

**Red Rocks Valley HOA, Inc.  
Rock Valley Road and S. Camp Road  
Grand Junction, CO 81507**



**Level 1, Limited Reserve Analysis  
Report Period – 01/01/16 – 12/31/16**



**Client Reference Number - 9190-15  
Property Type – Single Family Development  
Number of Units – 98 (at build out)  
Fiscal Year End – December 31**

**Final  
Version**

**Date of Property Observation - August 6, 2015  
Project Manager - G. Michael Kelsen, RS, PRA  
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Red Rocks Real Estate Partners, Inc  
Report was prepared on - Wednesday, February 17, 2016**

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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 Red Rocks Valley -

Assoc. ID # - 09190-15

Reported Starting Balance as of January 1, 2016 -	<b>\$40,000</b>
Ideal Reserve Balance as of January 1, 2016 -	<b>\$15,337</b>
Percent Funded as of January 1, 2016 -	<b>261%</b>
Recommended Reserve Allocation (per month) -	<b>\$645</b>
Minimum Reserve Allocation (per month) -	<b>\$580</b>
Recommended Special Assessment -	<b>\$0</b>

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on August 6, 2015. 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 will contain 98 single family homes when construction is completed. At the time of the site visit, about 50% of the homes were built and occupied. Maintenance responsibilities of the HOA include, but are not limited to, monument, mailbox kiosks, some landscaped areas, and the roads where the patio homes will be contained. 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, 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) that are considered partial replacement and should not be misconstrued as complete replacement of that particular item.**

In reviewing the association's financial statement, there has not been a separate Reserve transfer established in the past. However, it was reported the developer has established a Reserve fund to get the association off to a good start. In addition, there has not been a periodic Reserve transfer established in past budgets either. As a result of the information contained in this report, we find it necessary to establish a Reserve contribution of \$645 per month (representing an increase of approximately \$6.58 per unit), followed by nominal annual increases of 4.25% thereafter to help offset the effects of inflation. By following the recommendation, the plan will gradually lower the percent funded position to the ideal amount (100% funded) and maintain the fully funded position throughout the thirty-year period.

In the percent Funded graph, you will see we have also suggested a minimum Reserve contribution of \$580 per month, starting in 2016. 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 Red Rocks Valley

### **Beginning Assumptions**

Financial Information Source	Research With Client
# of units	98
Fiscal Year End	December 31, 2016
Monthly Dues from 2015 budget	\$0.00
Monthly Reserve Allocation from 2015 Budget	\$0.00
Projected Starting Reserve Balance (as of 1/1/2016)	\$40,000
Reserve Balance: Average Per Unit	\$408
Ideal Starting Reserve Balance (as of 1/1/2016)	\$15,337
Ideal Reserve Balance: Average Per Unit	\$157

### **Economic Factors**

Past 20 year Average Inflation Rate (Based on CCI)	3.50%
Current Average Interest Rate	1.00%

### **Current Reserve Status**

Current Balance as a % of Ideal Balance	261%
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### **Recommendations for 2015 Fiscal Year**

Monthly Reserve Allocation	\$645
Per Unit	\$6.58
Minimum Monthly Reserve Allocation	\$580
Per Unit	\$5.92
Primary Annual Increases	4.25%
# of Years	30
Secondary Annual Increases	3.60%
# of Years	0
Special Assessment	\$0
Per Unit	\$0

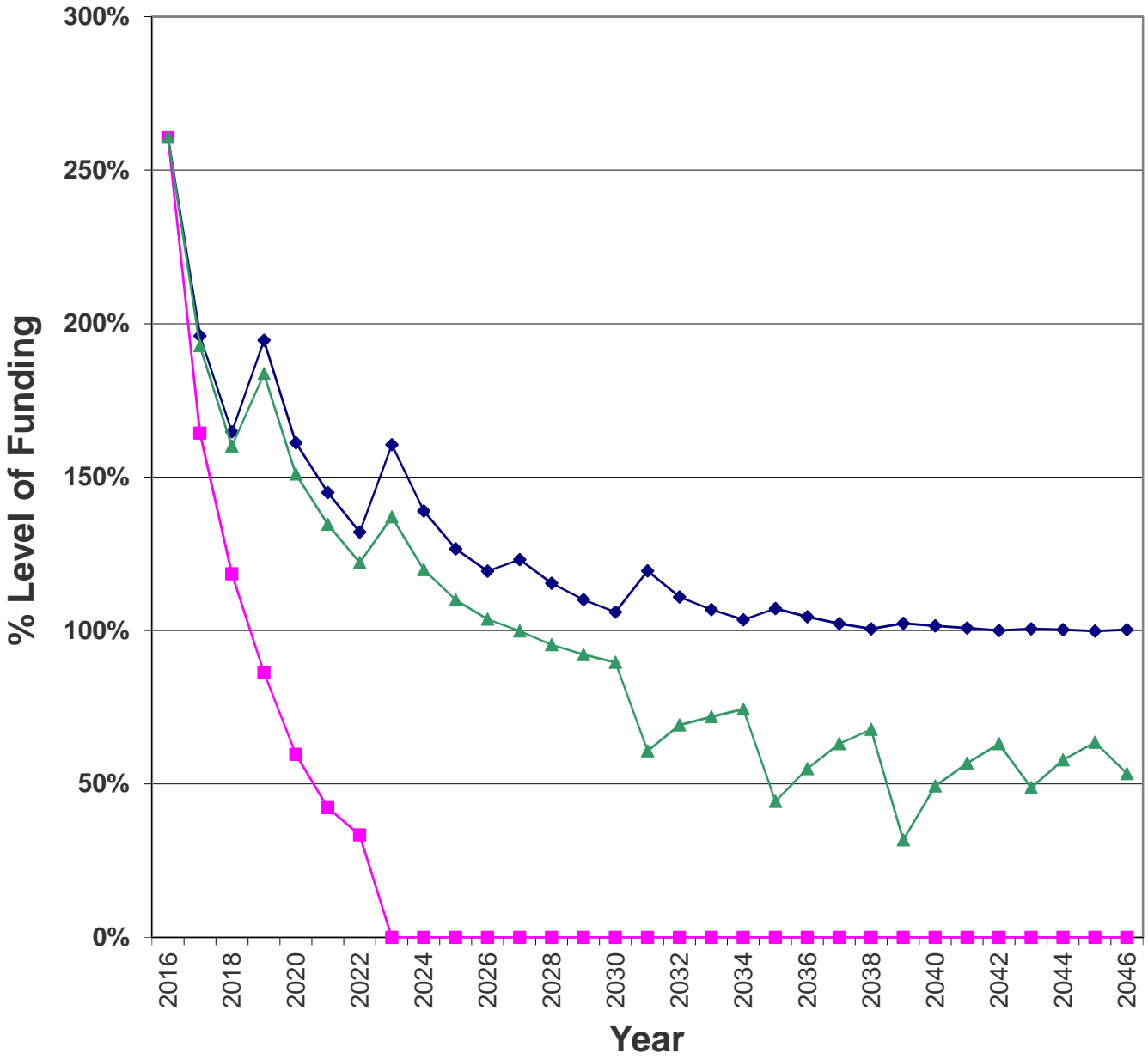
### **Changes From Prior Year (2015 to 2016)**

Increase/Decrease to Reserve Allocation	\$645
as Percentage	0%
Per Unit	\$6.58

Percent Funded Graph For Red Rocks Valley

# Percent Funded

- ◆ Recommended
- Monthly Reserve Allocation from 2015 Budget
- ▲ Minimum



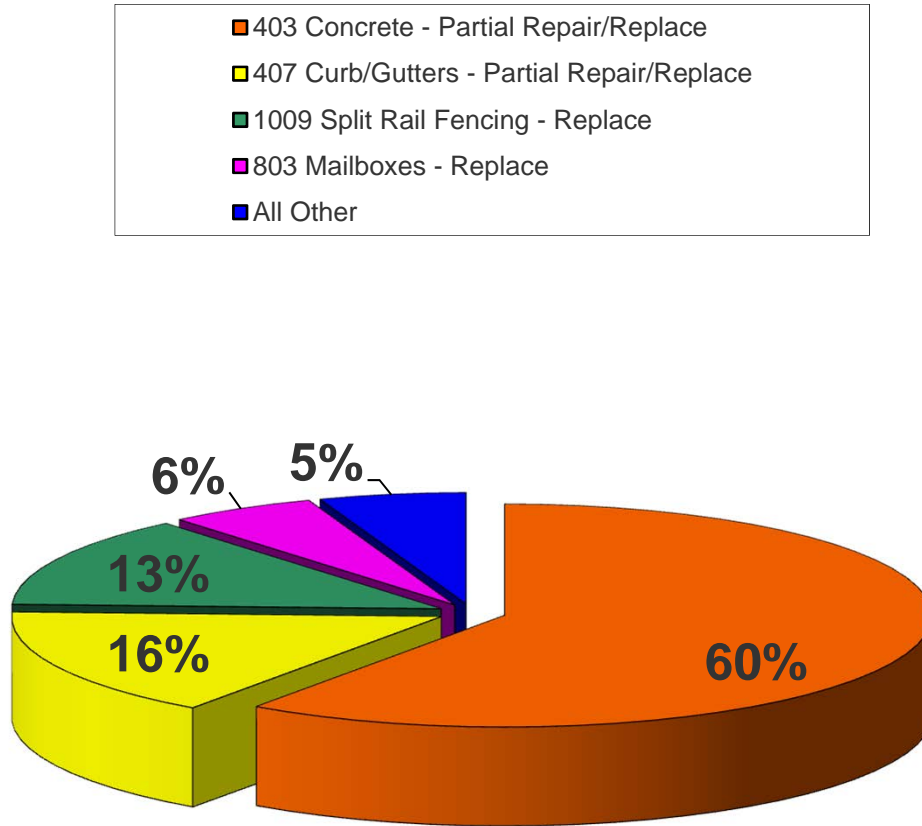
## Component Inventory for Red Rocks Valley

<b>Category</b>	<b>Asset #</b>	<b>Asset Name</b>	<b>UL</b>	<b>RUL</b>	<b>Best Cost</b>	<b>Worst Cost</b>
Drive Materials	403	Concrete - Partial Repair/Replace	4	2	\$18,400	\$21,850
	407	Curb/Gutters - Partial Repair/Replace	8	6	\$9,900	\$11,425
Prop. Identification	801	Monument - Rebuild	18	16	\$1,500	\$1,750
	803	Mailboxes - Replace	20	18	\$8,750	\$10,000
Fencing/Walls	1009	Split Rail Fencing - Replace	15	14	\$15,125	\$18,350
	1011	Retaining Wall - Replace	N/A		\$0	\$0
Landscaping	1801	Groundcover - Replenish	5	4	\$1,750	\$2,000

## Significant Components For Red Rocks Valley

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
403	Concrete - Partial Repair/Replace	4	2	\$20,125	\$5,031	59.7967%
407	Curb/Gutters - Partial Repair/Replace	8	6	\$10,663	\$1,333	15.8406%
801	Monument - Rebuild	18	16	\$1,625	\$90	1.0730%
803	Mailboxes - Replace	20	18	\$9,375	\$469	5.5711%
1009	Split Rail Fencing - Replace	15	14	\$16,738	\$1,116	13.2617%
1801	Groundcover - Replenish	5	4	\$1,875	\$375	4.4569%

## Significant Components Graph For Red Rocks Valley



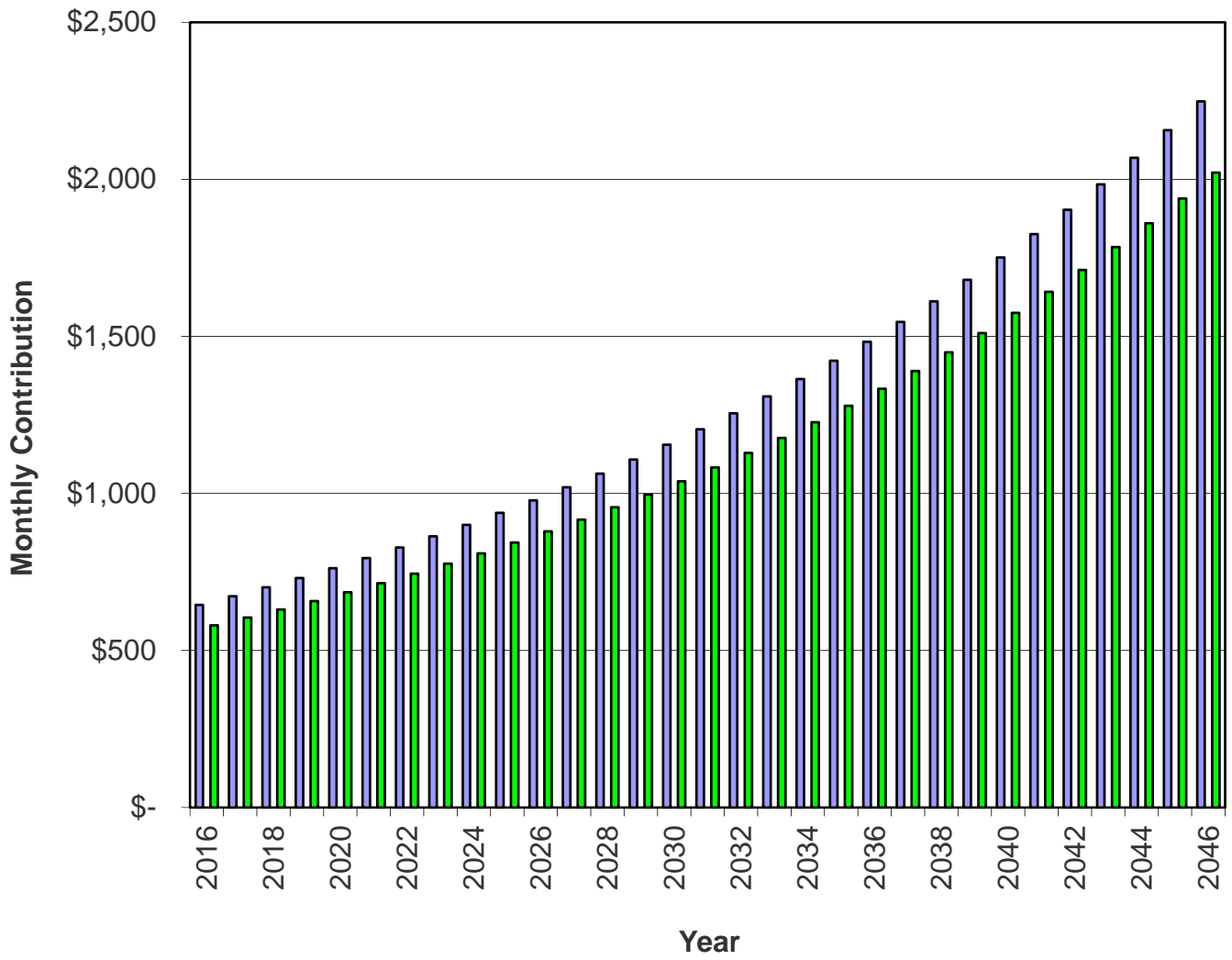
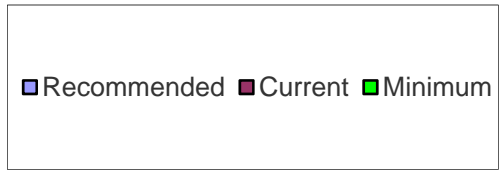
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
403	Concrete - Partial Repair/Replace	4	2	\$20,125	\$5,031	60%
407	Curb/Gutters - Partial Repair/Replace	8	6	\$10,663	\$1,333	16%
1009	Split Rail Fencing - Replace	15	14	\$16,738	\$1,116	13%
803	Mailboxes - Replace	20	18	\$9,375	\$469	6%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$465	6%

## Yearly Summary For Red Rocks Valley

<b>Fiscal Year</b>	<b>Start</b>	<b>Fully Funded Balance</b>	<b>Starting Reserve Balance</b>	<b>Percent Funded</b>	<b>Annual Reserve Contribs</b>	<b>Rec. Special Ass'mnt</b>	<b>Interest Income</b>	<b>Reserve Expenses</b>
2016		\$15,337	\$40,000	261%	\$7,740	\$0	\$441	\$0
2017		\$24,582	\$48,181	196%	\$8,069	\$0	\$525	\$0
2018		\$34,456	\$56,774	165%	\$8,412	\$0	\$504	\$21,558
2019		\$22,677	\$44,132	195%	\$8,769	\$0	\$487	\$0
2020		\$33,126	\$53,389	161%	\$9,142	\$0	\$571	\$2,152
2021		\$42,052	\$60,951	145%	\$9,531	\$0	\$660	\$0
2022		\$53,867	\$71,142	132%	\$9,936	\$0	\$574	\$37,846
2023		\$27,287	\$43,806	161%	\$10,358	\$0	\$492	\$0
2024		\$39,321	\$54,656	139%	\$10,798	\$0	\$603	\$0
2025		\$52,165	\$66,058	127%	\$11,257	\$0	\$707	\$2,555
2026		\$63,214	\$75,466	119%	\$11,735	\$0	\$674	\$28,388
2027		\$48,329	\$59,488	123%	\$12,234	\$0	\$659	\$0
2028		\$62,734	\$72,381	115%	\$12,754	\$0	\$791	\$0
2029		\$78,089	\$85,927	110%	\$13,296	\$0	\$930	\$0
2030		\$94,442	\$100,153	106%	\$13,861	\$0	\$674	\$79,964
2031		\$29,081	\$34,725	119%	\$14,450	\$0	\$421	\$0
2032		\$44,689	\$49,597	111%	\$15,065	\$0	\$560	\$2,818
2033		\$58,437	\$62,404	107%	\$15,705	\$0	\$706	\$0
2034		\$76,111	\$78,814	104%	\$16,372	\$0	\$599	\$54,796
2035		\$38,237	\$40,989	107%	\$17,068	\$0	\$479	\$3,605
2036		\$52,586	\$54,932	104%	\$17,794	\$0	\$641	\$0
2037		\$71,755	\$73,367	102%	\$18,550	\$0	\$830	\$0
2038		\$92,200	\$92,747	101%	\$19,338	\$0	\$699	\$65,624
2039		\$46,069	\$47,161	102%	\$20,160	\$0	\$575	\$0
2040		\$66,893	\$67,896	101%	\$21,017	\$0	\$766	\$4,281
2041		\$84,687	\$85,397	101%	\$21,910	\$0	\$968	\$0
2042		\$108,231	\$108,275	100%	\$22,841	\$0	\$955	\$49,225
2043		\$82,372	\$82,847	101%	\$23,812	\$0	\$952	\$0
2044		\$107,301	\$107,610	100%	\$24,824	\$0	\$1,206	\$0
2045		\$133,874	\$133,640	100%	\$25,879	\$0	\$1,219	\$50,475

Reserve Contributions For Red Rocks Valley

# Reserve Contributions



## Component Funding Information For Red Rocks Valley

<b>ID</b>	<b>Component Name</b>	<b>Ave Current Cost</b>	<b>Ideal Balance</b>	<b>Current Fund Balance</b>	<b>Monthly</b>
403	Concrete - Partial Repair/Replace	\$20,125	\$10,063	\$26,244	\$385.69
407	Curb/Gutters - Partial Repair/Replace	\$10,663	\$2,666	\$6,952	\$102.17
801	Monument - Rebuild	\$1,625	\$181	\$471	\$6.92
803	Mailboxes - Replace	\$9,375	\$938	\$2,445	\$35.93
1009	Split Rail Fencing - Replace	\$16,738	\$1,116	\$2,910	\$85.54
1801	Groundcover - Replenish	\$1,875	\$375	\$978	\$28.75

## Yearly Cash Flow For Red Rocks Valley

Year	2016	2017	2018	2019	2020
<b>Starting Balance</b>	\$40,000	\$48,181	\$56,774	\$44,132	\$53,389
<i>Reserve Income</i>	\$7,740	\$8,069	\$8,412	\$8,769	\$9,142
<i>Interest Earnings</i>	\$441	\$525	\$504	\$487	\$571
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$48,181	\$56,774	\$65,690	\$53,389	\$63,102
<b>Reserve Expenditures</b>	\$0	\$0	\$21,558	\$0	\$2,152
<b>Ending Balance</b>	\$48,181	\$56,774	\$44,132	\$53,389	\$60,951

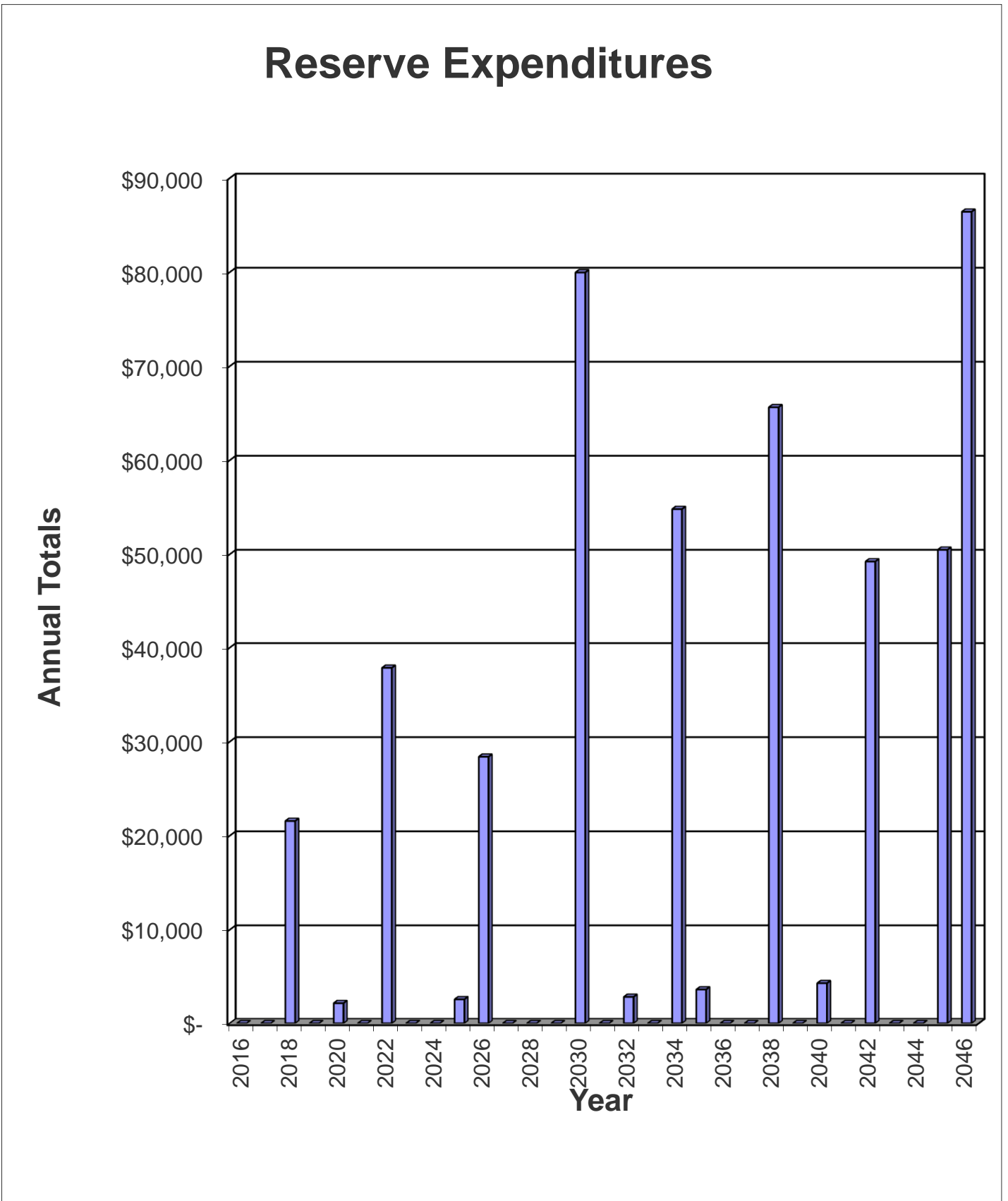
Year	2021	2022	2023	2024	2025
<b>Starting Balance</b>	\$60,951	\$71,142	\$43,806	\$54,656	\$66,058
<i>Reserve Income</i>	\$9,531	\$9,936	\$10,358	\$10,798	\$11,257
<i>Interest Earnings</i>	\$660	\$574	\$492	\$603	\$707
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$71,142	\$81,652	\$54,656	\$66,058	\$78,022
<b>Reserve Expenditures</b>	\$0	\$37,846	\$0	\$0	\$2,555
<b>Ending Balance</b>	\$71,142	\$43,806	\$54,656	\$66,058	\$75,466

Year	2026	2027	2028	2029	2030
<b>Starting Balance</b>	\$75,466	\$59,488	\$72,381	\$85,927	\$100,153
<i>Reserve Income</i>	\$11,735	\$12,234	\$12,754	\$13,296	\$13,861
<i>Interest Earnings</i>	\$674	\$659	\$791	\$930	\$674
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$87,876	\$72,381	\$85,927	\$100,153	\$114,689
<b>Reserve Expenditures</b>	\$28,388	\$0	\$0	\$0	\$79,964
<b>Ending Balance</b>	\$59,488	\$72,381	\$85,927	\$100,153	\$34,725

Year	2031	2032	2033	2034	2035
<b>Starting Balance</b>	\$34,725	\$49,597	\$62,404	\$78,814	\$40,989
<i>Reserve Income</i>	\$14,450	\$15,065	\$15,705	\$16,372	\$17,068
<i>Interest Earnings</i>	\$421	\$560	\$706	\$599	\$479
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$49,597	\$65,221	\$78,814	\$95,785	\$58,537
<b>Reserve Expenditures</b>	\$0	\$2,818	\$0	\$54,796	\$3,605
<b>Ending Balance</b>	\$49,597	\$62,404	\$78,814	\$40,989	\$54,932

Year	2036	2037	2038	2039	2040
<b>Starting Balance</b>	\$54,932	\$73,367	\$92,747	\$47,161	\$67,896
<i>Reserve Income</i>	\$17,794	\$18,550	\$19,338	\$20,160	\$21,017
<i>Interest Earnings</i>	\$641	\$830	\$699	\$575	\$766
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$73,367	\$92,747	\$112,784	\$67,896	\$89,678
<b>Reserve Expenditures</b>	\$0	\$0	\$65,624	\$0	\$4,281
<b>Ending Balance</b>	\$73,367	\$92,747	\$47,161	\$67,896	\$85,397

Year	2041	2042	2043	2044	2045
<b>Starting Balance</b>	\$85,397	\$108,275	\$82,847	\$107,610	\$133,640
<i>Reserve Income</i>	\$21,910	\$22,841	\$23,812	\$24,824	\$25,879
<i>Interest Earnings</i>	\$968	\$955	\$952	\$1,206	\$1,219
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$108,275	\$132,072	\$107,610	\$133,640	\$160,738
<b>Reserve Expenditures</b>	\$0	\$49,225	\$0	\$0	\$50,475
<b>Ending Balance</b>	\$108,275	\$82,847	\$107,610	\$133,640	\$110,263



## Projected Reserve Expenditures For Red Rocks Valley

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2016		No Expenditures Projected		\$0
2017		No Expenditures Projected		\$0
2018	403	Concrete - Partial Repair/Replace	\$21,558	\$21,558
2019		No Expenditures Projected		\$0
2020	1801	Groundcover - Replenish	\$2,152	\$2,152
2021		No Expenditures Projected		\$0
2022	403	Concrete - Partial Repair/Replace	\$24,739	
	407	Curb/Gutters - Partial Repair/Replace	\$13,107	\$37,846
2023		No Expenditures Projected		\$0
2024		No Expenditures Projected		\$0
2025	1801	Groundcover - Replenish	\$2,555	\$2,555
2026	403	Concrete - Partial Repair/Replace	\$28,388	\$28,388
2027		No Expenditures Projected		\$0
2028		No Expenditures Projected		\$0
2029		No Expenditures Projected		\$0
2030	403	Concrete - Partial Repair/Replace	\$32,576	
	407	Curb/Gutters - Partial Repair/Replace	\$17,259	
	1009	Split Rail Fencing - Replace	\$27,093	
	1801	Groundcover - Replenish	\$3,035	\$79,964
2031		No Expenditures Projected		\$0
2032	801	Monument - Rebuild	\$2,818	\$2,818
2033		No Expenditures Projected		\$0
2034	403	Concrete - Partial Repair/Replace	\$37,382	
	803	Mailboxes - Replace	\$17,414	\$54,796
2035	1801	Groundcover - Replenish	\$3,605	\$3,605
2036		No Expenditures Projected		\$0
2037		No Expenditures Projected		\$0
2038	403	Concrete - Partial Repair/Replace	\$42,897	
	407	Curb/Gutters - Partial Repair/Replace	\$22,727	\$65,624
2039		No Expenditures Projected		\$0
2040	1801	Groundcover - Replenish	\$4,281	\$4,281
2041		No Expenditures Projected		\$0
2042	403	Concrete - Partial Repair/Replace	\$49,225	\$49,225
2043		No Expenditures Projected		\$0
2044		No Expenditures Projected		\$0
2045	1009	Split Rail Fencing - Replace	\$45,390	
	1801	Groundcover - Replenish	\$5,085	\$50,475
2046	403	Concrete - Partial Repair/Replace	\$56,487	
	407	Curb/Gutters - Partial Repair/Replace	\$29,927	\$86,414

## **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.