigation System - Rebuild



Observations:

System was Winterized at time of observation, for more accurate assessments of the irrigation system schedule future updates during Summer months. Newer irrigation systems like this one are typically repaired on an annual basis with general operating funds. The materials used during construction should have a long life expectancy with proper maintenance. At this time, there is no expectancy to completely replace the system and Reserve funding is not recommended. If it later turns out that replacement will be necessary, expect to spend approximately \$500,000 for a new system.

Location: Landscaped areas

Quantity: Extensive system

Life Expectancy: N/A Remaining Life:

Best Cost: \$0

Worst Cost: \$0

Source of Information:

General Notes:

Empty rectangular box for general notes.

Comp #: 1703 Irrigation Timeclocks - Replace



Observations:

System was winterized at time of observation, however, no problems reported while preparing this report. Under normal conditions (not including Acts of God, vandalism, etc.) these clocks should last 10 - 12 years with proper maintenance. Due to advances in technology and water efficiency, we suggest reserving to replace all clocks at the same time. A lot of communities are upgrading to ET type controllers and the costs reflect this. Remaining useful life based on average age of all clocks.

Location: See general notes

Quantity: (4) Hunter clocks, (2) Rainbird

Life Expectancy: 12 Remaining Life: 3

Best Cost: \$11,400
\$2250/Hunter, \$1200/Rainbird; Estimate to replace

Worst Cost: \$14,000
\$2750/Hunter, \$1500/Rainbird; Higher estimate

Source of Information: Cost database

General Notes:

Bluefield/Deerwood Dr. - (1) Rainbird, ESP12LXplus, 7/17/01, serial #1598142
9th and Deerwood - (1) Rainbird, ESP24LXplus, 8/2/02, serial #1828855 (fault on station 12)
By historical building - (1) Hunter IIC module clock, 24 active stations
Across from 763 Windflower - (1) Hunter IIC module clock, 32 active stations
Wildflower pocket park - (1) Hunter IIC module clock, 42 active stations
Starwood pocket park - (1) Hunter IIC module clock, 37 active stations

Comp #: 1801 Groundcover - Replenish



Observations:

Majority of groundcover in the round-abouts is rock and xeriscape type material that does not require excessive watering during summer months. Also, a majority of the surfaces are native, natural grasses which should not require replacement. The sod and the irrigated areas can be repaired and patched as part of grounds maintenance. Since it is difficult to predict when shrubs and trees will die and need replacement, we suggest treating as part of landscape maintenance operating expense. Therefore, no Reserve funding is required for this component.

Location: Landscaped areas

Quantity: Extensive groundcover

Life Expectancy: N/A *Remaining Life:*

Best Cost: \$0

Worst Cost: \$0

Source of Information:

General Notes:

Comp #: 1806 Detention Pond - Rebuild



Observations:

These detention ponds and flood control basins are in good condition and appear to be designed to handle a "100-year" flood. With general maintenance of groundcover, it is not expected replacement of the components in this area is necessary. Therefore, no Reserve funding is required for this component.

Location: **Between Wildflower and Starwood**

Quantity: **Approx. 62,500 GSF**

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

Best Cost: **\$0**

Worst Cost: **\$0**

Source of Information:

General Notes:

Comp #: 1810 Turf Blocks - Replace



Picture Unavailable

Observations:

These blocks are designed to allow grasses to grow through the holes in the blocks, but provide stable ground in case emergency or maintenance vehicles need to access these areas. In an ideal situation, vehicles will not be traveling on these blocks frequently and deterioration will not occur. In case of broken pieces of blocks, they should be replaced as needed with general operating due to the difficulty in predicting a timeframe of repairs. No reserve funding is required for this component.

Location: **Between patio homes and golf course**

General Notes:

Quantity: **Approx. 16800 GSF**

2012: NOTE - grass has grown in and covered the blocks as expected. The conditions of the block is not readily available at time of observation.

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

Best Cost: **\$0**

Worst Cost: **\$0**

Source of Information:

Comp #: 2001 Under Drain Systems

Picture Unavailable

Picture Unavailable

Observations:

At the time of reviewing the draft report, it was requested that funding for this item is included for future Reserve considerations. However, underground utilities are typically not included as part of the Reserve plan due to the unpredictability of the life expectancy and replacement costs. In new communities, it is assumed the utility lines are installed properly and to engineers specifications. If problems arise and a history of repairs are required, then Reserve funding can be added in future Reserve Study updates. At this time, we do not suggest setting funds aside for this component.

Location: Common areas
Quantity: Extensive GSF
Life Expectancy: N/A *Remaining Life:*
Best Cost: \$0

Worst Cost: \$0

General Notes:

2012: NOTE - No reports from community manager or local contractors regarding drain system. Continue to monitor and make needed repairs as an operating expense.

Source of Information:



Funding Summary For Fox Meadow Master Association

Beginning Assumptions

Financial Information Source	Research With Client
# of units	700
Fiscal Year End	December 31, 2012
Monthly Dues from 2011 budget	\$17,083.00
Monthly Reserve Allocation from 2012 Budget	\$2,538.00
Projected Starting Reserve Balance (as of 1/1/2012)	\$153,690
Ideal Starting Reserve Balance (as of 1/1/2012)	\$223,347

Economic Factors

Current Inflation Rate	4.50%
Reported After-Tax Interest Rate	3.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	69%
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Recommendations for 2012 Fiscal Year

Monthly Reserve Allocation (rest of 2012)	\$2,538
Per Unit	\$3.63
Monthly Reserve Allocation (starting 2013)	\$6,300
Per Unit	\$9.00
Minimum Monthly Reserve Allocation (starting 2013)	\$6,000
Per Unit	\$8.57
Primary Annual Increases	3.50%
# of Years	15
Secondary Annual Increases	4.25%
# of Years	15
Special Assessment	\$0
Per Unit	\$0

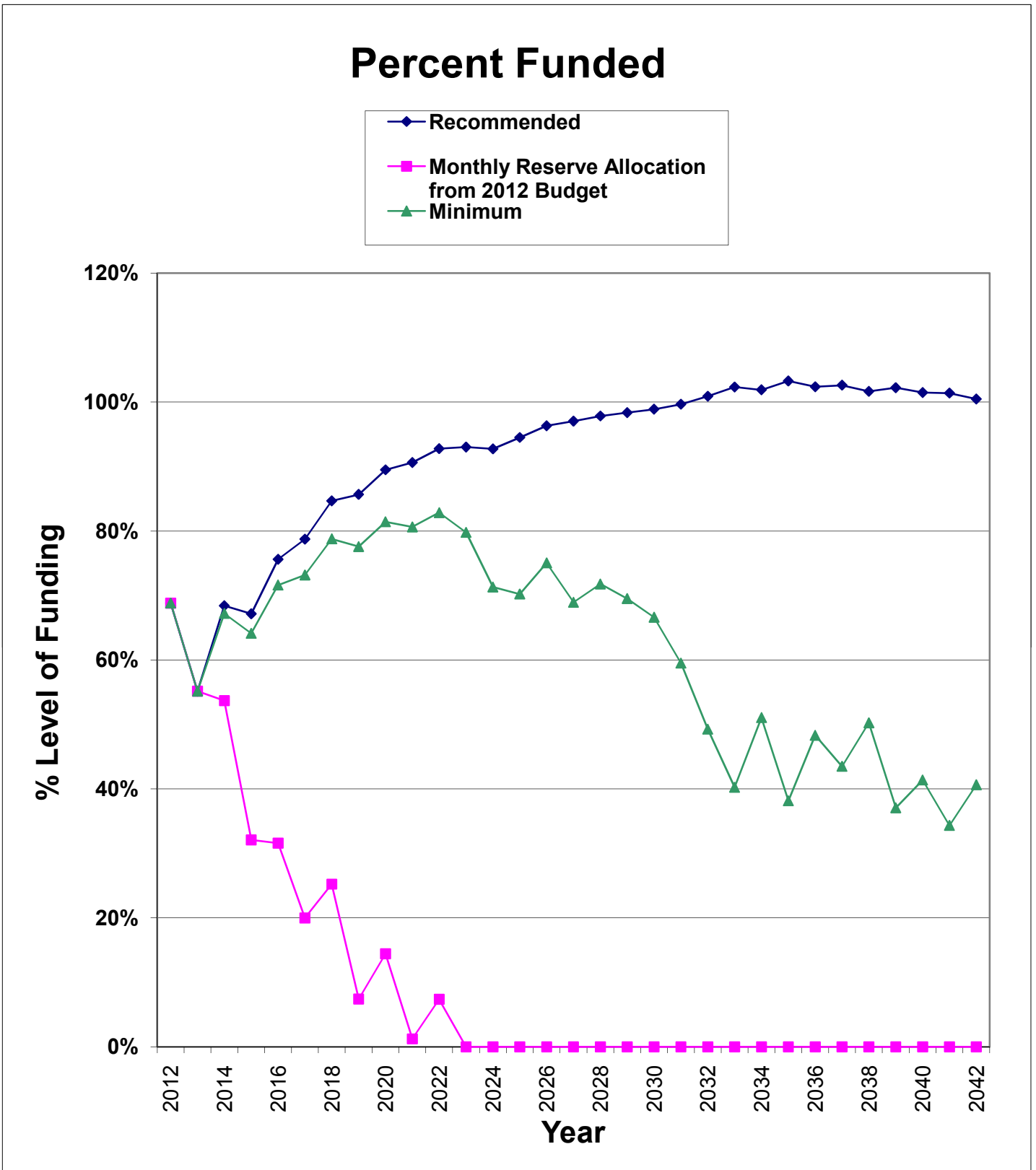
Changes to Current 2012 Budget

Increase/Decrease to Reserve Allocation	\$0
as Percentage	0%
Per Unit	\$0.00

Changes from 2012 to 2013

Increase/Decrease to Reserve Allocation	\$3,762
as Percentage	148%
Per Unit	\$5.37

Percent Funded Graph For Fox Meadow Master Association



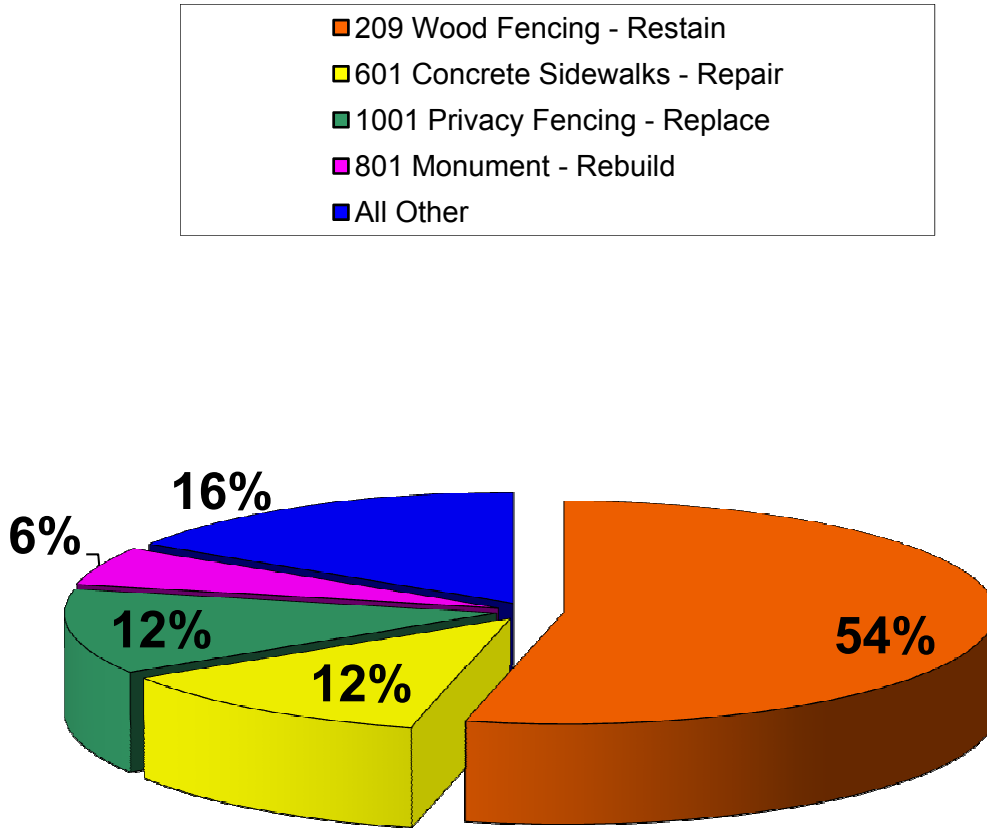
Component Inventory for Fox Meadow Master Assoc.

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	105	Pitched Roof - Comp Shingle - Replace	22	11	\$7,150	\$7,700
	106	Pitched Roof - Slate Tile - Replace	30	22	\$3,000	\$3,600
Painted Surfaces	209	Wood Fencing - Restain	2	0	\$58,400	\$65,700
	215	Wood Siding - Repaint	6	3	\$1,500	\$1,800
Siding Materials	301	Shade Structure Siding - Replace	25	17	\$6,720	\$7,560
	303	Wood Siding - Replace	30	10	\$13,740	\$16,030
Property Access	505	Vehicle Iron Gate - Replace	12	3	\$2,600	\$3,000
Decking	601	Concrete Sidewalks - Repair	4	2	\$27,900	\$29,450
Prop. Identification	801	Monument - Rebuild	28	19	\$80,000	\$100,000
	803	Mailboxes - Replace	N/A		\$0	\$0
Fencing/Walls	1001	Privacy Fencing - Replace	21	11	\$139,260	\$160,360
	1005	Stone Columns - Replace	N/A		\$0	\$0
	1009	Two-Rail Fencing - Repair	6	2	\$13,100	\$16,350
Recreation Equip.	1301	Play Equipment - Replace	18	17	\$55,000	\$60,000
	1303	Tot Lot Groundcover - Refill	10	9	\$3,040	\$3,360
	1306	Park Furnishings - Replace	18	10	\$9,000	\$9,500
Irrig. System	1701	Irrigation System - Rebuild	N/A		\$0	\$0
	1703	Irrigation Timeclocks - Replace	12	3	\$11,400	\$14,000
Landscaping	1801	Groundcover - Replenish	N/A		\$0	\$0
	1806	Detention Pond - Rebuild	N/A		\$0	\$0
	1810	Turf Blocks - Replace	N/A		\$0	\$0
Miscellaneous	2001	Under Drain Systems	N/A		\$0	\$0

Significant Components For Fox Meadow Master Association

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
105	Pitched Roof - Comp Shingle - Replace	22	11	\$7,425	\$338	0.5837%
106	Pitched Roof - Slate Tile - Replace	30	22	\$3,300	\$110	0.1902%
209	Wood Fencing - Restain	2	0	\$62,050	\$31,025	53.6576%
215	Wood Siding - Repaint	6	3	\$1,650	\$275	0.4756%
301	Shade Structure Siding - Replace	25	17	\$7,140	\$286	0.4939%
303	Wood Siding - Replace	30	10	\$14,885	\$496	0.8581%
505	Vehicle Iron Gate - Replace	12	3	\$2,800	\$233	0.4035%
601	Concrete Sidewalks - Repair	4	2	\$28,675	\$7,169	12.3983%
801	Monument - Rebuild	28	19	\$90,000	\$3,214	5.5591%
1001	Privacy Fencing - Replace	21	11	\$149,810	\$7,134	12.3379%
1009	Two-Rail Fencing - Repair	6	2	\$14,725	\$2,454	4.2445%
1301	Play Equipment - Replace	18	17	\$57,500	\$3,194	5.5248%
1303	Tot Lot Groundcover - Refill	10	9	\$3,200	\$320	0.5534%
1306	Park Furnishings - Replace	18	10	\$9,250	\$514	0.8888%
1703	Irrigation Timeclocks - Replace	12	3	\$12,700	\$1,058	1.8304%

Significant Components Graph For Fox Meadow Master Association



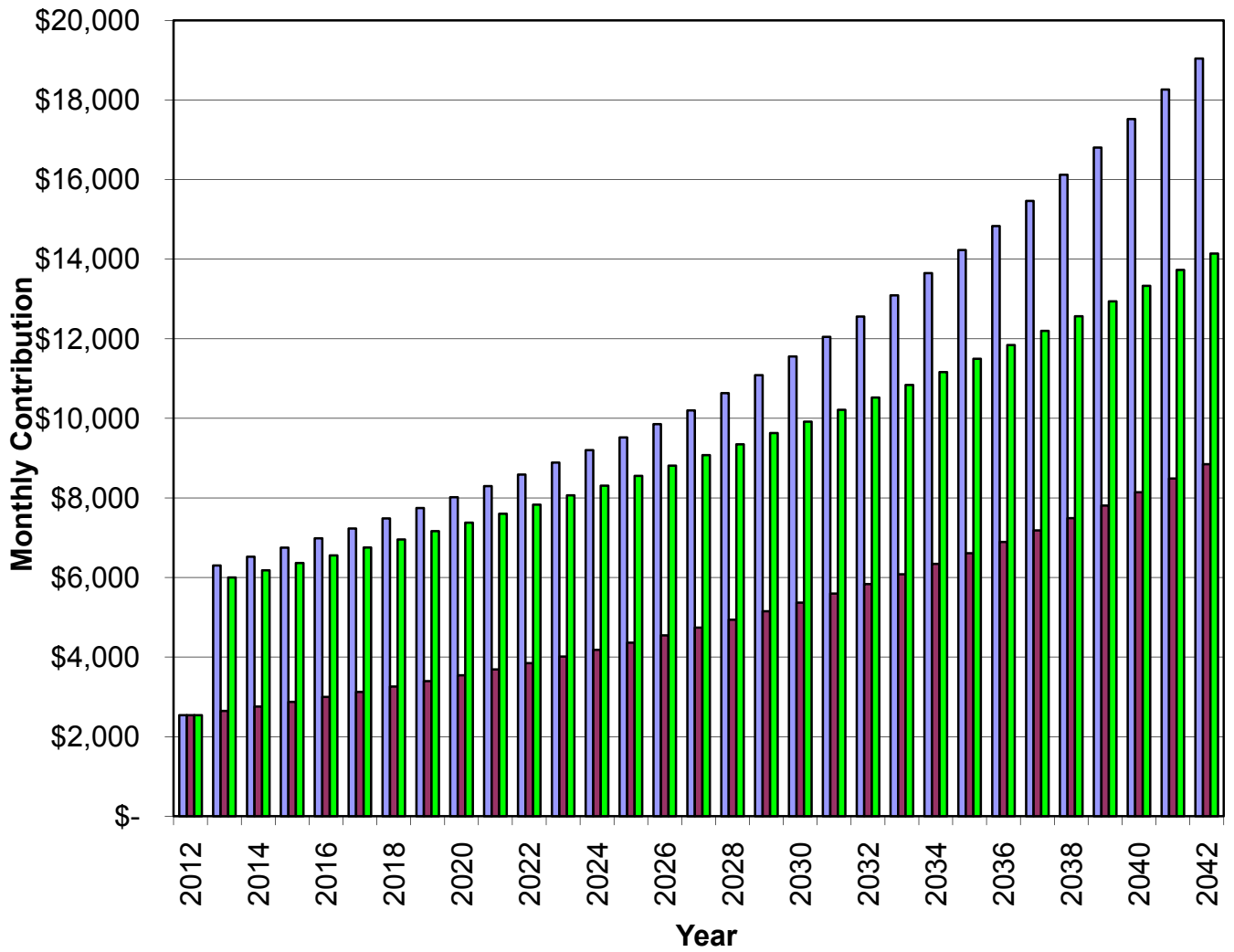
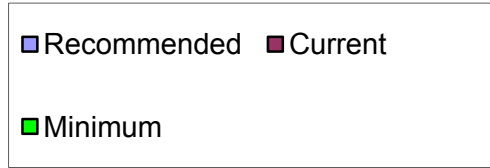
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
209	Wood Fencing - Restain	2	0	\$62,050	\$31,025	54%
601	Concrete Sidewalks - Repair	4	2	\$28,675	\$7,169	12%
1001	Privacy Fencing - Replace	21	11	\$149,810	\$7,134	12%
801	Monument - Rebuild	28	19	\$90,000	\$3,214	6%
All Other	See Expanded Table For Breakdown				\$9,278	16%

Yearly Summary For Fox Meadow Master Association

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2012	\$223,347	\$153,690	69%	\$30,456	\$0	\$4,194	\$62,050
2013	\$228,978	\$126,290	55%	\$75,600	\$0	\$4,991	\$0
2014	\$302,423	\$206,881	68%	\$78,246	\$0	\$5,731	\$115,154
2015	\$261,678	\$175,704	67%	\$80,985	\$0	\$6,278	\$19,571
2016	\$321,954	\$243,396	76%	\$83,819	\$0	\$7,553	\$73,996
2017	\$331,171	\$260,772	79%	\$86,753	\$0	\$9,251	\$0
2018	\$421,371	\$356,776	85%	\$89,789	\$0	\$10,420	\$118,148
2019	\$395,554	\$338,837	86%	\$92,932	\$0	\$11,719	\$0
2020	\$495,580	\$443,489	89%	\$96,184	\$0	\$13,291	\$109,182
2021	\$489,712	\$443,783	91%	\$99,551	\$0	\$14,902	\$7,208
2022	\$594,011	\$551,028	93%	\$103,035	\$0	\$15,614	\$178,374
2023	\$528,174	\$491,303	93%	\$106,641	\$0	\$12,685	\$255,169
2024	\$383,346	\$355,460	93%	\$110,374	\$0	\$10,890	\$105,229
2025	\$393,101	\$371,494	95%	\$114,237	\$0	\$13,037	\$0
2026	\$517,870	\$498,768	96%	\$118,235	\$0	\$13,999	\$195,288
2027	\$448,998	\$435,714	97%	\$122,373	\$0	\$14,609	\$33,190
2028	\$551,453	\$539,506	98%	\$127,574	\$0	\$16,441	\$125,488
2029	\$567,329	\$558,033	98%	\$132,996	\$0	\$16,918	\$136,609
2030	\$577,798	\$571,339	99%	\$138,648	\$0	\$16,439	\$200,364
2031	\$527,859	\$526,062	100%	\$144,541	\$0	\$14,928	\$215,093
2032	\$466,287	\$470,439	101%	\$150,684	\$0	\$13,785	\$185,159
2033	\$439,499	\$449,748	102%	\$157,088	\$0	\$16,005	\$4,158
2034	\$607,210	\$618,683	102%	\$163,764	\$0	\$17,542	\$247,629
2035	\$534,893	\$552,360	103%	\$170,724	\$0	\$19,397	\$0
2036	\$725,255	\$742,481	102%	\$177,980	\$0	\$22,576	\$178,457
2037	\$745,179	\$764,581	103%	\$185,544	\$0	\$26,077	\$0
2038	\$960,307	\$976,202	102%	\$193,430	\$0	\$27,597	\$331,185
2039	\$847,200	\$866,044	102%	\$201,651	\$0	\$28,552	\$56,286
2040	\$1,024,811	\$1,039,961	101%	\$210,221	\$0	\$31,110	\$244,538
2041	\$1,022,616	\$1,036,753	101%	\$219,155	\$0	\$34,692	\$11,469

Reserve Contributions For Fox Meadow Master Association

Reserve Contributions



Component Funding Information For Fox Meadow Master Association

ID	Component Name	Ave Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
105	Pitched Roof - Comp Shingle - Replace	\$7,425	\$12,050	\$3,713	\$3,713	\$14.81
106	Pitched Roof - Slate Tile - Replace	\$3,300	\$8,691	\$880	\$0	\$4.83
209	Wood Fencing - Restain	\$62,050	\$67,760	\$62,050	\$62,050	\$1,361.83
215	Wood Siding - Repaint	\$1,650	\$1,883	\$825	\$825	\$12.07
301	Shade Structure Siding - Replace	\$7,140	\$15,090	\$2,285	\$0	\$12.54
303	Wood Siding - Replace	\$14,885	\$23,116	\$9,923	\$9,923	\$21.78
505	Vehicle Iron Gate - Replace	\$2,800	\$3,195	\$2,100	\$2,100	\$10.24
601	Concrete Sidewalks - Repair	\$28,675	\$31,314	\$14,338	\$14,338	\$314.67
801	Monument - Rebuild	\$90,000	\$207,707	\$28,929	\$0	\$141.09
1001	Privacy Fencing - Replace	\$149,810	\$243,120	\$71,338	\$36,969	\$313.14
1009	Two-Rail Fencing - Repair	\$14,725	\$16,080	\$9,817	\$9,817	\$107.72
1301	Play Equipment - Replace	\$57,500	\$121,519	\$3,194	\$0	\$140.22
1303	Tot Lot Groundcover - Refill	\$3,200	\$4,756	\$320	\$320	\$14.05
1306	Park Furnishings - Replace	\$9,250	\$14,365	\$4,111	\$4,111	\$22.56
1703	Irrigation Timeclocks - Replace	\$12,700	\$14,493	\$9,525	\$9,525	\$46.46

Yearly Cash Flow For Fox Meadow Master Association

Year	2012	2013	2014	2015	2016
Starting Balance	\$153,690	\$126,290	\$206,881	\$175,704	\$243,396
<i>Reserve Income</i>	\$30,456	\$75,600	\$78,246	\$80,985	\$83,819
<i>Interest Earnings</i>	\$4,194	\$4,991	\$5,731	\$6,278	\$7,553
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$188,340	\$206,881	\$290,858	\$262,967	\$334,768
Reserve Expenditures	\$62,050	\$0	\$115,154	\$19,571	\$73,996
Ending Balance	\$126,290	\$206,881	\$175,704	\$243,396	\$260,772

Year	2017	2018	2019	2020	2021
Starting Balance	\$260,772	\$356,776	\$338,837	\$443,489	\$443,783
<i>Reserve Income</i>	\$86,753	\$89,789	\$92,932	\$96,184	\$99,551
<i>Interest Earnings</i>	\$9,251	\$10,420	\$11,719	\$13,291	\$14,902
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$356,776	\$456,985	\$443,489	\$552,964	\$558,236
Reserve Expenditures	\$0	\$118,148	\$0	\$109,182	\$7,208
Ending Balance	\$356,776	\$338,837	\$443,489	\$443,783	\$551,028

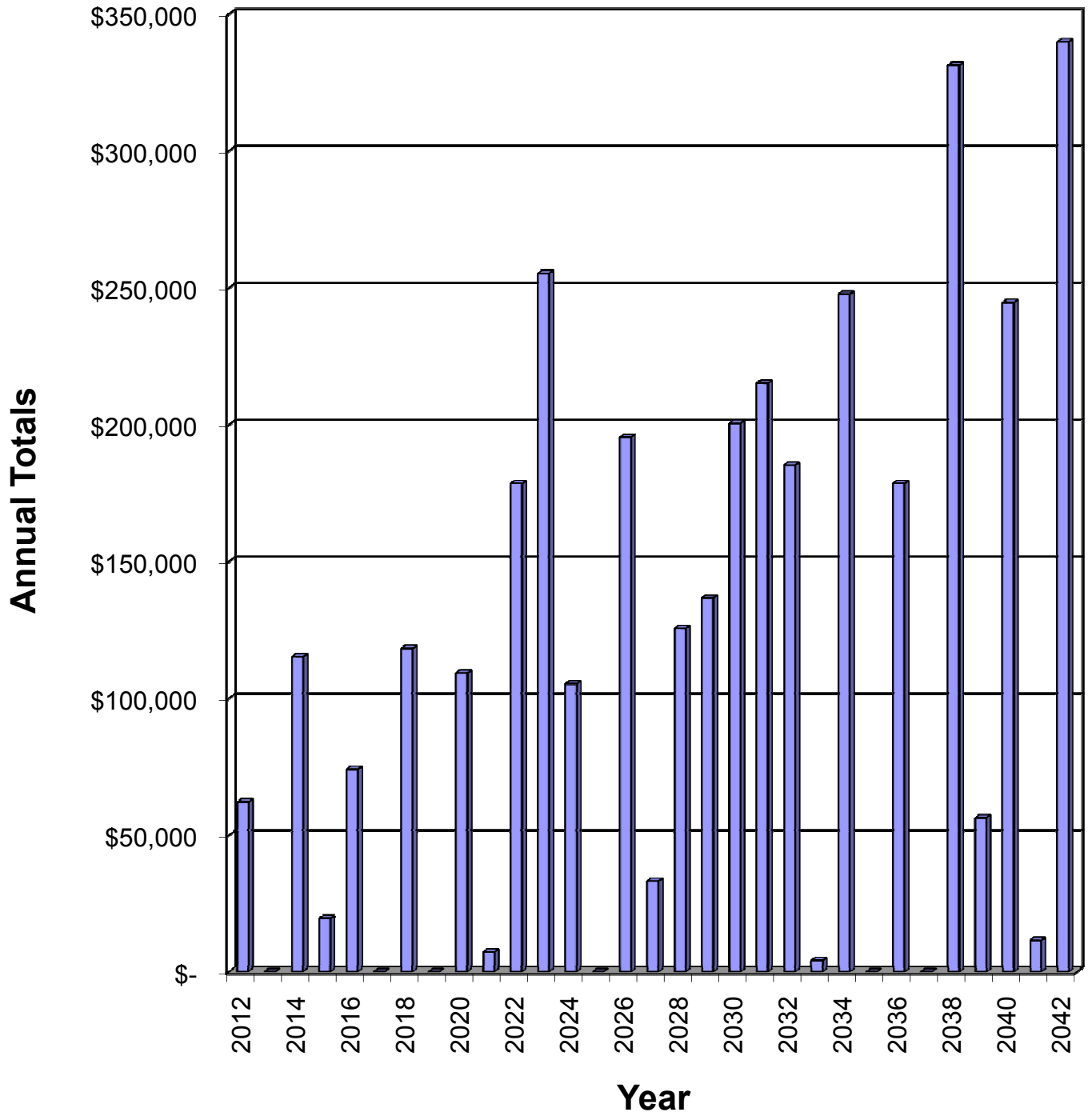
Year	2022	2023	2024	2025	2026
Starting Balance	\$551,028	\$491,303	\$355,460	\$371,494	\$498,768
<i>Reserve Income</i>	\$103,035	\$106,641	\$110,374	\$114,237	\$118,235
<i>Interest Earnings</i>	\$15,614	\$12,685	\$10,890	\$13,037	\$13,999
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$669,678	\$610,629	\$476,724	\$498,768	\$631,001
Reserve Expenditures	\$178,374	\$255,169	\$105,229	\$0	\$195,288
Ending Balance	\$491,303	\$355,460	\$371,494	\$498,768	\$435,714

Year	2027	2028	2029	2030	2031
Starting Balance	\$435,714	\$539,506	\$558,033	\$571,339	\$526,062
<i>Reserve Income</i>	\$122,373	\$127,574	\$132,996	\$138,648	\$144,541
<i>Interest Earnings</i>	\$14,609	\$16,441	\$16,918	\$16,439	\$14,928
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$572,696	\$683,522	\$707,948	\$726,427	\$685,531
Reserve Expenditures	\$33,190	\$125,488	\$136,609	\$200,364	\$215,093
Ending Balance	\$539,506	\$558,033	\$571,339	\$526,062	\$470,439

Year	2032	2033	2034	2035	2036
Starting Balance	\$470,439	\$449,748	\$618,683	\$552,360	\$742,481
<i>Reserve Income</i>	\$150,684	\$157,088	\$163,764	\$170,724	\$177,980
<i>Interest Earnings</i>	\$13,785	\$16,005	\$17,542	\$19,397	\$22,576
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$634,907	\$622,841	\$799,989	\$742,481	\$943,037
Reserve Expenditures	\$185,159	\$4,158	\$247,629	\$0	\$178,457
Ending Balance	\$449,748	\$618,683	\$552,360	\$742,481	\$764,581

Year	2037	2038	2039	2040	2041
Starting Balance	\$764,581	\$976,202	\$866,044	\$1,039,961	\$1,036,753
<i>Reserve Income</i>	\$185,544	\$193,430	\$201,651	\$210,221	\$219,155
<i>Interest Earnings</i>	\$26,077	\$27,597	\$28,552	\$31,110	\$34,692
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$976,202	\$1,197,229	\$1,096,247	\$1,281,291	\$1,290,601
Reserve Expenditures	\$0	\$331,185	\$56,286	\$244,538	\$11,469
Ending Balance	\$976,202	\$866,044	\$1,039,961	\$1,036,753	\$1,279,132

Reserve Expenditures



Projected Reserve Expenditures For Fox Meadow Master Association

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2012	209	Wood Fencing - Restain	\$62,050	\$62,050
2013		No Expenditures Projected		\$0
2014	209	Wood Fencing - Restain	\$67,760	
	601	Concrete Sidewalks - Repair	\$31,314	
	1009	Two-Rail Fencing - Repair	\$16,080	\$115,154
2015	215	Wood Siding - Repaint	\$1,883	
	505	Vehicle Iron Gate - Replace	\$3,195	
	1703	Irrigation Timeclocks - Replace	\$14,493	\$19,571
2016	209	Wood Fencing - Restain	\$73,996	\$73,996
2017		No Expenditures Projected		\$0
2018	209	Wood Fencing - Restain	\$80,805	
	601	Concrete Sidewalks - Repair	\$37,342	\$118,148
2019		No Expenditures Projected		\$0
2020	209	Wood Fencing - Restain	\$88,241	
	1009	Two-Rail Fencing - Repair	\$20,940	\$109,182
2021	215	Wood Siding - Repaint	\$2,452	
	1303	Tot Lot Groundcover - Refill	\$4,756	\$7,208
2022	209	Wood Fencing - Restain	\$96,362	
	303	Wood Siding - Replace	\$23,116	
	601	Concrete Sidewalks - Repair	\$44,531	
	1306	Park Furnishings - Replace	\$14,365	\$178,374
2023	105	Pitched Roof - Comp Shingle - Replace	\$12,050	
	1001	Privacy Fencing - Replace	\$243,120	\$255,169
2024	209	Wood Fencing - Restain	\$105,229	\$105,229
2025		No Expenditures Projected		\$0
2026	209	Wood Fencing - Restain	\$114,913	
	601	Concrete Sidewalks - Repair	\$53,105	
	1009	Two-Rail Fencing - Repair	\$27,270	\$195,288
2027	215	Wood Siding - Repaint	\$3,193	
	505	Vehicle Iron Gate - Replace	\$5,419	
	1703	Irrigation Timeclocks - Replace	\$24,578	\$33,190
2028	209	Wood Fencing - Restain	\$125,488	\$125,488
2029	301	Shade Structure Siding - Replace	\$15,090	
	1301	Play Equipment - Replace	\$121,519	\$136,609
2030	209	Wood Fencing - Restain	\$137,036	
	601	Concrete Sidewalks - Repair	\$63,328	\$200,364
2031	801	Monument - Rebuild	\$207,707	
	1303	Tot Lot Groundcover - Refill	\$7,385	\$215,093
2032	209	Wood Fencing - Restain	\$149,647	
	1009	Two-Rail Fencing - Repair	\$35,512	\$185,159
2033	215	Wood Siding - Repaint	\$4,158	\$4,158
2034	106	Pitched Roof - Slate Tile - Replace	\$8,691	
	209	Wood Fencing - Restain	\$163,418	
	601	Concrete Sidewalks - Repair	\$75,520	\$247,629
2035		No Expenditures Projected		\$0
2036	209	Wood Fencing - Restain	\$178,457	\$178,457
2037		No Expenditures Projected		\$0
2038	209	Wood Fencing - Restain	\$194,879	
	601	Concrete Sidewalks - Repair	\$90,059	
	1009	Two-Rail Fencing - Repair	\$46,246	\$331,185
2039	215	Wood Siding - Repaint	\$5,415	
	505	Vehicle Iron Gate - Replace	\$9,190	
	1703	Irrigation Timeclocks - Replace	\$41,682	\$56,286

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2040	209	Wood Fencing - Restain	\$212,813	\$244,538
	1306	Park Furnishings - Replace	\$31,725	
2041	1303	Tot Lot Groundcover - Refill	\$11,469	\$11,469
2042	209	Wood Fencing - Restain	\$232,397	\$339,794
	601	Concrete Sidewalks - Repair	\$107,397	

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

Asset or Component – Individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association Responsibility, 2) with limited Useful Life expectancies, 3) have predictable Remaining Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

Cash Flow Method – A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

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

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

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

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

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

Fully Fund Balance (aka – Ideal Balance) – An indicator against which Actual (or projected) Reserve Balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, and then summed together for an association total.

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

Fund Status – The status of the Reserve Fund as compared to an established benchmark, such as percent funding.

Funding Goals – Independent of methodology utilized, the following represent the basic categories of Funding Plan Goals.

- **Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve Balance above zero.
- **Component Full Funding:** Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100% funded.
- **Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than the “Component Fully Funding” method.

Funding Plan – An associations plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

Funding Principles –

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

Life and Valuation Estimates – The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

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

Physical Analysis – The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL) – Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to *continue* to serve its intended function. Projects anticipated to occur in the initial year have “0” Remaining Useful Life.

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

Reserve Balance – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components in which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. This is based upon information provided and is not audited.

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

Reserve Study – A budget-planning tool that identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis.

Special Assessment – An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

Surplus – An actual (or projected) Reserve Balance that is greater than the Fully Funded Balance.

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