



"Full" Reserve Study



Hawk Ridge Estates Lafayette, CO

Report #: 38411-0
For Period Beginning: January 1, 2020
Expires: December 31, 2020
Date Prepared: February 11, 2020



Hello, and welcome to your Reserve Study!

This Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

With respect to Reserves, this Report will tell you "where you are," and "where to go from here."

In this Report, you will find...

- 1) A List of What you're Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

More Questions?

Visit our website at www.ReserveStudy.com or call us at:

303-394-9181



**ASSOCIATION
RESERVES™**

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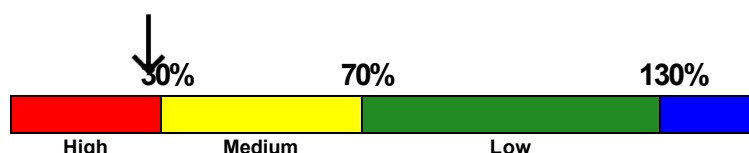
3- Minute Executive Summary

Association: Hawk Ridge Estates **Assoc. #: 38411-0**
Location: Lafayette, CO **# of Units: 55**
Report Period: January 1, 2020 through December 31, 2020

Findings/Recommendations as-of: January 1, 2020

Projected Starting Reserve Balance	\$17,384
Current Fully Funded Reserve Balance	\$61,543
Percent Funded	28.2 %
Recommended 2020 Monthly "Fully Funding" Contributions	\$650
Alternate/Baseline Monthly Minimum Contributions to Keep Reserves Above \$0 ...	\$615
Recommended 2020 Special Assessments for Reserves	\$0
Most Recent Monthly Reserve Contribution Rate	\$138

Reserves % Funded: 28.2%



Special Assessment Risk:

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves 1.25 %
 Annual Inflation Rate 3.00 %

- This is a "Full" Reserve Study, based on our site inspection on 12/17/2019. The Reserve Study was prepared by a credentialed Reserve Specialist (RS #260).
- Your Reserve Fund is currently 28.2 % Funded. This means the client's special assessment & deferred maintenance risk is currently High. The objective of your multi-year Funding Plan is to fund your Reserves to a level where you will enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point and your anticipated future expenses, our recommendation is to budget the Monthly Reserve contributions at \$650 with 10% annual increases for four years in order to be within the 70% to 130% level as noted above. 100% "Full" contribution rates are designed to achieve these funding objectives by the end of our 30-year report scope.
- The goal of the Reserve Study is to help the client offset inevitable annual deterioration of the common area components. Therefore, the Reserve Study will guide the client to establish an appropriate Reserve Contribution rate that offsets the annual deterioration of the components and 'keep pace' with the rate of ongoing deterioration.
- No assets appropriate for Reserve designation were excluded. See photo appendix for component details; the basis of our assumptions.
- We recommend that this Reserve Study be updated annually, with a With-Site-Visit Reserve Study every three years. Research has found that clients who update their Reserve Study annually with a No-Site-Visit Reserve Study reduce their risk of special assessment by ~ 35%.
- A sample 'How to Read a Reserve Study' video tutorial can be found by following this link - tiny.cc/reservestudy

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Sites & Grounds				
21320	Site Rail: Wood - Repair/Paint	5	2	\$10,850
21340	Site Fencing: Split Rail - Replace	30	10	\$72,350
21610	Sign/Monument - Refurbish/Replace	30	9	\$6,500
Mechanical				
25570	Irrigation Clocks - Replace	15	0	\$2,250
4 Total Funded Components				

Note 1: Yellow highlighted line items are expected to require attention in this initial year.

Introduction



A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a combination of research and well-defined computations, following consistent National Reserve Study Standard principles.

The foundation of this and every Reserve Study is your Reserve Component List (what you are reserving for). This is because the Reserve Component List defines the *scope and schedule* of all your anticipated upcoming Reserve projects. Based on that List and your starting balance, we calculate the association's Reserve Fund Strength (reported in terms of "Percent Funded"). Then we compute a Reserve Funding Plan to provide for the Reserve needs of the association. These form the three results of your Reserve Study.



Reserve contributions are not “for the future”. Reserve contributions are designed to offset the ongoing, daily deterioration of your Reserve assets. Done well, a stable, budgeted Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the association is financially prepared for the irregular expenditures scattered through future years when those projects eventually require replacement.

Methodology



For this [Full Reserve Study](#), we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We

performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List *from scratch*.

Which Physical Assets are Funded by Reserves?

There is a national-standard four-part test to determine which expenses should appear in your Reserve Component List. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the remaining life must be predictable (or it by definition is a *surprise* which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost (often between .5% and 1% of an association's total budget). This limits Reserve



RESERVE COMPONENT "FOUR-PART TEST"

Components to major, predictable expenses. Within this framework, it is inappropriate to include *lifetime* components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

How do we establish Useful Life and Remaining Useful Life estimates?

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client History (install dates & previous life cycle information)
- 4) Vendor Evaluation and Recommendation

How do we establish Current Repair/Replacement Cost Estimates?

In this order...

- 1) Actual client cost history, or current proposals
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Reserve adequacy is not measured in cash terms. Reserve adequacy is found when the *amount* of current Reserve cash is compared to Reserve component deterioration (the *needs of the association*). Having *enough* means the association can execute its projects in a timely manner with existing Reserve funds. Not having *enough* typically creates deferred maintenance or special assessments.

Adequacy is measured in a two-step process:

- 1) Calculate the *value of deterioration* at the association (called Fully Funded Balance, or FFB).
- 2) Compare that to the Reserve Fund Balance, and express as a percentage.



Each year, the *value of deterioration* at the association changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is a high risk of special assessments and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all associations are in this high risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% - 130% range is considered strong (low risk of special assessment).

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

How much should we contribute?



According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. Second, a stable contribution is desirable because it keeps these naturally irregular expenses from unsettling the budget.

Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association's Reserve expenses over the years. And finally, we develop a plan that is fiscally responsible and safe for Boardmembers to recommend to their association. Remember, it is the Board's job to provide for the ongoing care of the common areas. Boardmembers invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the *value* of deterioration is called "Full Funding" (100% Funded). As each asset ages and becomes "used up," the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** Evidence shows that associations in the 70 - 130% range *enjoy a low risk of special assessments or deferred maintenance.*



Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. Doing so allows the Reserve Fund to drop into the 0 - 30% range, where there is a high risk of special assessments & deferred maintenance. Since Baseline Funding still provides for the timely execution of all Reserve projects, and only the "margin of safety" is different, Baseline Funding contributions average only 10% - 15% less than Full Funding contributions. Threshold Funding is the title of all other Cash or Percent Funded objectives *between* Baseline Funding and Full Funding.

Site Inspection Notes

During our site visit on 12/17/2019 we visually inspected the common area assets and were able to see a majority of the common areas.

Please see photo appendix for component details; the basis of our assumptions.



Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all these expenses will all take place as anticipated. This Reserve Study needs to be updated annually because we expect the timing of these expenses to shift and the size of these expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections.

The figure below summarizes the projected future expenses as defined by your Reserve Component List. A summary of these expenses are shown in the 30-yr Summary Table, while details of the projects that make up these expenses are shown in the Cash Flow Detail Table.

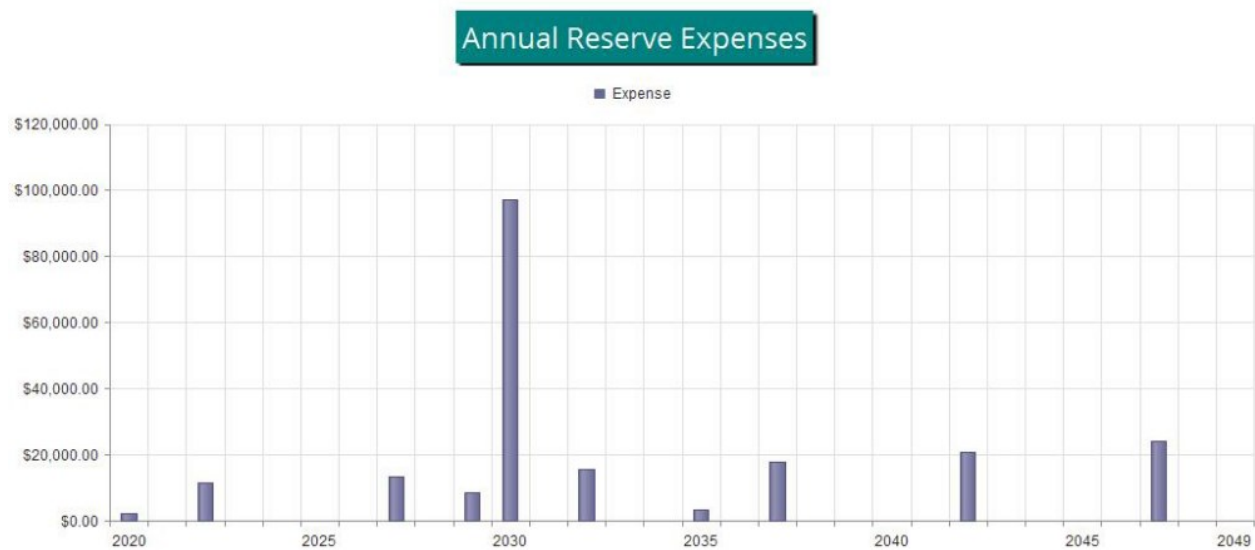


Figure 1

Reserve Fund Status

As of 1/1/2020 your Reserve Fund balance is projected to be \$17,384 and your Fully Funded Balance is computed to be \$61,543 (see the Fully Funded Balance Table). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 28.2 % Funded.

Recommended Funding Plan

Based on your current Percent Funded and your near-term and long-term Reserve needs, we are recommending Monthly budgeted contributions of \$650. The overall 30-yr plan, in perspective, is shown below. This same information is shown numerically in both the 30-yr Summary Table and the Cash Flow Detail Table.

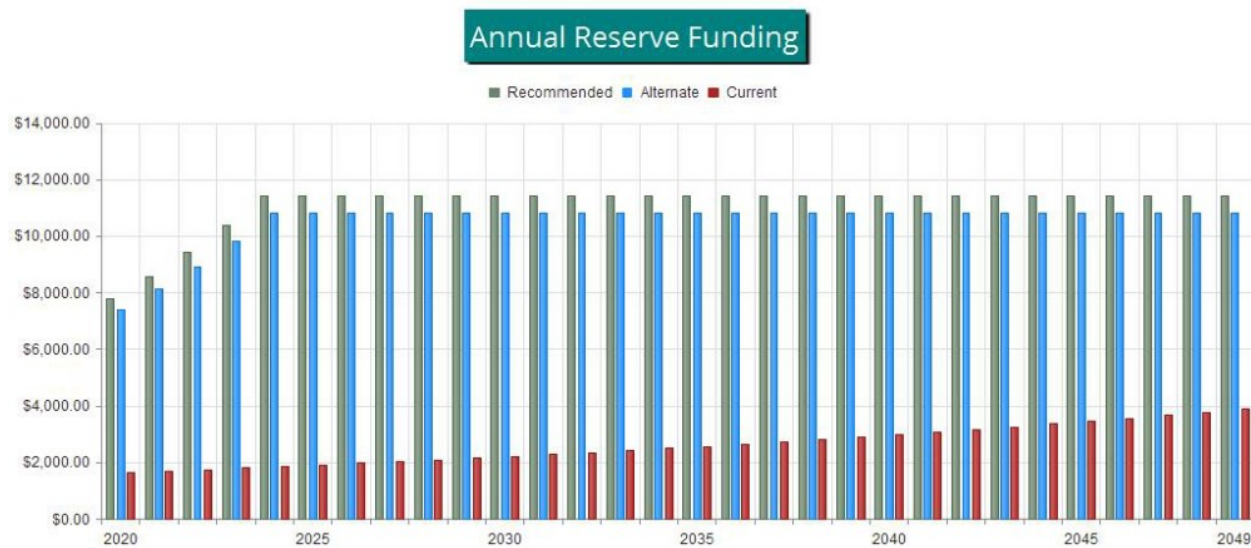


Figure 2

The following chart shows your Reserve balance under our recommended Full Funding Plan, an alternate Baseline Funding Plan, and at your current budgeted contribution rate, compared to your always-changing Fully Funded Balance target.

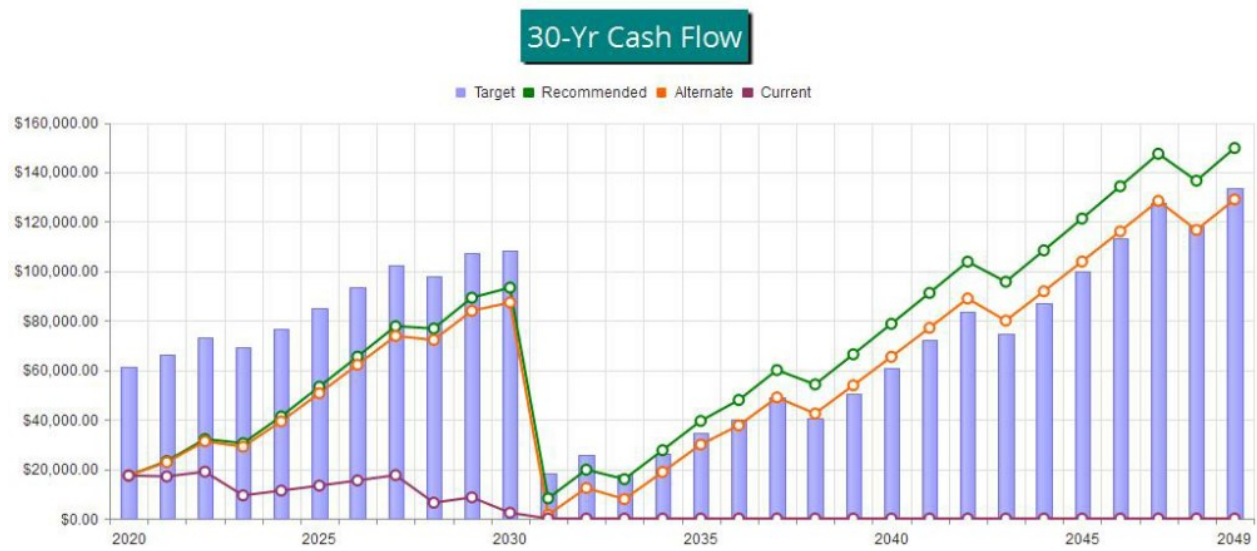


Figure 3

This figure shows the same information plotted on a Percent Funded scale. It is clear here to see how your Reserve Fund strength approaches the 100% Funded level under our recommended multi-yr Funding Plan. A client that has a percent funded level of <30% may experience an ~ 20%-60% chance risk of special assessment. A client that is between 30% and 70% may experience an ~ 20%-5% chance risk of special assessment. A client that has a percent funded of >70% may experience an ~ <1% chance risk of special assessment.

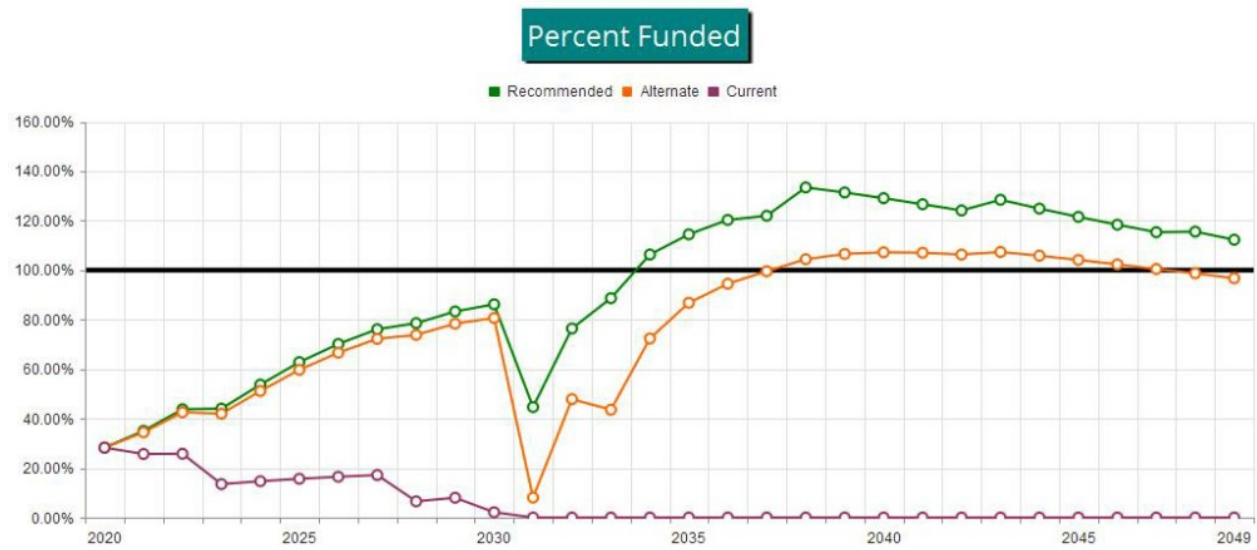


Figure 4

Table Descriptions

Executive Summary is a summary of your Reserve Components

Reserve Component List Detail discloses key Component information, providing the foundation upon which the financial analysis is performed.

Fully Funded Balance shows the calculation of the Fully Funded Balance for each of your components, and their contributions to the property total. For each component, the Fully Funded Balance is the fraction of life used up multiplied by its estimated Current Replacement Cost.

Component Significance shows the relative significance of each component to Reserve funding needs of the property, helping you see which components have more (or less) influence than others on your total Reserve contribution rate. The deterioration cost/yr of each component is calculated by dividing the estimated Current Replacement Cost by its Useful Life, then that component's percentage of the total is displayed.

30-Yr Reserve Plan Summary provides a one-page 30-year summary of the cash flowing into and out of the Reserve Fund, with a display of the Fully Funded Balance, Percent Funded, and special assessment risk at the beginning of each year.

30-Year Income/Expense Detail shows the detailed income and expenses for each of the next 30 years. This table makes it possible to see which components are projected to require repair or replacement in a particular year, and the size of those individual expenses.

Reserve Component List Detail

38411-0
Full

#	Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate	
					Best Case	Worst Case
Sites & Grounds						
21320	Site Rail: Wood - Repair/Paint	~ 1800 LF	5	2	\$9,000	\$12,700
21340	Site Fencing: Split Rail - Replace	~ 1800 LF	30	10	\$63,300	\$81,400
21610	Sign/Monument - Refurbish/Replace	~ (1) Monument	30	9	\$5,000	\$8,000
Mechanical						
25570	Irrigation Clocks - Replace	~ (3) Controllers	15	0	\$2,000	\$2,500

4 Total Funded Components

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
Sites & Grounds								
21320	Site Rail: Wood - Repair/Paint	\$10,850	X	3	/	5	=	\$6,510
21340	Site Fencing: Split Rail - Replace	\$72,350	X	20	/	30	=	\$48,233
21610	Sign/Monument - Refurbish/Replace	\$6,500	X	21	/	30	=	\$4,550
Mechanical								
25570	Irrigation Clocks - Replace	\$2,250	X	15	/	15	=	\$2,250
								\$61,543

Component Significance**38411-0
Full**

#	Component	Useful Life (yrs)	Current Cost Estimate	Deterioration Cost/Yr	Deterioration Significance
Sites & Grounds					
21320	Site Rail: Wood - Repair/Paint	5	\$10,850	\$2,170	43.85 %
21340	Site Fencing: Split Rail - Replace	30	\$72,350	\$2,412	48.74 %
21610	Sign/Monument - Refurbish/Replace	30	\$6,500	\$217	4.38 %
Mechanical					
25570	Irrigation Clocks - Replace	15	\$2,250	\$150	3.03 %
4	Total Funded Components			\$4,948	100.00 %

30-Year Reserve Plan Summary

38411-0
Full

Fiscal Year Start: 2020					Interest: 1.25 %		Inflation: 3.00 %		
Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)					Projected Reserve Balance Changes				
					% Increase				
	Starting	Fully		Special	In Annual		Loan or		
Year	Reserve	Funded	Percent	Assmt	Reserve	Reserve	Special	Interest	Reserve
	Balance	Balance	Funded	Risk	Contribs.	Contribs.	Assmts	Income	Expenses
2020	\$17,384	\$61,543	28.2 %	High	372.73 %	\$7,800	\$0	\$253	\$2,250
2021	\$23,187	\$66,169	35.0 %	Medium	10.00 %	\$8,580	\$0	\$345	\$0
2022	\$32,113	\$73,404	43.7 %	Medium	10.00 %	\$9,438	\$0	\$391	\$11,511
2023	\$30,431	\$69,157	44.0 %	Medium	10.00 %	\$10,382	\$0	\$448	\$0
2024	\$41,260	\$76,801	53.7 %	Medium	10.00 %	\$11,420	\$0	\$591	\$0
2025	\$53,271	\$84,841	62.8 %	Medium	0.00 %	\$11,420	\$0	\$741	\$0
2026	\$65,432	\$93,295	70.1 %	Low	0.00 %	\$11,420	\$0	\$894	\$0
2027	\$77,747	\$102,180	76.1 %	Low	0.00 %	\$11,420	\$0	\$965	\$13,344
2028	\$76,788	\$97,769	78.5 %	Low	0.00 %	\$11,420	\$0	\$1,037	\$0
2029	\$89,245	\$107,159	83.3 %	Low	0.00 %	\$11,420	\$0	\$1,140	\$8,481
2030	\$93,324	\$108,288	86.2 %	Low	0.00 %	\$11,420	\$0	\$634	\$97,232
2031	\$8,146	\$18,237	44.7 %	Medium	0.00 %	\$11,420	\$0	\$174	\$0
2032	\$19,740	\$25,840	76.4 %	Low	0.00 %	\$11,420	\$0	\$223	\$15,470
2033	\$15,913	\$17,948	88.7 %	Low	0.00 %	\$11,420	\$0	\$272	\$0
2034	\$27,605	\$25,971	106.3 %	Low	0.00 %	\$11,420	\$0	\$419	\$0
2035	\$39,444	\$34,460	114.5 %	Low	0.00 %	\$11,420	\$0	\$546	\$3,505
2036	\$47,904	\$39,823	120.3 %	Low	0.00 %	\$11,420	\$0	\$674	\$0
2037	\$59,998	\$49,197	122.0 %	Low	0.00 %	\$11,420	\$0	\$713	\$17,933
2038	\$54,198	\$40,626	133.4 %	Low	0.00 %	\$11,420	\$0	\$753	\$0
2039	\$66,371	\$50,521	131.4 %	Low	0.00 %	\$11,420	\$0	\$906	\$0
2040	\$78,697	\$60,974	129.1 %	Low	0.00 %	\$11,420	\$0	\$1,061	\$0
2041	\$91,179	\$72,009	126.6 %	Low	0.00 %	\$11,420	\$0	\$1,218	\$0
2042	\$103,817	\$83,651	124.1 %	Low	0.00 %	\$11,420	\$0	\$1,246	\$20,790
2043	\$95,693	\$74,513	128.4 %	Low	0.00 %	\$11,420	\$0	\$1,275	\$0
2044	\$108,388	\$86,807	124.9 %	Low	0.00 %	\$11,420	\$0	\$1,434	\$0
2045	\$121,242	\$99,772	121.5 %	Low	0.00 %	\$11,420	\$0	\$1,596	\$0
2046	\$134,258	\$113,437	118.4 %	Low	0.00 %	\$11,420	\$0	\$1,760	\$0
2047	\$147,438	\$127,831	115.3 %	Low	0.00 %	\$11,420	\$0	\$1,774	\$24,101
2048	\$136,531	\$118,164	115.5 %	Low	0.00 %	\$11,420	\$0	\$1,788	\$0
2049	\$149,739	\$133,370	112.3 %	Low	0.00 %	\$11,420	\$0	\$1,954	\$0

30-Year Income/Expense Detail

38411-0
Full

Fiscal Year	2020	2021	2022	2023	2024
Starting Reserve Balance	\$17,384	\$23,187	\$32,113	\$30,431	\$41,260
Annual Reserve Contribution	\$7,800	\$8,580	\$9,438	\$10,382	\$11,420
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$253	\$345	\$391	\$448	\$591
Total Income	\$25,437	\$32,113	\$41,942	\$41,260	\$53,271
# Component					
Sites & Grounds					
21320 Site Rail: Wood - Repair/Paint	\$0	\$0	\$11,511	\$0	\$0
21340 Site Fencing: Split Rail - Replace	\$0	\$0	\$0	\$0	\$0
21610 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Mechanical					
25570 Irrigation Clocks - Replace	\$2,250	\$0	\$0	\$0	\$0
Total Expenses	\$2,250	\$0	\$11,511	\$0	\$0
Ending Reserve Balance	\$23,187	\$32,113	\$30,431	\$41,260	\$53,271

Fiscal Year	2025	2026	2027	2028	2029
Starting Reserve Balance	\$53,271	\$65,432	\$77,747	\$76,788	\$89,245
Annual Reserve Contribution	\$11,420	\$11,420	\$11,420	\$11,420	\$11,420
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$741	\$894	\$965	\$1,037	\$1,140
Total Income	\$65,432	\$77,747	\$90,132	\$89,245	\$101,806
# Component					
Sites & Grounds					
21320 Site Rail: Wood - Repair/Paint	\$0	\$0	\$13,344	\$0	\$0
21340 Site Fencing: Split Rail - Replace	\$0	\$0	\$0	\$0	\$0
21610 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$8,481
Mechanical					
25570 Irrigation Clocks - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$13,344	\$0	\$8,481
Ending Reserve Balance	\$65,432	\$77,747	\$76,788	\$89,245	\$93,324

Fiscal Year	2030	2031	2032	2033	2034
Starting Reserve Balance	\$93,324	\$8,146	\$19,740	\$15,913	\$27,605
Annual Reserve Contribution	\$11,420	\$11,420	\$11,420	\$11,420	\$11,420
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$634	\$174	\$223	\$272	\$419
Total Income	\$105,378	\$19,740	\$31,383	\$27,605	\$39,444
# Component					
Sites & Grounds					
21320 Site Rail: Wood - Repair/Paint	\$0	\$0	\$15,470	\$0	\$0
21340 Site Fencing: Split Rail - Replace	\$97,232	\$0	\$0	\$0	\$0
21610 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Mechanical					
25570 Irrigation Clocks - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$97,232	\$0	\$15,470	\$0	\$0
Ending Reserve Balance	\$8,146	\$19,740	\$15,913	\$27,605	\$39,444

Fiscal Year	2035	2036	2037	2038	2039
Starting Reserve Balance	\$39,444	\$47,904	\$59,998	\$54,198	\$66,371
Annual Reserve Contribution	\$11,420	\$11,420	\$11,420	\$11,420	\$11,420
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$546	\$674	\$713	\$753	\$906
Total Income	\$51,410	\$59,998	\$72,131	\$66,371	\$78,697
# Component					
Sites & Grounds					
21320 Site Rail: Wood - Repair/Paint	\$0	\$0	\$17,933	\$0	\$0
21340 Site Fencing: Split Rail - Replace	\$0	\$0	\$0	\$0	\$0
21610 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Mechanical					
25570 Irrigation Clocks - Replace	\$3,505	\$0	\$0	\$0	\$0
Total Expenses	\$3,505	\$0	\$17,933	\$0	\$0
Ending Reserve Balance	\$47,904	\$59,998	\$54,198	\$66,371	\$78,697

Fiscal Year	2040	2041	2042	2043	2044
Starting Reserve Balance	\$78,697	\$91,179	\$103,817	\$95,693	\$108,388
Annual Reserve Contribution	\$11,420	\$11,420	\$11,420	\$11,420	\$11,420
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,061	\$1,218	\$1,246	\$1,275	\$1,434
Total Income	\$91,179	\$103,817	\$116,483	\$108,388	\$121,242
# Component					
Sites & Grounds					
21320 Site Rail: Wood - Repair/Paint	\$0	\$0	\$20,790	\$0	\$0
21340 Site Fencing: Split Rail - Replace	\$0	\$0	\$0	\$0	\$0
21610 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Mechanical					
25570 Irrigation Clocks - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$20,790	\$0	\$0
Ending Reserve Balance	\$91,179	\$103,817	\$95,693	\$108,388	\$121,242

Fiscal Year	2045	2046	2047	2048	2049
Starting Reserve Balance	\$121,242	\$134,258	\$147,438	\$136,531	\$149,739
Annual Reserve Contribution	\$11,420	\$11,420	\$11,420	\$11,420	\$11,420
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,596	\$1,760	\$1,774	\$1,788	\$1,954
Total Income	\$134,258	\$147,438	\$160,632	\$149,739	\$163,113
# Component					
Sites & Grounds					
21320 Site Rail: Wood - Repair/Paint	\$0	\$0	\$24,101	\$0	\$0
21340 Site Fencing: Split Rail - Replace	\$0	\$0	\$0	\$0	\$0
21610 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
Mechanical					
25570 Irrigation Clocks - Replace	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$24,101	\$0	\$0
Ending Reserve Balance	\$134,258	\$147,438	\$136,531	\$149,739	\$163,113

Accuracy, Limitations, and Disclosures

Association Reserves and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Bryan Farley, R.S., president of the Colorado LLC, is a credentialed Reserve Specialist (#260). All work done by Association Reserves is performed under his Responsible Charge and is performed in accordance with National Reserve Study Standards (NRSS). There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the client's situation.

Per NRSS, information provided by official representative(s) of the client, vendors, and suppliers regarding financial details, component physical details and/or quantities, or historical issues/conditions will be deemed reliable, and is not intended to be used for the purpose of any type of audit, quality/forensic analysis, or background checks of historical records. As such, information provided to us has not been audited or independently verified.

Estimates for interest and inflation have been included, because including such estimates are more accurate than ignoring them completely. When we are hired to prepare Update reports, the client is considered to have deemed those previously developed component quantities as accurate and reliable, whether established by our firm or other individuals/firms (unless specifically mentioned in our Site Inspection Notes). During inspections our company standard is to establish measurements within 5% accuracy, and our scope includes visual inspection of accessible areas and components and does not include any destructive or other testing. Our work is done only for budget purposes. Uses or expectations outside our expertise and scope of work include, but are not limited to, project audit, quality inspection, and the identification of construction defects, hazardous materials, or dangerous conditions. Identifying hidden issues such as but not limited to plumbing or electrical problems are also outside our scope of work. Our estimates assume proper original installation & construction, adherence to recommended preventive maintenance, a stable economic environment, and do not consider frequency or severity of natural disasters. Our opinions of component Useful Life, Remaining Useful Life, and current or future cost estimates are not a warranty or guarantee of actual costs or timing.

Because the physical and financial status of the property, legislation, the economy, weather, owner expectations, and usage are all in a continual state of change over which we have no control, we do not expect that the events projected in this document will all occur exactly as planned. This Reserve Study is by nature a "one-year" document in need of being updated annually so that more accurate estimates can be incorporated. It is only because a long-term perspective improves the accuracy of near-term planning that this Report projects expenses into the future. We fully expect a number of adjustments will be necessary through the interim years to the cost and timing of expense projections and the funding necessary to prepare for those estimated expenses.

Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area). Equivalent to Square Feet
GSY	Gross Square Yards (area). Equivalent to Square Yards
HP	Horsepower
LF	Linear Feet (length)
Effective Age	The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.
Fully Funded Balance (FFB)	The value of the deterioration of the Reserve Components. This is the fraction of life "used up" of each component multiplied by its estimated Current Replacement. While calculated for each component, it is summed together for an association total.
Inflation	Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on the "30-yr Income/Expense Detail" table.
Interest	Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary.
Percent Funded	The ratio, at a particular point in time (the first day of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.
Remaining Useful Life (RUL)	The estimated time, in years, that a common area component can be expected to continue to serve its intended function.
Useful Life (UL)	The estimated time, in years, that a common area component can be expected to serve its intended function.

Component Details

The primary purpose of the photographic appendix is to provide the reader with the basis of our funding assumptions resulting from our physical analysis and subsequent research. The photographs herein represent a wide range of elements that were observed and measured against National Reserve Study Standards to determine if they meet the criteria for reserve funding:

- 1) Common are maintenance, repair & replacement reasonability
- 2) Components must have a limited life
- 3) Life limit must be predictable
- 4) Above a minimum threshold cost (board's discretion – typically ½ to 1% of annual operating expenses).

Some components are recommended for reserve funding, while others are not. The components that meet these criteria in our judgment are shown with corresponding maintenance, repair or replacement cycles to the left of the photo (UL = Useful Life or how often the project is expected to occur, RUL = Remaining Useful Life or how many years from our reporting period) and a representative market cost range termed “Best Cost” and “Worst Cost” below the photo. There are many factors that can result in a wide variety of potential cost; we are attempting to represent a market average for budget purposes. Where there is no UL, the component is expected to be a one-time expense. Where no pricing, the component deemed inappropriate for Reserve Funding.

Sites & Grounds

Comp #: 21180 Trails - Refurbish**Quantity: Trails**

Location: Common Areas

Funded?: No.

History:

Comments: Paths should be inspected regularly for trip hazards and any other safety concerns (ponding water potholes etc.) in order to limit liability exposure. Replenishing will eventually be required but costs for this project are expected to be included in the client's Operating budget not as a Reserve expense. This component may be re-evaluated during future Reserve Study updates based on conditions observed and any new information provided.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 21320 Site Rail: Wood - Repair/Paint**Quantity: ~ 1800 LF**

Location: Common Areas

Funded?: Yes.

History: Stained in 2017

Comments: Wood fencing determined to be in poor condition typically exhibits more advanced deterioration of coating with notable wear possibly resulting in rotting of wood structure in places. Poor inconsistent curb appeal. Regular uniform professional paint or sealer applications are recommended for appearance protection of wood and maximum design life. Repair as needed and clean prior to application. Plan for regular applications as shown below. Timing of repair/paint cycles may need to be coordinated with eventual fence replacement.

Useful Life:
5 yearsRemaining Life:
2 years

Best Case: \$ 9,000

Worst Case: \$ 12,700

Cost Source: Client Cost History

Comp #: 21340 Site Fencing: Split Rail - Replace**Quantity: ~ 1800 LF**

Location: Common Areas

Funded?: Yes.

History: Original

Comments: Wood fencing determined to be in fair condition typically exhibits some minor to moderate amounts of surface wear and other signs of age which may include a small percentage of warped split rail and/or rotted sections. In general appearance is consistent but declining. As routine maintenance inspect regularly for any damage repair as needed and avoid contact with ground and surrounding vegetation wherever possible. Regular cycles of uniform professional sealing/painting will help to maintain appearance and maximize life. In our experience wood fencing will typically eventually break down due to a combination of sun and weather exposure which is sometimes exacerbated by other factors such as irrigation overspray abuse and lack of preventive maintenance. Recommendation and costs shown here are based on replacement with similar style and material. However the client might want to consider replacing with more sturdy lower-maintenance products like composite vinyl etc. Although installation costs are higher total life cycle cost is lower due to less maintenance and longer design life expectancy.

Useful Life:
30 years

Remaining Life:
10 years



Best Case: \$ 63,300

Worst Case: \$ 81,400

Cost Source: Research with Local Vendor/Contractor

Comp #: 21400 Pillars – Repair/Replace**Quantity: Pillars**

Location: Common Areas

Funded?: No.

History:

Comments: No significant or widespread cracking settling or other problems observed. Assumed to have been properly designed and installed with adequate base and surrounding drainage. Inspect regularly repair as needed from Operating budget. If shifting cracking etc. are observed consult with civil or geotechnical engineer for repair scope. At this time no expectation of large scale repairs or replacement no Reserve funding recommended. An allowance for partial repairs/replacements may be added during future Reserve Study updates if warranted by client history.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 21590 Mailboxes (Box and Post) - Replace**Quantity: ~ (28) Posts**

Location: Common Areas

Funded?: No.

History:

Comments: Reportedly, the declaration states that any items located within the individual lots are owner responsibility. The mailboxes are located on the individual Lots, not Common Areas. Therefore, no reserve funding required.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 21610 Sign/Monument - Refurbish/Replace**Quantity: ~ (1) Monument**

Location: Common Areas

Funded?: Yes.

History:

Comments: Monument signage determined to be in good condition typically exhibits good appearance and aesthetics in keeping with local area. Generally uniform and attractive finishes. If present lettering is clean complete and legible and any surrounding landscaping lighting etc. is attractive and functioning. As routine maintenance inspect regularly clean/touch-up and repair as an Operating expense. Plan to refurbish or replace at the interval below. Timing and scope of refurbishing or replacement projects is subjective but should always be scheduled in order to maintain good curb appeal. In our experience most clients choose to refurbish or replace signage periodically in order to maintain good appearance and aesthetics in keeping with local area often before signage is in poor physical condition. If present concrete walls are expected to be painted and repaired as part of refurbishing but not fully replaced unless otherwise noted. Costs can vary significantly depending on style/type desired and may include additional costs for design work landscaping lighting water features etc. Reserve Study updates should incorporate any estimates or information collected regarding potential projects.

Useful Life:
30 yearsRemaining Life:
9 years

Best Case: \$ 5,000

Worst Case: \$ 8,000

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 21690 Bench - Replace**Quantity: ~ (1) Bench**

Location: Common Areas

Funded?: No.

History:

Comments: In general costs related to furniture replacement are expected to be included in the client's Operating budget. No recommendation for Reserve funding at this time. However any repair and maintenance or other related expenditures should be tracked and this component should be re-evaluated during future Reserve Study updates based on most recent information and data available at that time. If deemed appropriate for Reserve funding component can be included in the funding plan at that time.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 21720 Landscaping - Refurbish**Quantity: Common Areas**

Location: Common Areas

Funded?: No.

History:

Comments: In general costs related to this component are expected to be included in the client's Operating budget. No recommendation for Reserve funding at this time. However any repair and maintenance or other related expenditures should be tracked and this component should be re-evaluated during future Reserve Study updates based on most recent information and data available at that time. If deemed appropriate for Reserve funding component can be included in the funding plan at that time.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 21790 Detention Ponds - Maintain

Quantity: (2) Ponds

Location: Common areas

Funded?: No.

History:

Comments: Under normal circumstances, well-maintained detention ponds should not require major repair/refurbishing projects. In some cases, large projects such as erosion control, weed abatement or dredging may be required, but the scope and frequency of such projects is very unpredictable. As a precaution, the association may want to budget an allowance for repairs to the ponds. The association should consult with pond service vendor on a regular basis to identify any necessary projects, which may be included within future Reserve Study updates as needed.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Mechanical

Comp #: 25570 Irrigation Clocks - Replace

Quantity: ~ (3) Controllers

Location: Common Areas (Monument, detention pond, open space)

Funded?: Yes.

History:

Comments: Client requested that we include funding for a smart clock. Vendor provided costs for a smart clock replacement. If the client would like to install a smart clock, the vendor noted that the specs would include - Hunter Pro-C Irrigation Controller w/solar sync ET sensor and WiFi must be available.

Minimal or no subjective/aesthetic value for this component. Useful life is based primarily on normal expectations for service/performance life in this location. Unless otherwise noted remaining useful life expectancy is based primarily on original installation or last replacement/purchase date our experience with similar systems/components and assuming normal amount of usage and good preventive maintenance. Irrigation controllers should have a relatively long life expectancy under normal circumstances. Replacement is often required due to lack of available replacement parts lightning strikes etc. as opposed to complete failure of existing equipment. Exposure to the elements can affect overall life expectancy and controllers should be located in protected areas or within protective enclosures whenever possible. When evaluating replacement options the client should consider replacement with smart" models (i.e. respond to projected weather data) to minimize unnecessary water usage. Payback period for efficient controllers that minimize water use is typically very short

Useful Life:

15 years

Remaining Life:

0 years



Best Case: \$ 2,000

Worst Case: \$ 2,500

Cost Source: Research with Local Vendor/Contractor

Comp #: 25600 Backflow Devices - Replace

Quantity: ~ (4) Devices

Location: Common Areas

Funded?: No.

History:

Comments: In general costs related to this component are expected to be included in the client's Operating budget. No recommendation for Reserve funding at this time. However any repair and maintenance or other related expenditures should be tracked and this component should be re-evaluated during future Reserve Study updates based on most recent information and data available at that time. If deemed appropriate for Reserve funding component can be included in the funding plan at that time.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:
