

**Wildflower at Pine Creek Village Association
2419 Pine Valley View
Colorado Springs, CO 80920**



**Level 1, Limited Reserve Analysis
Report Period – 01/01/17 – 12/31/17**



**Client Reference Number - 9035
Property Type – Single Family Homes**

**Final
Version**

Fiscal Year End –	December 31
Number of units-	33
Date of Property Observation -	October 18, 2016
Project Manager -	G. Michael Kelsen, RS, PRA
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Report was prepared on -	Monday, February 06, 2017

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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 20% - 45% 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 typically in the **Asset Inventory Section** of the Reserve Analysis. It should be noted there is *not* an **Asset Inventory Section** in this report due to the product requested by the client. The **Financial Analysis Section** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a conclusion 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 2 (pages 1 – 12) 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?

State Legislation 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. While this may mean a Reserve Analysis is not required, 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 \$100,000 is a lot of money and they are in good shape. What they don't know is a major component will need to be replaced within 5 years, and the cost of the project is going to exceed \$125,000. So while \$100,000 sounds like a lot of money, in reality it won't even cover the cost of the component, 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 evaluating 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 Wildflower at Pine Creek -

Assoc. ID # - 9035-16

Projected Starting Balance as of January 1, 2017 -	\$21,216
Ideal Reserve Balance as of January 1, 2017 -	\$25,528
Percent Funded as of January 1, 2017 -	83%
Recommended Reserve Allocation (per month) -	\$1,050
Minimum Reserve Allocation (per month) -	\$995
Recommended Special Assessment -	\$0

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on October 18, 2016. 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 property contains 33 individual patio homes where construction began in 2005 and was completed in 2014. For purposes of this report, the majority of the common area assets were constructed at the beginning of the development. Maintenance responsibilities of the HOA include, but are not limited to, common drive and a couple parking spaces, sidewalks, landscaping and an irrigation system. Please refer to the *Projected Reserve Expenditures* table of the financial analysis section of the report for a detailed list of components that will need to be addressed in the near future.

The following are some general notes regarding components:

- **You will notice several components that may have an N/A under the Useful Life column. This indicates that funding is not included for these items either because the association is not responsible to maintain these components, the BOD includes these expenses as part of the operating budget, or the threshold cost is not significant enough to warrant Reserve funding and should be addressed as needed with general operating funds.**
- **There are a few components (concrete repairs, retaining wall repairs) that are considered partial replacement and should not be misconstrued as complete replacement of that particular item.**

In comparing the projected balance of \$21,216 versus the ideal Reserve Balance of \$25,528, we find the association Reserve fund to be in an above average financial position at this time (approximately 83% funded of ideal). As a result of the information contained in this report, we find the 2016 budgeted Reserve allocation of \$330 per month to be less than sufficient in maintaining the strength of the Reserve fund to prepare for future projects. Therefore, we find it necessary to recommend an increase of the Reserve contribution to \$1,050 per month (representing an increase of approximately \$21.82 per unit), followed by nominal annual increases of 3.80% thereafter to help offset the effects of inflation. By following the recommendation, the plan will maintain the Reserve account in a positive manner, while gradually increasing to a fully funded position within the thirty-year period.

In the percent Funded graph, you will see we have also suggested a minimum Reserve contribution of \$995 per month, starting in 2017. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where Special Assessments, deferred maintenance, and lower property values are possible at some point in the future. The minimum Reserve allocation follows the "threshold" theory of Reserve funding where the "percent funded" status is not allowed to dip below 30% funded at any point during the thirty-year period. This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money to the Reserve fund to only stay above a certain threshold.

Funding Summary For Wildflower at Pine Creek Village

Beginning Assumptions

Financial Information Source	Research With Client
# of units	33
Fiscal Year End	December 31, 2017
Monthly Dues from 2016 budget	\$4,686.00
Monthly Reserve Allocation from 2016 Budget	\$330.00
Projected Starting Reserve Balance (as of 1/1/2017)	\$21,216
Reserve Balance: Average Per Unit	\$643
Ideal Starting Reserve Balance (as of 1/1/2017)	\$25,528
Ideal Reserve Balance: Average Per Unit	\$774

Economic Factors

Past 20 year Average Inflation Rate (Based on CCI)	4.00%
Current Average Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	83%
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Recommendations for 2017 Fiscal Year

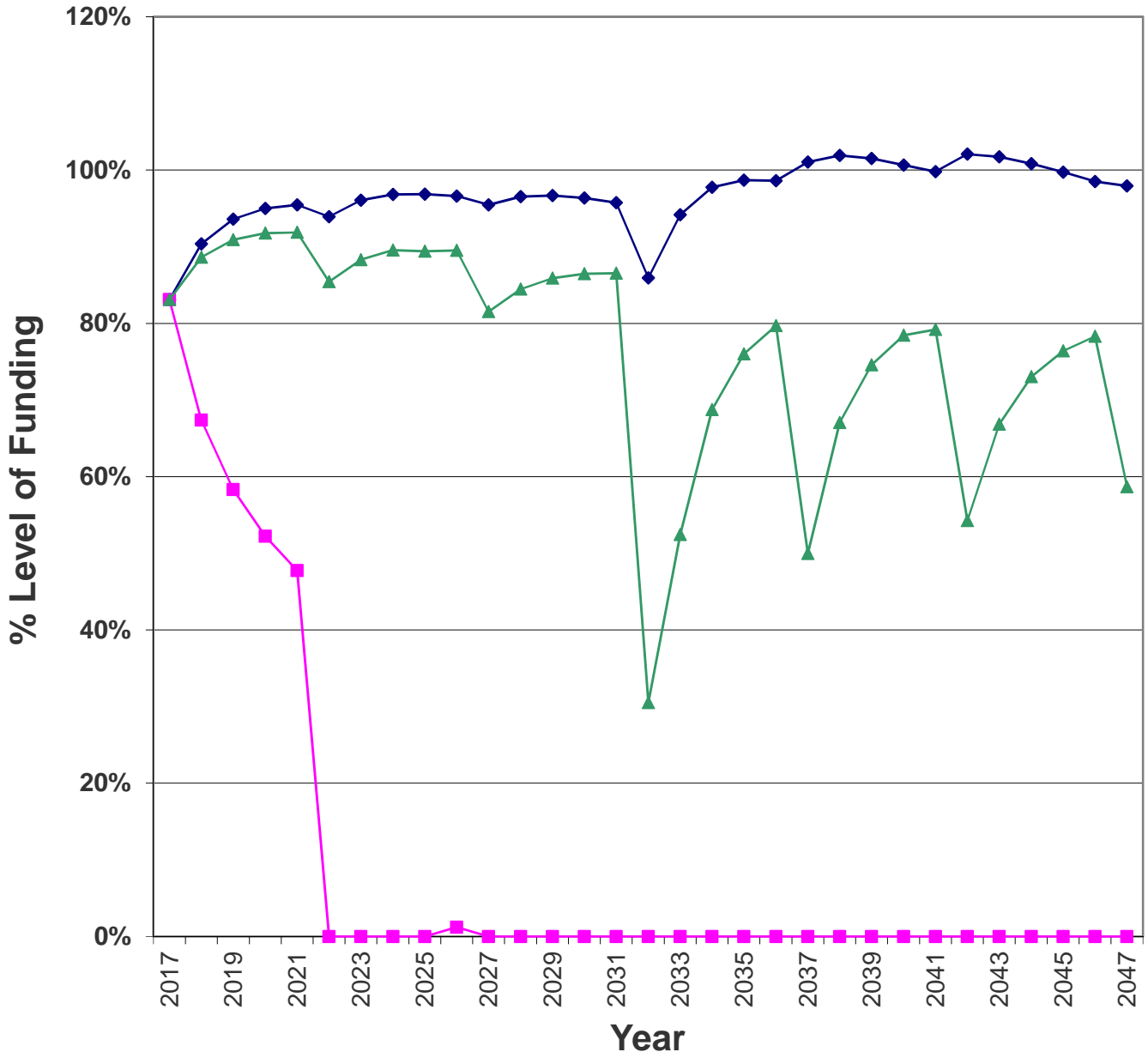
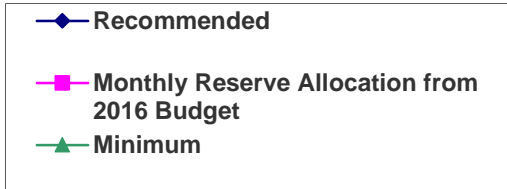
Monthly Reserve Allocation	\$1,050
Per Unit	\$31.82
Minimum Monthly Reserve Allocation	\$995
Per Unit	\$30.15
Primary Annual Increases	3.80%
# of Years	30
Secondary Annual Increases	4.00%
# of Years	0
Special Assessment	\$0
Per Unit	\$0

Changes From Prior Year (2016 to 2017)

Increase/Decrease to Reserve Allocation	\$720
as Percentage	218%
Average Per Unit	\$21.82

Percent Funded Graph For Wildflower at Pine Creek Village

Percent Funded



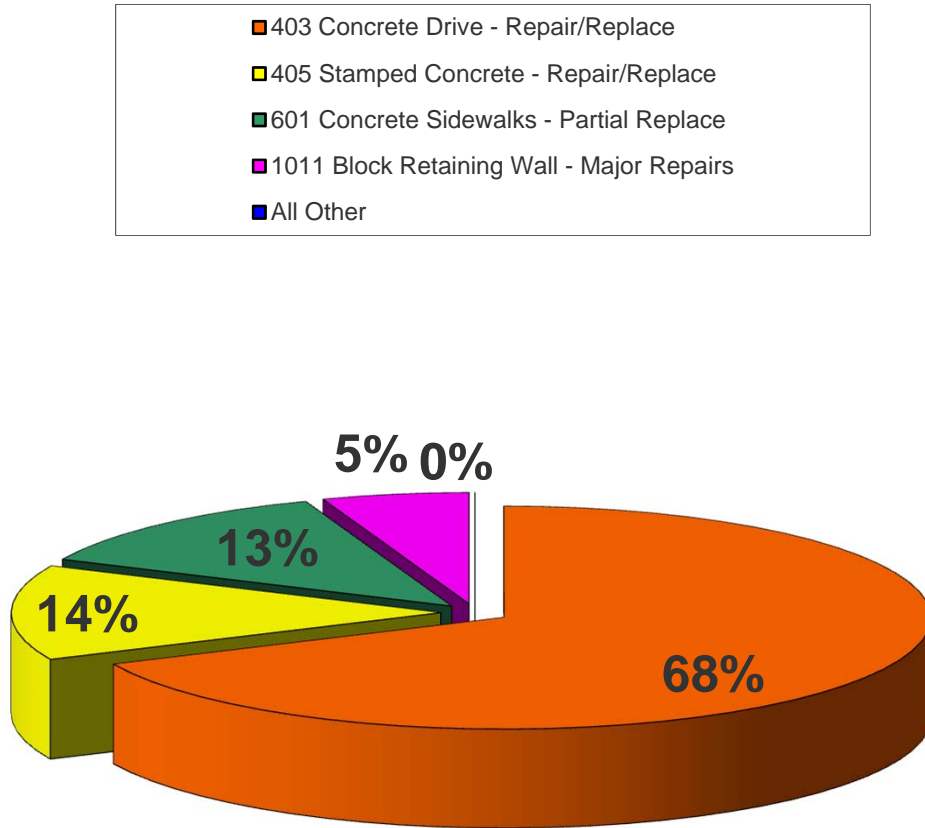
Component Inventory for Wildflower at Pine Creek Village Association

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Drive Materials	403	Concrete Drive - Repair/Replace	5	4	\$35,150	\$38,000
	405	Stamped Concrete - Repair/Replace	25	14	\$34,950	\$39,000
Walking Surfaces	601	Concrete Sidewalks - Partial Replace	5	4	\$6,500	\$7,000
Prop. Identification	801	Monument - Rebuild	N/A		\$0	\$0
	803	Mailboxes/'Structure - Replace	N/A		\$0	\$0
Fencing/Walls	1011	Block Retaining Wall - Major Repairs	8	7	\$4,500	\$5,000
Light Fixtures	1609	Street Lights - Replace	N/A		\$0	\$0
Irrig. System	1701	Irrigation System - Major Repairs	N/A		\$0	\$0
	1703	Irrigation Controllers - Partial Replaceme	N/A		\$0	\$0
Landscaping	1801	Groundcover - Replenish	N/A		\$0	\$0

Significant Components For Wildflower at Pine Creek Village

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
403	Concrete Drive - Repair/Replace	5	4	\$36,575	\$7,315	68.1241%
405	Stamped Concrete - Repair/Replace	25	14	\$36,975	\$1,479	13.7738%
601	Concrete Sidewalks - Partial Replace	5	4	\$6,750	\$1,350	12.5725%
1011	Block Retaining Wall - Major Repairs	8	7	\$4,750	\$594	5.5296%

Significant Components Graph For Wildflower at Pine Creek Village



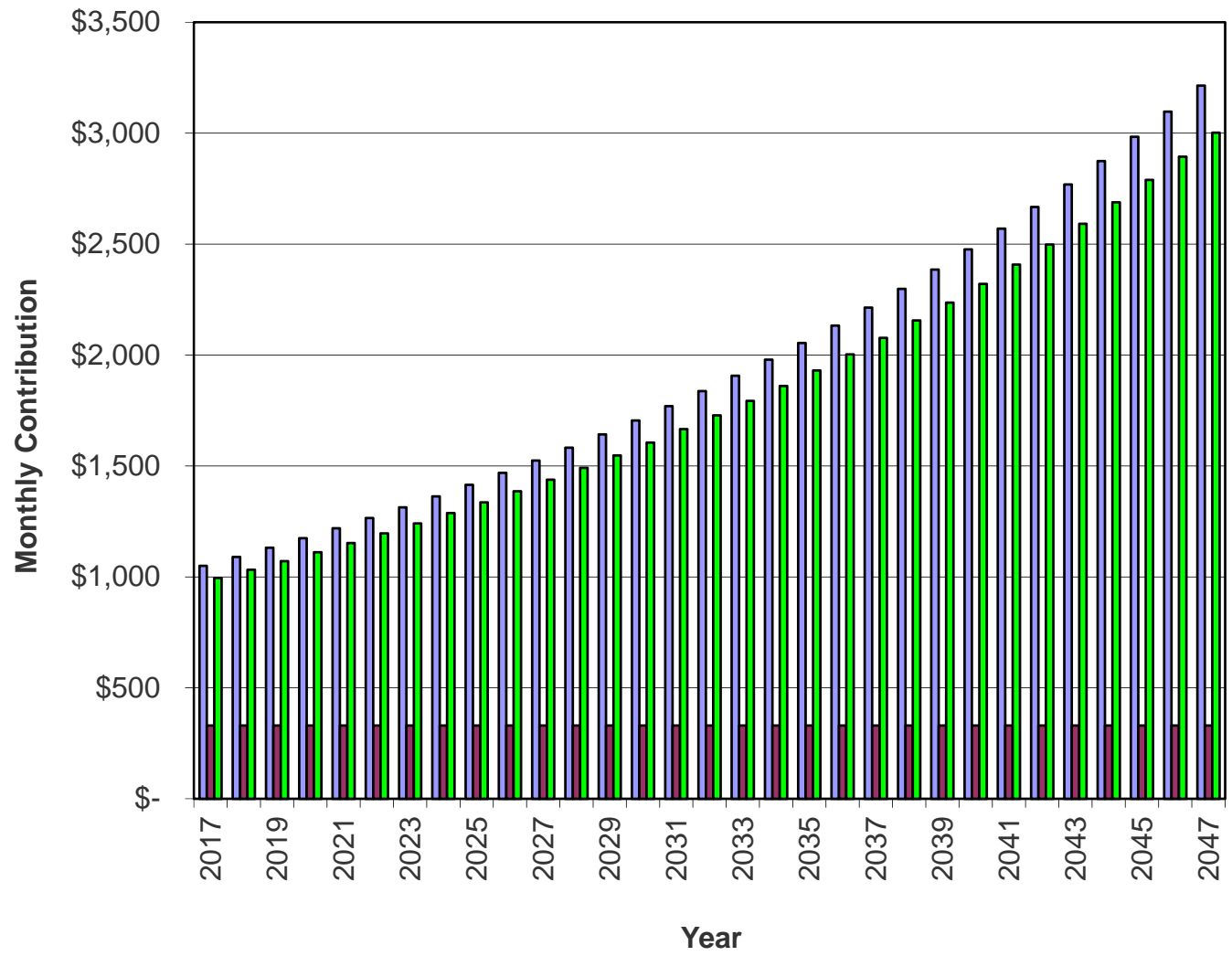
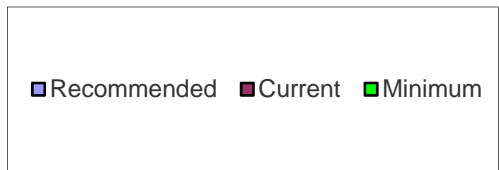
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
403	Concrete Drive - Repair/Replace	5	4	\$36,575	\$7,315	68%
405	Stamped Concrete - Repair/Replace	25	14	\$36,975	\$1,479	14%
601	Concrete Sidewalks - Partial Replace	5	4	\$6,750	\$1,350	13%
1011	Block Retaining Wall - Major Repairs	8	7	\$4,750	\$594	6%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$0	0%

Yearly Summary For Wildflower at Pine Creek Village

Fiscal Year	Start	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2017		\$25,528	\$21,216	83%	\$12,600	\$0	\$276	\$0
2018		\$37,716	\$34,092	90%	\$13,079	\$0	\$408	\$0
2019		\$50,839	\$47,579	94%	\$13,576	\$0	\$546	\$0
2020		\$64,951	\$61,701	95%	\$14,092	\$0	\$691	\$0
2021		\$80,110	\$76,484	95%	\$14,627	\$0	\$587	\$50,684
2022		\$43,667	\$41,014	94%	\$15,183	\$0	\$488	\$0
2023		\$59,001	\$56,685	96%	\$15,760	\$0	\$649	\$0
2024		\$75,491	\$73,094	97%	\$16,359	\$0	\$785	\$6,251
2025		\$86,705	\$83,987	97%	\$16,980	\$0	\$929	\$0
2026		\$105,457	\$101,896	97%	\$17,626	\$0	\$802	\$61,665
2027		\$61,438	\$58,660	95%	\$18,295	\$0	\$681	\$0
2028		\$80,426	\$77,636	97%	\$18,991	\$0	\$875	\$0
2029		\$100,834	\$97,502	97%	\$19,712	\$0	\$1,079	\$0
2030		\$122,747	\$118,293	96%	\$20,461	\$0	\$1,291	\$0
2031		\$146,251	\$140,046	96%	\$21,239	\$0	\$815	\$139,054
2032		\$26,823	\$23,046	86%	\$22,046	\$0	\$299	\$8,554
2033		\$39,111	\$36,837	94%	\$22,884	\$0	\$485	\$0
2034		\$61,592	\$60,206	98%	\$23,753	\$0	\$724	\$0
2035		\$85,808	\$84,684	99%	\$24,656	\$0	\$975	\$0
2036		\$111,863	\$110,314	99%	\$25,593	\$0	\$778	\$91,279
2037		\$44,935	\$45,406	101%	\$26,565	\$0	\$590	\$0
2038		\$71,201	\$72,561	102%	\$27,575	\$0	\$867	\$0
2039		\$99,497	\$101,004	102%	\$28,623	\$0	\$1,158	\$0
2040		\$129,942	\$130,785	101%	\$29,710	\$0	\$1,404	\$11,707
2041		\$150,488	\$150,192	100%	\$30,839	\$0	\$1,106	\$111,055
2042		\$69,636	\$71,082	102%	\$32,011	\$0	\$875	\$0
2043		\$102,191	\$103,969	102%	\$33,228	\$0	\$1,211	\$0
2044		\$137,240	\$138,408	101%	\$34,490	\$0	\$1,564	\$0
2045		\$174,929	\$174,462	100%	\$35,801	\$0	\$1,932	\$0
2046		\$215,413	\$212,196	99%	\$37,162	\$0	\$1,640	\$135,116

Reserve Contributions For Wildflower at Pine Creek Village

Reserve Contributions



Component Funding Information For Wildflower at Pine Creek Village

ID	Component Name	Ave Current Cost	Ideal Balance	Current Fund Balance	Monthly
403	Concrete Drive - Repair/Replace	\$36,575	\$7,315	\$7,315	\$715.30
405	Stamped Concrete - Repair/Replace	\$36,975	\$16,269	\$11,957	\$144.63
601	Concrete Sidewalks - Partial Replace	\$6,750	\$1,350	\$1,350	\$132.01
1011	Block Retaining Wall - Major Repairs	\$4,750	\$594	\$594	\$58.06

Yearly Cash Flow For Wildflower at Pine Creek Village

Year	2017	2018	2019	2020	2021
Starting Balance	\$21,216	\$34,092	\$47,579	\$61,701	\$76,484
<i>Reserve Income</i>	\$12,600	\$13,079	\$13,576	\$14,092	\$14,627
<i>Interest Earnings</i>	\$276	\$408	\$546	\$691	\$587
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$34,092	\$47,579	\$61,701	\$76,484	\$91,698
Reserve Expenditures	\$0	\$0	\$0	\$0	\$50,684
Ending Balance	\$34,092	\$47,579	\$61,701	\$76,484	\$41,014

Year	2022	2023	2024	2025	2026
Starting Balance	\$41,014	\$56,685	\$73,094	\$83,987	\$101,896
<i>Reserve Income</i>	\$15,183	\$15,760	\$16,359	\$16,980	\$17,626
<i>Interest Earnings</i>	\$488	\$649	\$785	\$929	\$802
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$56,685	\$73,094	\$90,238	\$101,896	\$120,325
Reserve Expenditures	\$0	\$0	\$6,251	\$0	\$61,665
Ending Balance	\$56,685	\$73,094	\$83,987	\$101,896	\$58,660

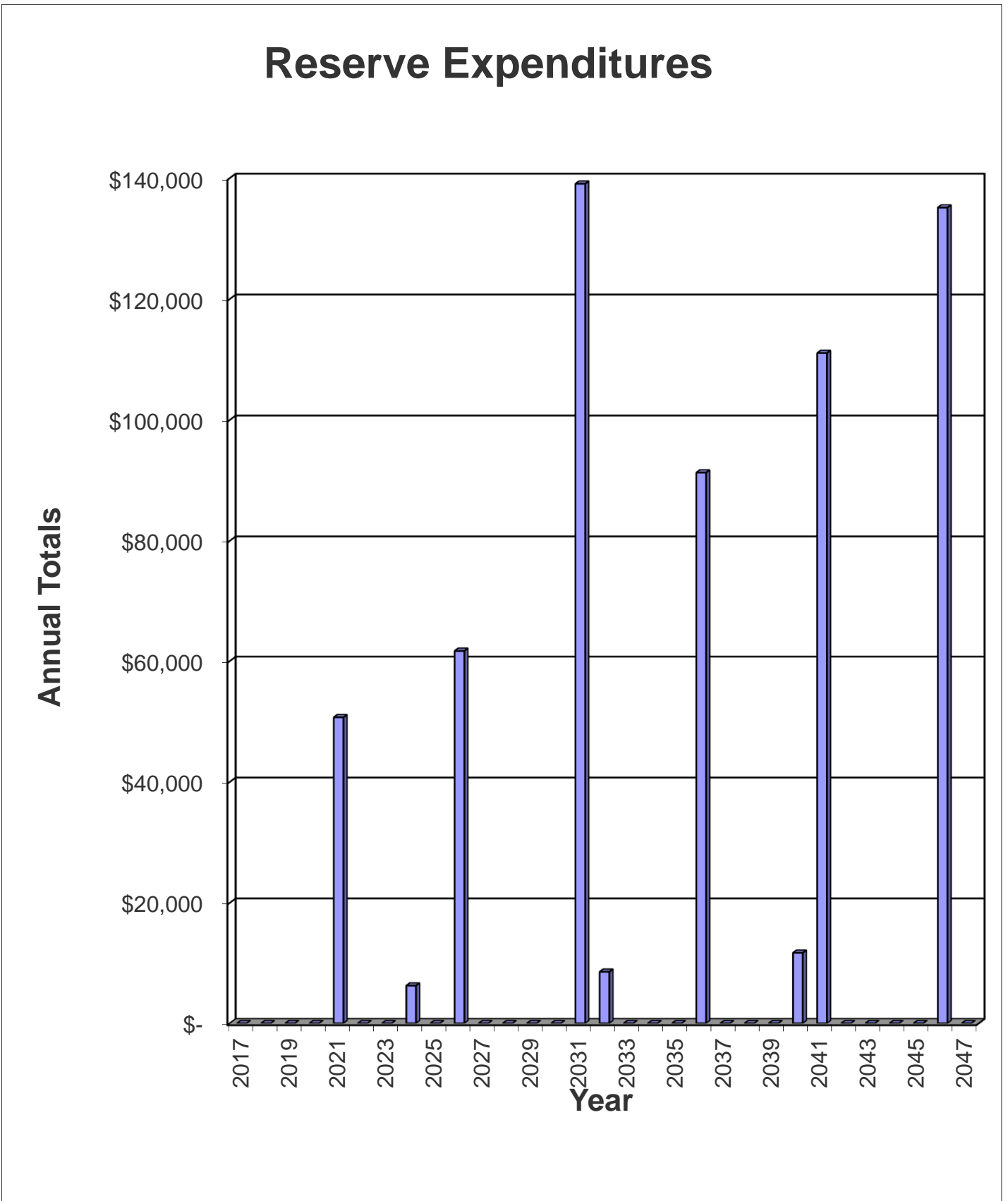
Year	2027	2028	2029	2030	2031
Starting Balance	\$58,660	\$77,636	\$97,502	\$118,293	\$140,046
<i>Reserve Income</i>	\$18,295	\$18,991	\$19,712	\$20,461	\$21,239
<i>Interest Earnings</i>	\$681	\$875	\$1,079	\$1,291	\$815
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$77,636	\$97,502	\$118,293	\$140,046	\$162,100
Reserve Expenditures	\$0	\$0	\$0	\$0	\$139,054
Ending Balance	\$77,636	\$97,502	\$118,293	\$140,046	\$23,046

Year	2032	2033	2034	2035	2036
Starting Balance	\$23,046	\$36,837	\$60,206	\$84,684	\$110,314
<i>Reserve Income</i>	\$22,046	\$22,884	\$23,753	\$24,656	\$25,593
<i>Interest Earnings</i>	\$299	\$485	\$724	\$975	\$778
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$45,392	\$60,206	\$84,684	\$110,314	\$136,685
Reserve Expenditures	\$8,554	\$0	\$0	\$0	\$91,279
Ending Balance	\$36,837	\$60,206	\$84,684	\$110,314	\$45,406

Year	2037	2038	2039	2040	2041
Starting Balance	\$45,406	\$72,561	\$101,004	\$130,785	\$150,192
<i>Reserve Income</i>	\$26,565	\$27,575	\$28,623	\$29,710	\$30,839
<i>Interest Earnings</i>	\$590	\$867	\$1,158	\$1,404	\$1,106
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$72,561	\$101,004	\$130,785	\$161,900	\$182,138
Reserve Expenditures	\$0	\$0	\$0	\$11,707	\$111,055
Ending Balance	\$72,561	\$101,004	\$130,785	\$150,192	\$71,082

Year	2042	2043	2044	2045	2046
Starting Balance	\$71,082	\$103,969	\$138,408	\$174,462	\$212,196
<i>Reserve Income</i>	\$32,011	\$33,228	\$34,490	\$35,801	\$37,162
<i>Interest Earnings</i>	\$875	\$1,211	\$1,564	\$1,932	\$1,640
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$103,969	\$138,408	\$174,462	\$212,196	\$250,997
Reserve Expenditures	\$0	\$0	\$0	\$0	\$135,116
Ending Balance	\$103,969	\$138,408	\$174,462	\$212,196	\$115,881

Yearly Expenditures Graph For Wildflower at Pine Creek Village



Projected Reserve Expenditures For Wildflower at Pine Creek Village

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2017		No Expenditures Projected		\$0
2018		No Expenditures Projected		\$0
2019		No Expenditures Projected		\$0
2020		No Expenditures Projected		\$0
2021	403	Concrete Drive - Repair/Replace	\$42,788	
	601	Concrete Sidewalks - Partial Replace	\$7,897	\$50,684
2022		No Expenditures Projected		\$0
2023		No Expenditures Projected		\$0
2024	1011	Block Retaining Wall - Major Repairs	\$6,251	\$6,251
2025		No Expenditures Projected		\$0
2026	403	Concrete Drive - Repair/Replace	\$52,058	
	601	Concrete Sidewalks - Partial Replace	\$9,607	\$61,665
2027		No Expenditures Projected		\$0
2028		No Expenditures Projected		\$0
2029		No Expenditures Projected		\$0
2030		No Expenditures Projected		\$0
2031	403	Concrete Drive - Repair/Replace	\$63,336	
	405	Stamped Concrete - Repair/Replace	\$64,029	
	601	Concrete Sidewalks - Partial Replace	\$11,689	\$139,054
2032	1011	Block Retaining Wall - Major Repairs	\$8,554	\$8,554
2033		No Expenditures Projected		\$0
2034		No Expenditures Projected		\$0
2035		No Expenditures Projected		\$0
2036	403	Concrete Drive - Repair/Replace	\$77,058	
	601	Concrete Sidewalks - Partial Replace	\$14,221	\$91,279
2037		No Expenditures Projected		\$0
2038		No Expenditures Projected		\$0
2039		No Expenditures Projected		\$0
2040	1011	Block Retaining Wall - Major Repairs	\$11,707	\$11,707
2041	403	Concrete Drive - Repair/Replace	\$93,753	
	601	Concrete Sidewalks - Partial Replace	\$17,302	\$111,055
2042		No Expenditures Projected		\$0
2043		No Expenditures Projected		\$0
2044		No Expenditures Projected		\$0
2045		No Expenditures Projected		\$0
2046	403	Concrete Drive - Repair/Replace	\$114,065	
	601	Concrete Sidewalks - Partial Replace	\$21,051	\$135,116
2047		No Expenditures Projected		\$0

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

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

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

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

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

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

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

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

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 association's 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.