

Sample Level 3 Reserve Study

1234 Any Street
Any Town, CO 80000



Level 3 Reserve Analysis Reserve Study without Property Observation Report Period – 01/01/15 – 12/31/15



Client Reference Number – 8018
Property Type – Townhomes
Number of Units – 112
Fiscal Year End – December 31

Draft
Report

Date of Property Observation - Not Applicable
Project Manager - G. Michael Kelsen, RS, PRA
Main Contact - Ms. Jackie Miles, Community Manager

Report was prepared on - Tuesday, February 03, 2015

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Introduction to the Reserve Analysis –

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

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

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

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

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

General Information and Answers to Frequently Asked Questions –

Why is it important to perform a Reserve Study?

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

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

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

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

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

How often do we update or review “it”?

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

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 states. Even if it is not currently governed by your state, the chances are very good that the documents of the association require the association to have a Reserve fund established. This doesn't mean a Reserve Analysis is required, but how are you going to know you have enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think that \$50,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed \$75,000. So while \$50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

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

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

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

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

The Property Inspection –

A Property Inspection was not conducted for this report.

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 Deer Creek I HOA -

Assoc. ID # - 03075-07

Projected Starting Balance as of June 1, 2007 -	\$431,809
Ideal Reserve Balance as of June 1, 2007 -	\$601,239
Percent Funded as of June 1, 2007 -	72%
Recommended Reserve Allocation (per month) -	\$11,100
Minimum Reserve Allocation (per month) -	\$10,200
Recommended Special Assessment -	\$0

This report is an update to an existing Reserve Study Report that was prepared three years ago for the 2004 fiscal period by another consulting firm. A property site inspection was not conducted per the request of the association. While we commend the Board of Directors in making a decision to update the previous Reserve Study, we recommend having a trained professional inspect the property at least every 3 – 5 years to verify conditions, useful life, and remaining life of components. To update the figures in the report, we obtained information by contacting the property representative (Community Manager) and calling some contractors that performed recent work. 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 property contains 275 condominium units in 12 separate buildings ranging in size of 20 – 24 units per building. Construction of the community began in 1999 and was completed in 2000. Common areas maintained by the association include private streets and parking areas, building exterior surfaces, a pool and clubhouse area, and landscaping. Reported Reserve projects completed since the last report include painting the building exteriors, minor concrete repairs, and renovating the irrigation system due to a court settlement between the developer and the original landscaper. Please refer to pages 11 – 13 of the financial section of the report for a detailed list of components that will need to be addressed in the near future.

In comparing the projected balance of \$431,809 versus the ideal Reserve Balance of \$601,239, we find the association Reserve fund to be in a strong financial position at this time (approximately 72% funded of ideal). The projected balance is very close to what was anticipated (\$434,763) in the original report. We were unable to compare the percent funded status due to lack of information in that report. Despite this standing, we find that the current budgeted allocation (\$8,161 per month) is substantially less than what was recommended for 2007 in the original Reserve Study (\$10,875 per month). As a result, we recommend increasing the Reserve contribution to \$11,100 per month (representing an increase of \$10.69 per month per unit), followed by nominal annual increases of 3.00% thereafter to help offset the effects of inflation. This will maintain the strength of the Reserve fund in a positive position (70% - 100% of ideal) while avoiding Special Assessments and deferred maintenance during the 30-year report period.

In the percent Funded graph, you will see that we have also suggested a minimum Reserve contribution of \$10,200 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where Special Assessments, deferred maintenance, and lower property values are likely 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 \$3.30 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 involved, we strongly suggest the recommended Reserve Allocation is followed.

Funding Summary For Level 3 Sample Report

Beginning Assumptions

Financial Information Source	Research With Client
# of units	275
Fiscal Year End	December 31, 2007
Budgeted Monthly Dues	\$41,300.00
Budgeted Monthly Reserve Allocation	\$8,161.00
Projected Starting Reserve Balance	\$431,809
Ideal Starting Reserve Balance	\$601,239

Economic Factors

Current Inflation Rate	3.00%
Reported After-Tax Interest Rate	3.50%

Current Reserve Status

Current Balance as a % of Ideal Balance	72%
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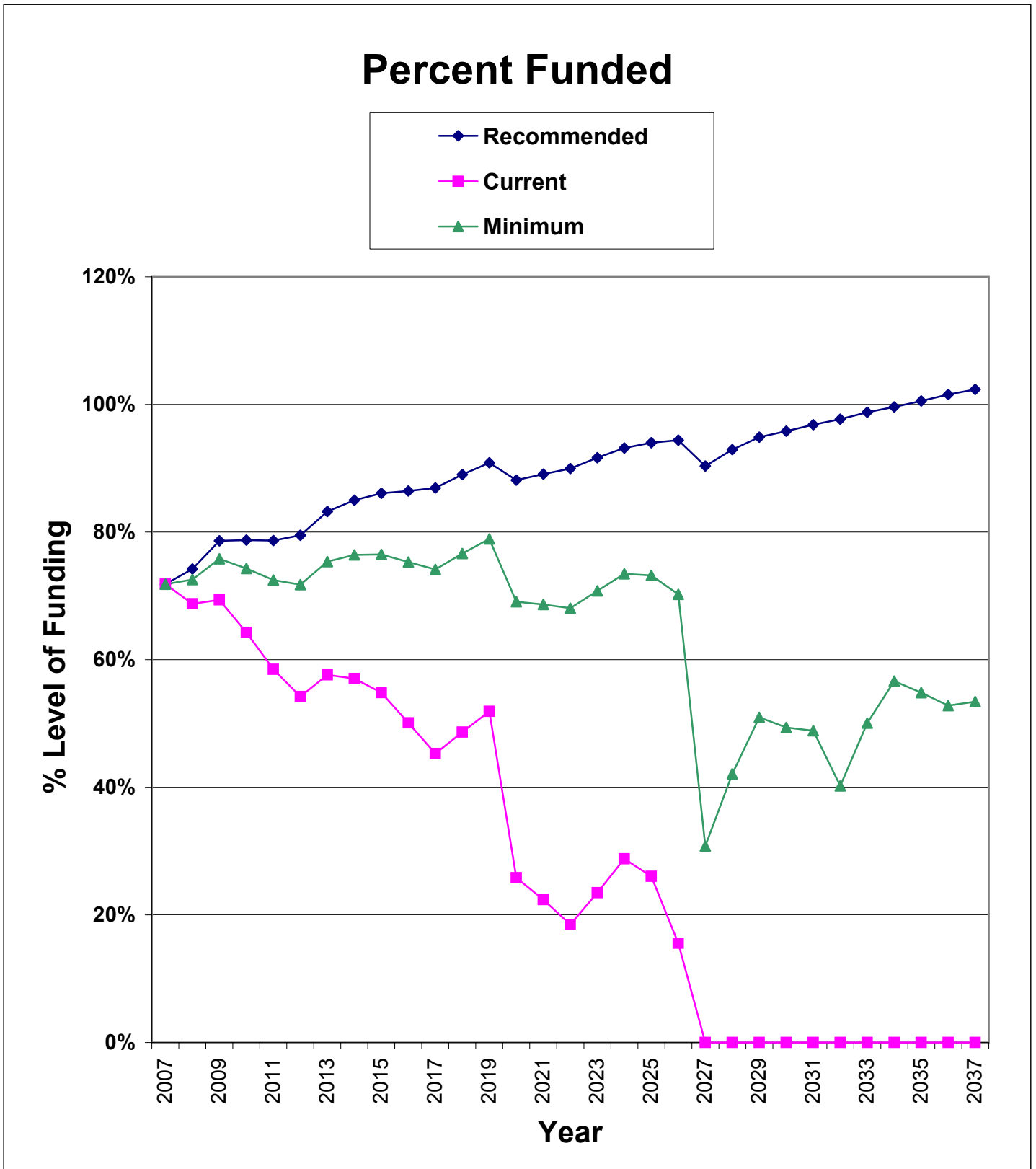
Recommendations

Monthly Reserve Allocation	\$11,100
Per Unit	\$40.36
Minimum Monthly Reserve Allocation	\$10,200
Per Unit	\$37.09
Nominal Annual Increases	3.00%
# of Years	30
Special Assessment	\$0
Per Unit	\$0

Changes From Prior Year

Increase/Decrease to Reserve Allocation	\$2,939
as Percentage	36%
Per Unit	\$10.69

Percent Funded Graph For Level 3 Sample Report



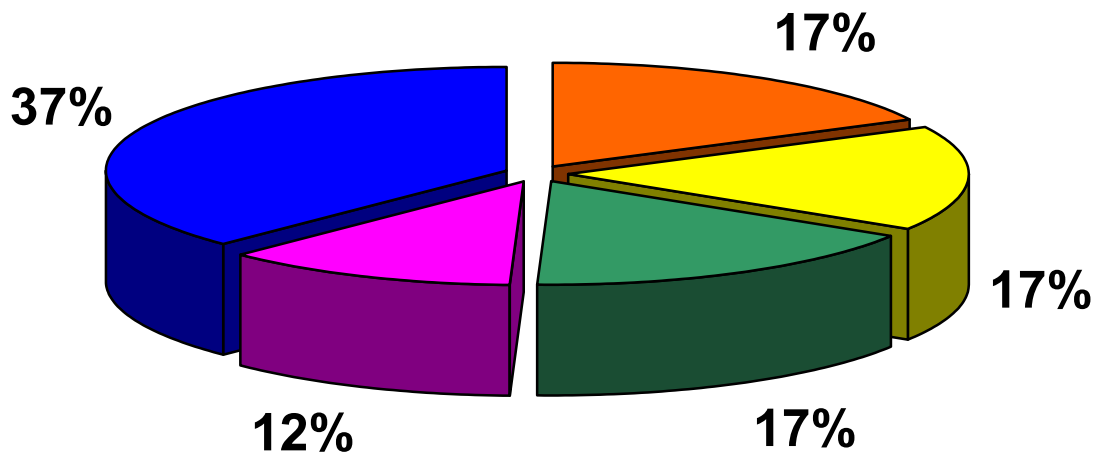
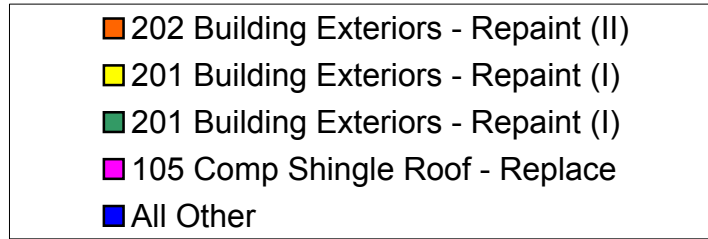
Component Inventory for Level 3 Sample Report

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	105	Comp Shingle Roof - Replace	30	19	\$446,250	\$484,500
	120	Rain Gutters - Replace	30	19	\$58,900	\$65,100
Painted Surfaces	201	Building Exteriors - Repaint (I)	5	2	\$99,000	\$117,000
	202	Building Exteriors - Repaint (II)	5	3	\$104,500	\$123,500
	202	Building Exteriors - Repaint (III)	5	4	\$99,000	\$117,000
	207	Iron Pool Fence - Repaint	4	0	\$1,575	\$1,913
	216	Interior Surfaces - Repaint	12	3	\$2,000	\$2,500
Siding Materials	305	Wood Siding - Repair/Replace (I)	6	2	\$19,500	\$21,650
	306	Wood Siding - Repair/Replace (II)	6	0	\$19,500	\$21,650
Drive Materials	401	Asphalt - Overlay	20	12	\$191,866	\$214,439
	402	Asphalt - Seal Coat/crack fill	4	0	\$18,058	\$21,444
Property Access	502	Garage Doors - Replace	N/A		\$0	\$0
Decking	601	Concrete Surfaces - Repair	3	0	\$28,000	\$31,500
	607	Wood Deck - Repair/Replace	N/A		\$0	\$0
	609	Deck Railing- Replace	24	18	\$16,720	\$19,760
Mechanical Equip.	703	Hot Water Heater - Replace	N/A		\$0	\$0
	705	AC Units - Replace	18	10	\$8,000	\$9,000
	706	Furnace - Replace	18	10	\$4,400	\$5,000
Fencing/Walls	1002	Ironwork Fencing - Replace	25	18	\$11,250	\$13,500
	1010	Trash Enclosures/Gates - Replace	10	3	\$8,530	\$10,000
	1011	Retaining Wall - Replace	N/A		\$0	\$0
Pool/Spa	1101	Pool - Resurface	10	2	\$16,200	\$18,900
	1102	Spa - Resurface	10	2	\$1,500	\$2,000
	1103	Pool Coping Stone/Tile - Replace	20	12	\$5,300	\$6,200
	1104	Pool Heater - Replace	12	3	\$3,600	\$4,000
	1105	Spa Heater - Replace	12	3	\$2,500	\$3,000
	1107	Pool Filter - Replace	16	8	\$1,200	\$1,500
	1108	Spa Filter - Replace	16	8	\$1,200	\$1,500
	1112	Pool/Spa Cover - Replace	10	2	\$5,700	\$6,000
Interiors	1405	Furnishings - Replace	20	12	\$10,000	\$14,000
	1406	Fitness Equipment - Replace	8	1	\$15,000	\$17,500
Flooring	1501	Carpeting - Replace	10	2	\$2,530	\$2,875
Light Fixtures	1604	Pole Lights - Replace (10')	22	12	\$6,000	\$7,500
	1604	Pole Lights - Replace (6')	22	12	\$26,400	\$33,000
Irrig. System	1701	Irrigation System - Rebuild/Replace	N/A		\$0	\$0

Significant Components For Level 3 Sample Report

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
105	Comp Shingle Roof - Replace	30	19	\$465,375	\$15,513	11.8877%
120	Rain Gutters - Replace	30	19	\$62,000	\$2,067	1.5837%
201	Building Exteriors - Repaint (I)	5	2	\$108,000	\$21,600	16.5527%
202	Building Exteriors - Repaint (II)	5	3	\$114,000	\$22,800	17.4723%
202	Building Exteriors - Repaint (III)	5	4	\$108,000	\$21,600	16.5527%
207	Iron Pool Fence - Repaint	4	0	\$1,744	\$436	0.3341%
216	Interior Surfaces - Repaint	12	3	\$2,250	\$188	0.1437%
305	Wood Siding - Repair/Replace (I)	6	2	\$20,575	\$3,429	2.6279%
306	Wood Siding - Repair/Replace (II)	6	0	\$20,575	\$3,429	2.6279%
307	Wood Siding - Repair/Replace (III)	6	0	\$20,575	\$3,429	2.6279%
401	Asphalt - Overlay	20	12	\$203,153	\$10,158	7.7841%
402	Asphalt - Seal Coat/crack fill	4	0	\$19,751	\$4,938	3.7839%
601	Concrete Surfaces - Repair	3	0	\$29,750	\$9,917	7.5994%
609	Deck Railing- Replace	24	18	\$18,240	\$760	0.5824%
705	AC Units - Replace	18	10	\$8,500	\$472	0.3619%
706	Furnace - Replace	18	10	\$4,700	\$261	0.2001%
1002	Ironwork Fencing - Replace	25	18	\$12,375	\$495	0.3793%
1010	Trash Enclosures/Gates - Replace	10	3	\$9,265	\$927	0.7100%
1101	Pool - Resurface	10	2	\$17,550	\$1,755	1.3449%
1102	Spa - Resurface	10	2	\$1,750	\$175	0.1341%
1103	Pool Coping Stone/Tile - Replace	20	12	\$5,750	\$288	0.2203%
1104	Pool Heater - Replace	12	3	\$3,800	\$317	0.2427%
1105	Spa Heater - Replace	12	3	\$2,750	\$229	0.1756%
1107	Pool Filter - Replace	16	8	\$1,350	\$84	0.0647%
1108	Spa Filter - Replace	16	8	\$1,350	\$84	0.0647%
1112	Pool/Spa Cover - Replace	10	2	\$5,850	\$585	0.4483%
1405	Furnishings - Replace	20	12	\$12,000	\$600	0.4598%
1406	Fitness Equipment - Replace	8	1	\$16,250	\$2,031	1.5566%
1501	Carpeting - Replace	10	2	\$2,703	\$270	0.2071%
1604	Pole Lights - Replace (10')	22	12	\$6,750	\$307	0.2351%
1604	Pole Lights - Replace (6')	22	12	\$29,700	\$1,350	1.0345%

Significant Components Graph For Level 3 Sample Report



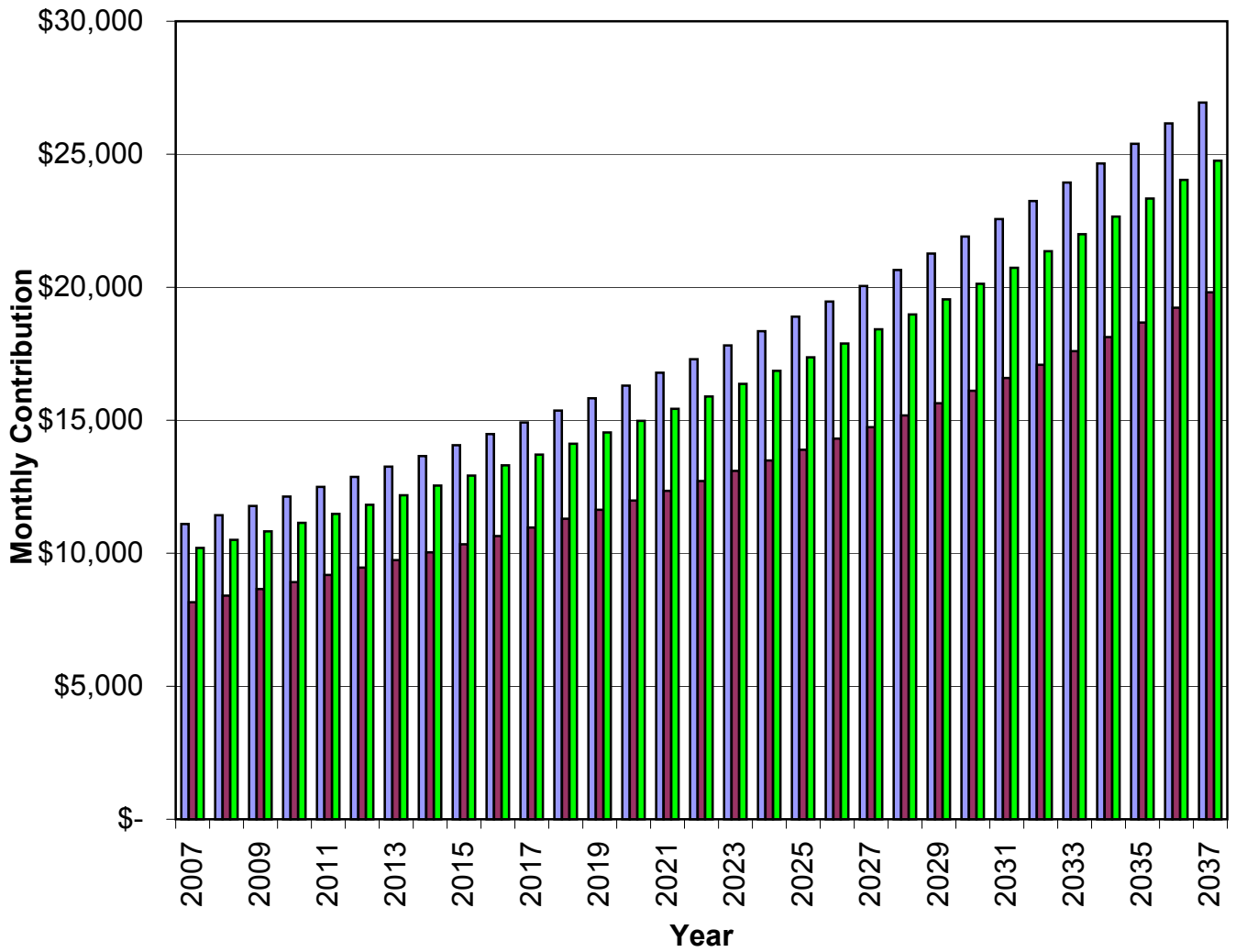
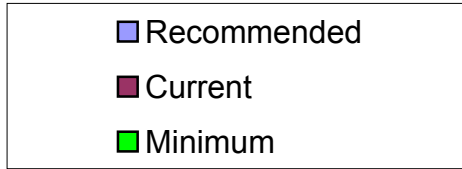
Significance:
(Curr Cost/UL)

Asset ID	Asset Name	UL	RUL	Average Curr. Cost	As \$	As %
202	Building Exteriors - Repaint (II)	5	3	\$114,000	\$22,800	17%
201	Building Exteriors - Repaint (I)	5	2	\$108,000	\$21,600	17%
201	Building Exteriors - Repaint (I)	5	2	\$108,000	\$21,600	17%
105	Comp Shingle Roof - Replace	30	19	\$465,375	\$15,513	12%
All Other	See Expanded Table For Breakdown				\$48,980	38%

Yearly Summary For Level 3 Sample Report

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Interest Income	Reserve Expenses
2007	\$601,239	\$431,809	72%	\$133,200	\$16,084	\$92,395
2008	\$658,517	\$488,698	74%	\$137,196	\$19,524	\$16,738
2009	\$799,472	\$628,680	79%	\$141,312	\$21,922	\$165,954
2010	\$795,116	\$625,960	79%	\$145,551	\$21,707	\$176,820
2011	\$783,716	\$616,399	79%	\$149,918	\$21,998	\$145,747
2012	\$808,384	\$642,567	79%	\$154,415	\$25,600	\$0
2013	\$988,450	\$822,583	83%	\$159,048	\$30,580	\$84,658
2014	\$1,091,395	\$927,552	85%	\$163,819	\$33,541	\$132,826
2015	\$1,152,629	\$992,086	86%	\$168,734	\$34,709	\$201,125
2016	\$1,150,313	\$994,405	86%	\$173,796	\$34,885	\$200,935
2017	\$1,153,230	\$1,002,151	87%	\$179,010	\$38,511	\$17,740
2018	\$1,350,187	\$1,201,932	89%	\$184,380	\$46,028	\$0
2019	\$1,576,743	\$1,432,340	91%	\$189,911	\$42,009	\$692,349
2020	\$1,102,559	\$971,911	88%	\$195,609	\$34,827	\$181,019
2021	\$1,146,567	\$1,021,328	89%	\$201,477	\$36,450	\$194,481
2022	\$1,183,952	\$1,064,774	90%	\$207,521	\$40,493	\$60,060
2023	\$1,367,011	\$1,252,729	92%	\$213,747	\$47,744	\$34,493
2024	\$1,588,178	\$1,479,727	93%	\$220,159	\$52,892	\$205,366
2025	\$1,646,450	\$1,547,412	94%	\$226,764	\$52,545	\$366,900
2026	\$1,546,756	\$1,459,821	94%	\$233,567	\$36,262	\$1,114,134
2027	\$681,284	\$615,516	90%	\$240,574	\$24,819	\$75,983
2028	\$866,215	\$804,926	93%	\$247,791	\$32,051	\$55,344
2029	\$1,085,234	\$1,029,425	95%	\$255,225	\$36,523	\$260,307
2030	\$1,107,213	\$1,060,866	96%	\$262,882	\$38,080	\$243,274
2031	\$1,155,121	\$1,118,554	97%	\$270,768	\$37,257	\$412,850
2032	\$1,037,761	\$1,013,729	98%	\$278,891	\$40,410	\$34,024
2033	\$1,315,268	\$1,299,006	99%	\$287,258	\$50,521	\$44,372
2034	\$1,598,885	\$1,592,413	100%	\$295,876	\$56,110	\$325,530
2035	\$1,610,112	\$1,618,869	101%	\$304,752	\$56,948	\$340,203
2036	\$1,615,521	\$1,640,366	102%	\$313,895	\$59,399	\$254,509

Reserve Contributions



Component Funding Information For Level 3 Sample Report

ID	Component Name	Ave			Current	
		Current Cost	Future Cost	Ideal Balance	Fund Balance	Monthly
105	Comp Shingle Roof - Replace	\$465,375	\$816,038	\$170,638	\$23,941	\$1,319.53
120	Rain Gutters - Replace	\$62,000	\$108,717	\$22,733	\$0	\$175.80
201	Building Exteriors - Repaint (I)	\$108,000	\$114,577	\$64,800	\$64,800	\$1,837.35
202	Building Exteriors - Repaint (II)	\$114,000	\$124,571	\$45,600	\$45,600	\$1,939.42
202	Building Exteriors - Repaint (III)	\$108,000	\$121,555	\$21,600	\$21,600	\$1,837.35
207	Iron Pool Fence - Repaint	\$1,744	\$1,963	\$1,744	\$1,744	\$37.08
216	Interior Surfaces - Repaint	\$2,250	\$2,459	\$1,688	\$1,688	\$15.95
305	Wood Siding - Repair/Replace (I)	\$20,575	\$21,828	\$13,717	\$13,717	\$291.69
306	Wood Siding - Repair/Replace (II)	\$20,575	\$24,568	\$20,575	\$20,575	\$291.69
307	Wood Siding - Repair/Replace (III)	\$20,575	\$24,568	\$20,575	\$20,575	\$291.69
401	Asphalt - Overlay	\$203,153	\$289,647	\$81,261	\$81,261	\$864.03
402	Asphalt - Seal Coat/crack fill	\$19,751	\$22,230	\$19,751	\$19,751	\$420.02
601	Concrete Surfaces - Repair	\$29,750	\$32,509	\$29,750	\$29,750	\$843.54
609	Deck Railing- Replace	\$18,240	\$31,052	\$4,560	\$4,560	\$64.65
705	AC Units - Replace	\$8,500	\$11,423	\$3,778	\$3,778	\$40.17
706	Furnace - Replace	\$4,700	\$6,316	\$2,089	\$2,089	\$22.21
1002	Ironwork Fencing - Replace	\$12,375	\$21,068	\$3,465	\$3,465	\$42.11
1010	Trash Enclosures/Gates - Replace	\$9,265	\$10,124	\$6,486	\$6,486	\$78.81
1101	Pool - Resurface	\$17,550	\$18,619	\$14,040	\$14,040	\$149.28
1102	Spa - Resurface	\$1,750	\$1,857	\$1,400	\$1,400	\$14.89
1103	Pool Coping Stone/Tile - Replace	\$5,750	\$8,198	\$2,300	\$2,300	\$24.46
1104	Pool Heater - Replace	\$3,800	\$4,152	\$2,850	\$2,850	\$26.94
1105	Spa Heater - Replace	\$2,750	\$3,005	\$2,063	\$2,063	\$19.49
1107	Pool Filter - Replace	\$1,350	\$1,710	\$675	\$675	\$7.18
1108	Spa Filter - Replace	\$1,350	\$1,710	\$675	\$675	\$7.18
1112	Pool/Spa Cover - Replace	\$5,850	\$6,206	\$4,680	\$4,680	\$49.76
1405	Furnishings - Replace	\$12,000	\$17,109	\$4,800	\$4,800	\$51.04
1406	Fitness Equipment - Replace	\$16,250	\$16,738	\$14,219	\$14,219	\$172.78
1501	Carpeting - Replace	\$2,703	\$2,867	\$2,162	\$2,162	\$22.99
1604	Pole Lights - Replace (10')	\$6,750	\$9,624	\$3,068	\$3,068	\$26.10
1604	Pole Lights - Replace (6')	\$29,700	\$42,345	\$13,500	\$13,500	\$114.83

Yearly Cash Flow For Level 3 Sample Report

Year	2007	2008	2009	2010	2011
Starting Balance	\$431,809	\$488,698	\$628,680	\$625,960	\$616,399
<i>Reserve Income</i>	\$133,200	\$137,196	\$141,312	\$145,551	\$149,918
<i>Interest Earnings</i>	\$16,084	\$19,524	\$21,922	\$21,707	\$21,998
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$581,093	\$645,418	\$791,914	\$793,219	\$788,315
Reserve Expenditures	\$92,395	\$16,738	\$165,954	\$176,820	\$145,747
Ending Balance	\$488,698	\$628,680	\$625,960	\$616,399	\$642,567

Year	2012	2013	2014	2015	2016
Starting Balance	\$642,567	\$822,583	\$927,552	\$992,086	\$994,405
<i>Reserve Income</i>	\$154,415	\$159,048	\$163,819	\$168,734	\$173,796
<i>Interest Earnings</i>	\$25,600	\$30,580	\$33,541	\$34,709	\$34,885
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$822,583	\$1,012,210	\$1,124,912	\$1,195,529	\$1,203,086
Reserve Expenditures	\$0	\$84,658	\$132,826	\$201,125	\$200,935
Ending Balance	\$822,583	\$927,552	\$992,086	\$994,405	\$1,002,151

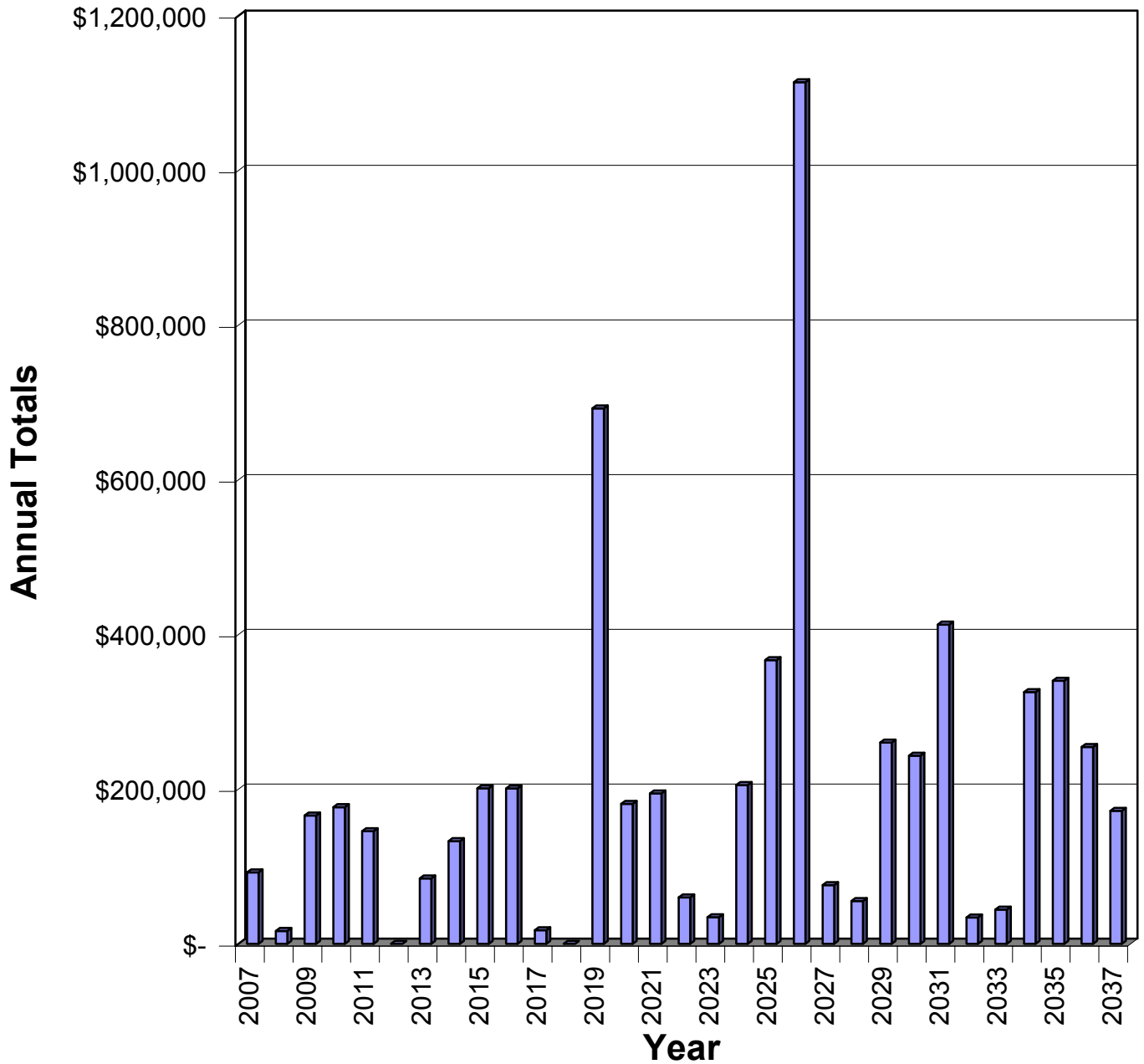
Year	2017	2018	2019	2020	2021
Starting Balance	\$1,002,151	\$1,201,932	\$1,432,340	\$971,911	\$1,021,328
<i>Reserve Income</i>	\$179,010	\$184,380	\$189,911	\$195,609	\$201,477
<i>Interest Earnings</i>	\$38,511	\$46,028	\$42,009	\$34,827	\$36,450
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$1,219,672	\$1,432,340	\$1,664,260	\$1,202,347	\$1,259,255
Reserve Expenditures	\$17,740	\$0	\$692,349	\$181,019	\$194,481
Ending Balance	\$1,201,932	\$1,432,340	\$971,911	\$1,021,328	\$1,064,774

Year	2022	2023	2024	2025	2026
Starting Balance	\$1,064,774	\$1,252,729	\$1,479,727	\$1,547,412	\$1,459,821
<i>Reserve Income</i>	\$207,521	\$213,747	\$220,159	\$226,764	\$233,567
<i>Interest Earnings</i>	\$40,493	\$47,744	\$52,892	\$52,545	\$36,262
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$1,312,788	\$1,514,219	\$1,752,778	\$1,826,721	\$1,729,650
Reserve Expenditures	\$60,060	\$34,493	\$205,366	\$366,900	\$1,114,134
Ending Balance	\$1,252,729	\$1,479,727	\$1,547,412	\$1,459,821	\$615,516

Year	2027	2028	2029	2030	2031
Starting Balance	\$615,516	\$804,926	\$1,029,425	\$1,060,866	\$1,118,554
<i>Reserve Income</i>	\$240,574	\$247,791	\$255,225	\$262,882	\$270,768
<i>Interest Earnings</i>	\$24,819	\$32,051	\$36,523	\$38,080	\$37,257
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$880,909	\$1,084,769	\$1,321,173	\$1,361,828	\$1,426,579
Reserve Expenditures	\$75,983	\$55,344	\$260,307	\$243,274	\$412,850
Ending Balance	\$804,926	\$1,029,425	\$1,060,866	\$1,118,554	\$1,013,729

Year	2032	2033	2034	2035	2036
Starting Balance	\$1,013,729	\$1,299,006	\$1,592,413	\$1,618,869	\$1,640,366
<i>Reserve Income</i>	\$278,891	\$287,258	\$295,876	\$304,752	\$313,895
<i>Interest Earnings</i>	\$40,410	\$50,521	\$56,110	\$56,948	\$59,399
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$1,333,030	\$1,636,785	\$1,944,399	\$1,980,569	\$2,013,659
Reserve Expenditures	\$34,024	\$44,372	\$325,530	\$340,203	\$254,509
Ending Balance	\$1,299,006	\$1,592,413	\$1,618,869	\$1,640,366	\$1,759,150

Reserve Expenditures



Projected Reserve Expenditures For Level 3 Sample Report

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2007	207	Iron Pool Fence - Repaint	\$1,744	
	306	Wood Siding - Repair/Replace (II)	\$20,575	
	307	Wood Siding - Repair/Replace (III)	\$20,575	
	402	Asphalt - Seal Coat/crack fill	\$19,751	
	601	Concrete Surfaces - Repair	\$29,750	\$92,395
2008	1406	Fitness Equipment - Replace	\$16,738	\$16,738
2009	201	Building Exteriors - Repaint (I)	\$114,577	
	305	Wood Siding - Repair/Replace (I)	\$21,828	
	1101	Pool - Resurface	\$18,619	
	1102	Spa - Resurface	\$1,857	
	1112	Pool/Spa Cover - Replace	\$6,206	
	1501	Carpeting - Replace	\$2,867	\$165,954
2010	202	Building Exteriors - Repaint (II)	\$124,571	
	216	Interior Surfaces - Repaint	\$2,459	
	601	Concrete Surfaces - Repair	\$32,509	
	1010	Trash Enclosures/Gates - Replace	\$10,124	
	1104	Pool Heater - Replace	\$4,152	
	1105	Spa Heater - Replace	\$3,005	\$176,820
2011	202	Building Exteriors - Repaint (III)	\$121,555	
	207	Iron Pool Fence - Repaint	\$1,963	
	402	Asphalt - Seal Coat/crack fill	\$22,230	\$145,747
2012		No Expenditures Projected		\$0
2013	306	Wood Siding - Repair/Replace (II)	\$24,568	
	307	Wood Siding - Repair/Replace (III)	\$24,568	
	601	Concrete Surfaces - Repair	\$35,523	\$84,658
2014	201	Building Exteriors - Repaint (I)	\$132,826	\$132,826
2015	202	Building Exteriors - Repaint (II)	\$144,412	
	207	Iron Pool Fence - Repaint	\$2,209	
	305	Wood Siding - Repair/Replace (I)	\$26,064	
	402	Asphalt - Seal Coat/crack fill	\$25,020	
	1107	Pool Filter - Replace	\$1,710	
	1108	Spa Filter - Replace	\$1,710	\$201,125
2016	202	Building Exteriors - Repaint (III)	\$140,916	
	601	Concrete Surfaces - Repair	\$38,817	
	1406	Fitness Equipment - Replace	\$21,203	\$200,935
2017	705	AC Units - Replace	\$11,423	
	706	Furnace - Replace	\$6,316	\$17,740
2018		No Expenditures Projected		\$0
2019	201	Building Exteriors - Repaint (I)	\$153,982	
	207	Iron Pool Fence - Repaint	\$2,486	
	306	Wood Siding - Repair/Replace (II)	\$29,335	
	307	Wood Siding - Repair/Replace (III)	\$29,335	
	401	Asphalt - Overlay	\$289,647	
	402	Asphalt - Seal Coat/crack fill	\$28,160	
	601	Concrete Surfaces - Repair	\$42,416	
	1101	Pool - Resurface	\$25,022	
	1102	Spa - Resurface	\$2,495	
	1103	Pool Coping Stone/Tile - Replace	\$8,198	
	1112	Pool/Spa Cover - Replace	\$8,341	
	1405	Furnishings - Replace	\$17,109	
	1501	Carpeting - Replace	\$3,853	
	1604	Pole Lights - Replace (10')	\$9,624	
	1604	Pole Lights - Replace (6')	\$42,345	\$692,349

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2020	202	Building Exteriors - Repaint (II)	\$167,413	\$181,019
	1010	Trash Enclosures/Gates - Replace	\$13,606	
2021	202	Building Exteriors - Repaint (III)	\$163,360	\$194,481
	305	Wood Siding - Repair/Replace (I)	\$31,122	
2022	216	Interior Surfaces - Repaint	\$3,505	\$60,060
	601	Concrete Surfaces - Repair	\$46,350	
	1104	Pool Heater - Replace	\$5,920	
	1105	Spa Heater - Replace	\$4,284	
2023	207	Iron Pool Fence - Repaint	\$2,798	\$34,493
	402	Asphalt - Seal Coat/crack fill	\$31,694	
2024	201	Building Exteriors - Repaint (I)	\$178,508	\$205,366
	1406	Fitness Equipment - Replace	\$26,859	
2025	202	Building Exteriors - Repaint (II)	\$194,077	\$366,900
	306	Wood Siding - Repair/Replace (II)	\$35,028	
	307	Wood Siding - Repair/Replace (III)	\$35,028	
	601	Concrete Surfaces - Repair	\$50,647	
	609	Deck Railing- Replace	\$31,052	
	1002	Ironwork Fencing - Replace	\$21,068	
2026	105	Comp Shingle Roof - Replace	\$816,038	\$1,114,134
	120	Rain Gutters - Replace	\$108,717	
	202	Building Exteriors - Repaint (III)	\$189,379	
2027	207	Iron Pool Fence - Repaint	\$3,149	\$75,983
	305	Wood Siding - Repair/Replace (I)	\$37,161	
	402	Asphalt - Seal Coat/crack fill	\$35,672	
2028	601	Concrete Surfaces - Repair	\$55,344	\$55,344
2029	201	Building Exteriors - Repaint (I)	\$206,939	\$260,307
	1101	Pool - Resurface	\$33,628	
	1102	Spa - Resurface	\$3,353	
	1112	Pool/Spa Cover - Replace	\$11,209	
	1501	Carpeting - Replace	\$5,178	
2030	202	Building Exteriors - Repaint (II)	\$224,989	\$243,274
	1010	Trash Enclosures/Gates - Replace	\$18,285	
2031	202	Building Exteriors - Repaint (III)	\$219,542	\$412,850
	207	Iron Pool Fence - Repaint	\$3,545	
	306	Wood Siding - Repair/Replace (II)	\$41,825	
	307	Wood Siding - Repair/Replace (III)	\$41,825	
	402	Asphalt - Seal Coat/crack fill	\$40,150	
	601	Concrete Surfaces - Repair	\$60,476	
	1107	Pool Filter - Replace	\$2,744	
	1108	Spa Filter - Replace	\$2,744	
2032	1406	Fitness Equipment - Replace	\$34,024	\$34,024
2033	305	Wood Siding - Repair/Replace (I)	\$44,372	\$44,372
2034	201	Building Exteriors - Repaint (I)	\$239,899	\$325,530
	216	Interior Surfaces - Repaint	\$4,998	
	601	Concrete Surfaces - Repair	\$66,083	
	1104	Pool Heater - Replace	\$8,441	
	1105	Spa Heater - Replace	\$6,109	
2035	202	Building Exteriors - Repaint (II)	\$260,824	\$340,203
	207	Iron Pool Fence - Repaint	\$3,990	
	402	Asphalt - Seal Coat/crack fill	\$45,189	
	705	AC Units - Replace	\$19,447	
	706	Furnace - Replace	\$10,753	
2036	202	Building Exteriors - Repaint (III)	\$254,509	\$254,509
2037	306	Wood Siding - Repair/Replace (II)	\$49,941	\$49,941
	307	Wood Siding - Repair/Replace (III)	\$49,941	

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
	601	Concrete Surfaces - Repair	\$72,211	\$172,093

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Funding Principles –

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

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

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

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

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

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

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

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