

Monday, October 14, 2019

Level 1, Limited Reserve Analysis

Lost Creek Farm 925 Delechant Dr. Erie, CO. 8516



Final Version

Report Period – 01/01/20 – 12/31/20

Client Reference Number – 10156

Property Type – Single Family Units

Fiscal Year End – December 31st

Number of Units – 42

Date of Property Observation – September 23, 2019

Property Observation Conducted by- Mike Kelsen

Project Manager – Mike Kelsen, RS, PRA

Main Contact Person – Dan Abila, Community Association Manager



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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 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 should be 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 Lost Creek Farm

- Assoc. ID # - 10156

Reported Starting Balance as of January 1, 2020 -	\$5,200
Ideal Reserve Balance as of January 1, 2020 -	\$18,772
Percent Funded as of January 1, 2020 -	28%
Recommended Reserve Allocation (per month) -	\$250 (2020)
Recommended Reserve Allocation (per month) -	\$1,330 (starting 2021)
Minimum Reserve Allocation (per month) -	\$1,155 (starting 2021)
Recommended Special Assessment -	\$0

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on September 23rd, 2019. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative (Community Manager). 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 42 single family units in when buildout is complete. Common area assets the association is responsible to maintain include entrance signs, a park with a small play area, mailboxes and structure, a pavilion, concrete sidewalks, wood fencing, and metal fencing. 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:

- **There are a few components (for example, stone wall repairs, groundcover, etc.) that are considered partial replacement and should not be misconstrued as complete replacement of that particular item.**
- **If a N/A appears in the Useful Life column, then Reserve funding requirements are not required for various reasons, such as, not an association responsibility, the cost is too small for funding designation, etc.**

In comparing the projected balance of \$5,200 versus the ideal Reserve Balance of \$18,772, we find the association Reserve fund to be in a poor financial position at this time (approximately 28% funded of ideal). Since the 2020 budget has already been proposed, we recommend staying with the proposed Reserve contribution of \$250 per month for the 2020 year. While we see this as an extremely minimal Reserve contribution, it will not result in the depletion of Reserve funds. However, based on the information contained in this report, we suggest increasing the Reserve contribution to \$1,330 per month starting in 2021, followed by nominal annual increases of 3.75% thereafter to help offset the effects of inflation. This will gradually increase the strength of the Reserve fund to a fully funded position and continue to maintain this position throughout the 30-year report period.

In the percent Funded graph, you will see that we have also suggested a minimum Reserve contribution of \$1,155 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where Special Assessments, deferred maintenance, and lower property values are likely at some point in the future. The minimum Reserve allocation follows the "threshold" theory of Reserve funding where the "percent funded" status is not allowed to dip below 30% funded at any point during the thirty-year period. This was provided for one purpose only, to show the association how small the difference (approximately \$4.17 per unit per month in this case) 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 Lost Creek Farm

Beginning Assumptions

Financial Information Source	Research With Client
# of units	42
Fiscal Year End	December 31, 2020
Monthly Dues from 2019 budget	\$2,070.75
Monthly Reserve Allocation from 2019 Budget	\$0.00
Projected Starting Reserve Balance (as of 1/1/2020)	\$5,200
Reserve Balance: Average Per Unit	\$124
Ideal Starting Reserve Balance (as of 1/1/2020)	\$18,772
Ideal Reserve Balance: Average Per Unit	\$447

Economic Factors

Past 20 year Average Inflation Rate (Based on CCI)	3.75%
Current Average Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	28%
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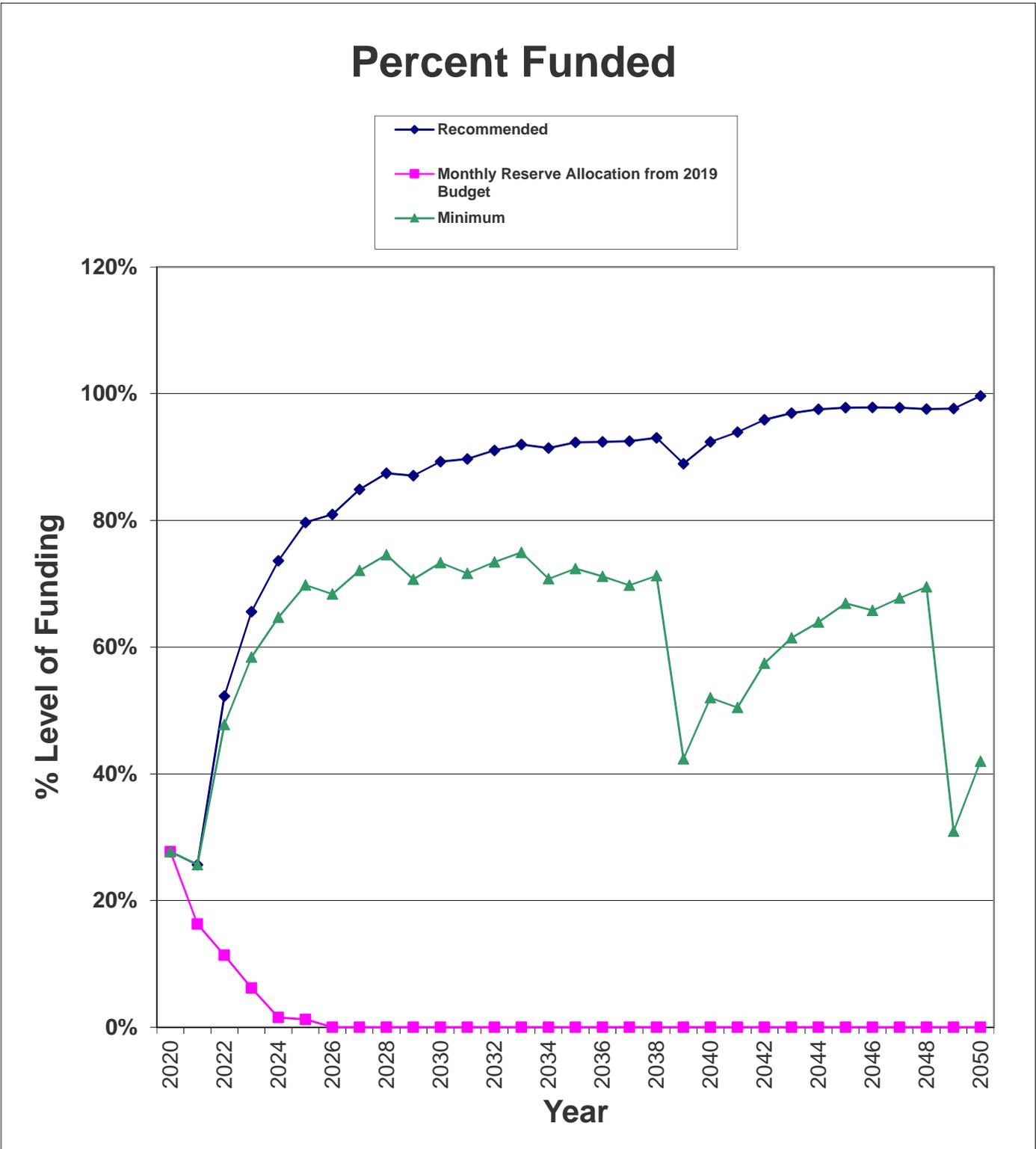
Recommendations for 2020 Fiscal Year

Monthly Reserve Allocation (2020)	\$250
Per Unit	\$5.95
Monthly Reserve Allocation (starting 2021)	\$1,330
Per Unit	\$31.67
Minimum Monthly Reserve Allocation (starting 2021)	\$1,155
Per Unit	\$27.50
Primary Annual Increases	3.75%
# of Years	30
Special Assessment	\$0
Per Unit	\$0

Changes From Prior Year (2019 to 2020)

Increase/Decrease to Reserve Allocation	\$250
as Percentage	0%
Average Per Unit	\$5.95

Percent Funded Graph For Lost Creek Farm



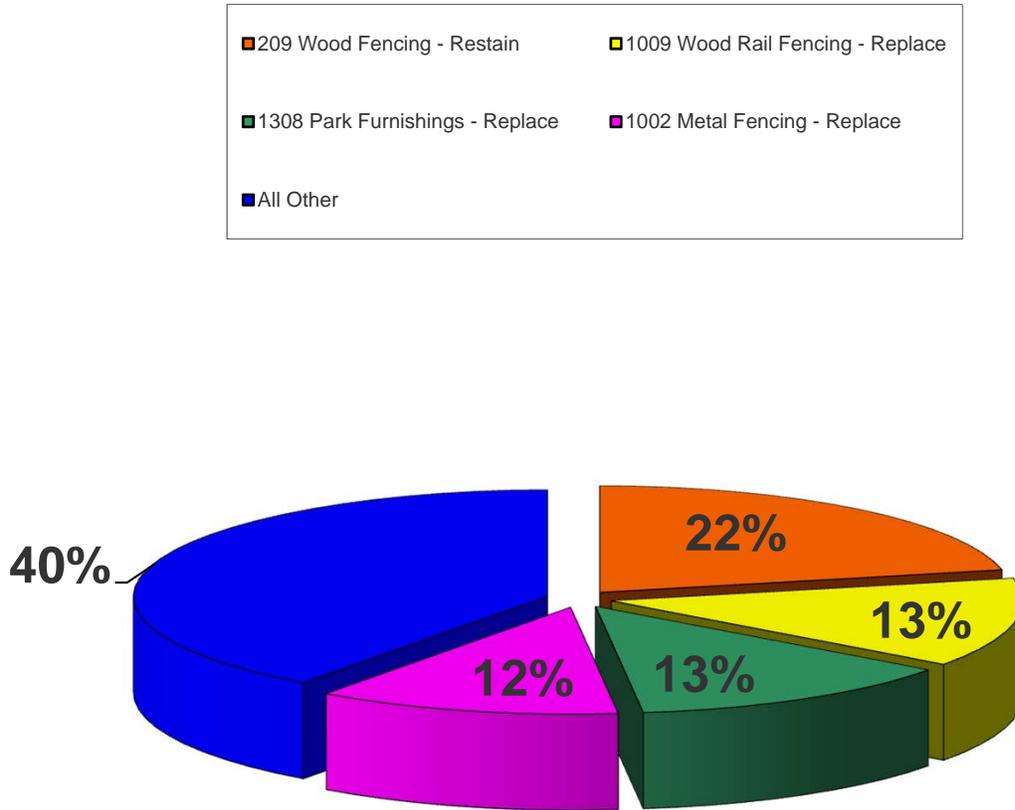
Component Inventory for Lost Creek Farm

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Painted Surfaces	205	Structures/Signs - Repaint	5	3	\$2,200	\$2,500
	209	Wood Fencing - Restain	5	5	\$12,600	\$13,950
Walking Surfaces	601	Concrete Flatwork - Partial Replace	3	2	\$1,000	\$2,000
	625	Breeze/Crushed Granite - Replenish	N/A		\$0	\$0
Prop. Identification	801	Community Signs - Replace	18	16	\$11,250	\$16,500
	803	Mailboxes - Replace	20	18	\$5,700	\$6,900
Fencing/Walls	1002	Metal Fencing - Replace	30	28	\$41,400	\$46,000
	1009	Wood Rail Fencing - Replace	20	18	\$30,600	\$36,000
Recreation Equip.	1301	Climbing Wall - Replace	20	18	\$13,000	\$16,000
	1303	Tot Lot Groundcover - Refill	N/A			
	1308	Park Furnishings - Replace	15	13	\$22,000	\$26,000
Light Fixtures	1609	Street Lights - Replace	N/A		\$0	\$0
Irrig. System	1701	Irrigation System - Major Repairs	10	8	\$8,000	\$10,500
	1703	Irrigation Controllers - Replace	12	10	\$2,000	\$2,400
	1706	Backflow Devices - Replace	N/A		\$0	\$0
Landscaping	1801	Groundcover - Replenish	N/A			
	1804	Tree - Replacement/Major Maintenance	N/A		\$0	\$0
Miscellaneous	2005	Mail Structure - Major Repairs	10	8	\$3,000	\$3,500
	2006	Shade Structure - Major Repairs	10	8	\$6,500	\$7,500

Significant Components For Lost Creek Farm

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
205	Structures/Signs - Repaint	5	3	\$2,350	\$470	3.8240%
209	Wood Fencing - Restain	5	5	\$13,275	\$2,655	21.6015%
601	Concrete Flatwork - Partial Replace	3	2	\$1,500	\$500	4.0681%
801	Community Signs - Replace	18	16	\$13,875	\$771	6.2716%
803	Mailboxes - Replace	20	18	\$6,300	\$315	2.5629%
1002	Metal Fencing - Replace	30	28	\$43,700	\$1,457	11.8517%
1009	Wood Rail Fencing - Replace	20	18	\$33,300	\$1,665	13.5467%
1301	Climbing Wall - Replace	20	18	\$14,500	\$725	5.8987%
1308	Park Furnishings - Replace	15	13	\$24,000	\$1,600	13.0178%
1701	Irrigation System - Major Repairs	10	8	\$9,250	\$925	7.5259%
1703	Irrigation Controllers - Replace	12	10	\$2,200	\$183	1.4916%
2005	Mail Structure - Major Repairs	10	8	\$3,250	\$325	2.6442%
2006	Shade Structure - Major Repairs	10	8	\$7,000	\$700	5.6953%

Significant Components Graph For Lost Creek Farm



Asset ID	Asset Name	UL	RUL	Average Curr. Cost	As \$	As %
209	Wood Fencing - Restain	5	5	\$13,275	\$2,655	22%
1009	Wood Rail Fencing - Replace	20	18	\$33,300	\$1,665	14%
1308	Park Furnishings - Replace	15	13	\$24,000	\$1,600	13%
1002	Metal Fencing - Replace	30	28	\$43,700	\$1,457	12%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$4,914	40%

Significance:
(Curr Cost/UL)

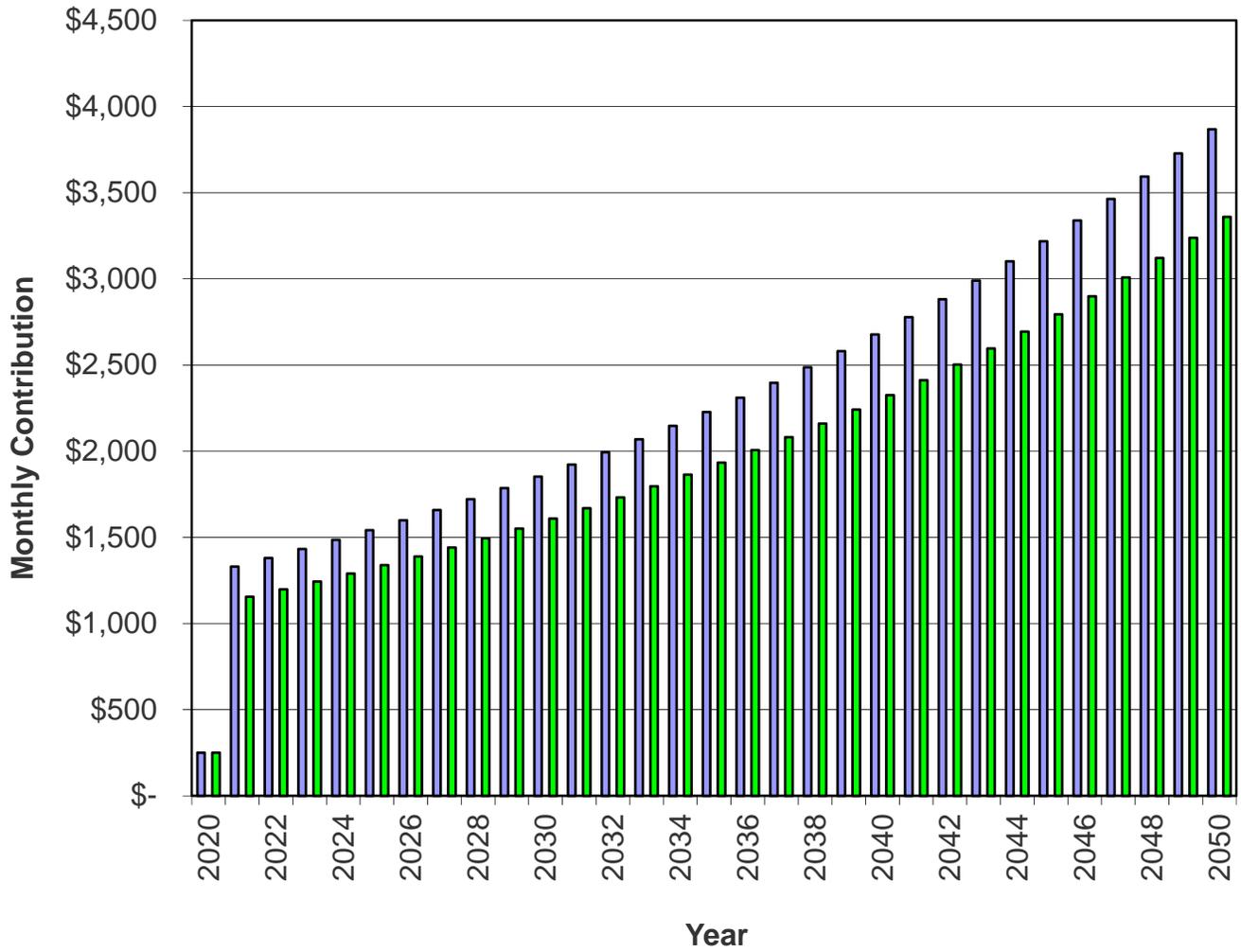
Yearly Summary For Lost Creek Farm

Fiscal Year Start	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2020	\$18,772	\$5,200	28%	\$3,000	\$0	\$67	\$0
2021	\$32,227	\$8,267	26%	\$15,960	\$0	\$163	\$0
2022	\$46,666	\$24,391	52%	\$16,559	\$0	\$320	\$1,615
2023	\$60,467	\$39,655	66%	\$17,179	\$0	\$471	\$2,624
2024	\$74,252	\$54,681	74%	\$17,824	\$0	\$639	\$0
2025	\$91,811	\$73,144	80%	\$18,492	\$0	\$738	\$17,761
2026	\$92,156	\$74,613	81%	\$19,186	\$0	\$846	\$0
2027	\$111,516	\$94,644	85%	\$19,905	\$0	\$1,051	\$0
2028	\$132,198	\$115,600	87%	\$20,651	\$0	\$1,108	\$31,347
2029	\$121,752	\$106,013	87%	\$21,426	\$0	\$1,173	\$0
2030	\$144,078	\$128,611	89%	\$22,229	\$0	\$1,291	\$22,362
2031	\$144,707	\$129,770	90%	\$23,063	\$0	\$1,408	\$2,249
2032	\$166,918	\$151,992	91%	\$23,928	\$0	\$1,647	\$0
2033	\$193,013	\$177,567	92%	\$24,825	\$0	\$1,695	\$42,523
2034	\$176,711	\$161,563	91%	\$25,756	\$0	\$1,740	\$2,511
2035	\$202,083	\$186,548	92%	\$26,722	\$0	\$1,892	\$23,060
2036	\$207,887	\$192,102	92%	\$27,724	\$0	\$1,944	\$25,006
2037	\$212,721	\$196,764	92%	\$28,764	\$0	\$2,107	\$2,805
2038	\$241,631	\$224,830	93%	\$29,842	\$0	\$1,668	\$147,338
2039	\$122,567	\$109,003	89%	\$30,961	\$0	\$1,251	\$0
2040	\$152,828	\$141,215	92%	\$32,122	\$0	\$1,425	\$30,852
2041	\$153,178	\$143,909	94%	\$33,327	\$0	\$1,613	\$0
2042	\$186,548	\$178,849	96%	\$34,577	\$0	\$1,946	\$4,945
2043	\$217,075	\$210,427	97%	\$35,873	\$0	\$2,249	\$8,978
2044	\$245,637	\$239,571	98%	\$37,219	\$0	\$2,594	\$0
2045	\$285,701	\$279,383	98%	\$38,614	\$0	\$2,833	\$33,322
2046	\$293,852	\$287,508	98%	\$40,062	\$0	\$3,070	\$3,906
2047	\$334,027	\$326,734	98%	\$41,565	\$0	\$3,491	\$0
2048	\$381,008	\$371,790	98%	\$43,123	\$0	\$2,691	\$251,034
2049	\$170,595	\$166,570	98%	\$44,740	\$0	\$1,876	\$4,363

Reserve Contributions For Lost Creek Farm

Reserve Contributions

■ Recommended ■ Current ■ Minimum



Component Funding Information For Lost Creek Farm

ID	Component Name	Ave Current Cost	Ideal Balance	Current Fund Balance	Monthly
205	Structures/Signs - Repaint	\$2,350	\$940	\$940	\$9.56
209	Wood Fencing - Restain	\$13,275	\$0	\$0	\$54.00
601	Concrete Flatwork - Partial Replace	\$1,500	\$500	\$500	\$10.17
801	Community Signs - Replace	\$13,875	\$1,542	\$0	\$15.68
803	Mailboxes - Replace	\$6,300	\$630	\$0	\$6.41
1002	Metal Fencing - Replace	\$43,700	\$2,913	\$0	\$29.63
1009	Wood Rail Fencing - Replace	\$33,300	\$3,330	\$0	\$33.87
1301	Climbing Wall - Replace	\$14,500	\$1,450	\$0	\$14.75
1308	Park Furnishings - Replace	\$24,000	\$3,200	\$0	\$32.54
1701	Irrigation System - Major Repairs	\$9,250	\$1,850	\$1,850	\$18.81
1703	Irrigation Controllers - Replace	\$2,200	\$367	\$0	\$3.73
2005	Mail Structure - Major Repairs	\$3,250	\$650	\$650	\$6.61
2006	Shade Structure - Major Repairs	\$7,000	\$1,400	\$1,260	\$14.24

Yearly Cash Flow For Lost Creek Farm

Year	2020	2021	2022	2023	2024
Starting Balance	\$5,200	\$8,267	\$24,391	\$39,655	\$54,681
<i>Reserve Income</i>	\$3,000	\$15,960	\$16,559	\$17,179	\$17,824
<i>Interest Earnings</i>	\$67	\$163	\$320	\$471	\$639
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$8,267	\$24,391	\$41,269	\$57,305	\$73,144
Reserve Expenditures	\$0	\$0	\$1,615	\$2,624	\$0
Ending Balance	\$8,267	\$24,391	\$39,655	\$54,681	\$73,144

Year	2025	2026	2027	2028	2029
Starting Balance	\$73,144	\$74,613	\$94,644	\$115,600	\$106,013
<i>Reserve Income</i>	\$18,492	\$19,186	\$19,905	\$20,651	\$21,426
<i>Interest Earnings</i>	\$738	\$846	\$1,051	\$1,108	\$1,173
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$92,374	\$94,644	\$115,600	\$137,359	\$128,611
Reserve Expenditures	\$17,761	\$0	\$0	\$31,347	\$0
Ending Balance	\$74,613	\$94,644	\$115,600	\$106,013	\$128,611

Year	2030	2031	2032	2033	2034
Starting Balance	\$128,611	\$129,770	\$151,992	\$177,567	\$161,563
<i>Reserve Income</i>	\$22,229	\$23,063	\$23,928	\$24,825	\$25,756
<i>Interest Earnings</i>	\$1,291	\$1,408	\$1,647	\$1,695	\$1,740
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$152,132	\$154,241	\$177,567	\$204,087	\$189,059
Reserve Expenditures	\$22,362	\$2,249	\$0	\$42,523	\$2,511
Ending Balance	\$129,770	\$151,992	\$177,567	\$161,563	\$186,548

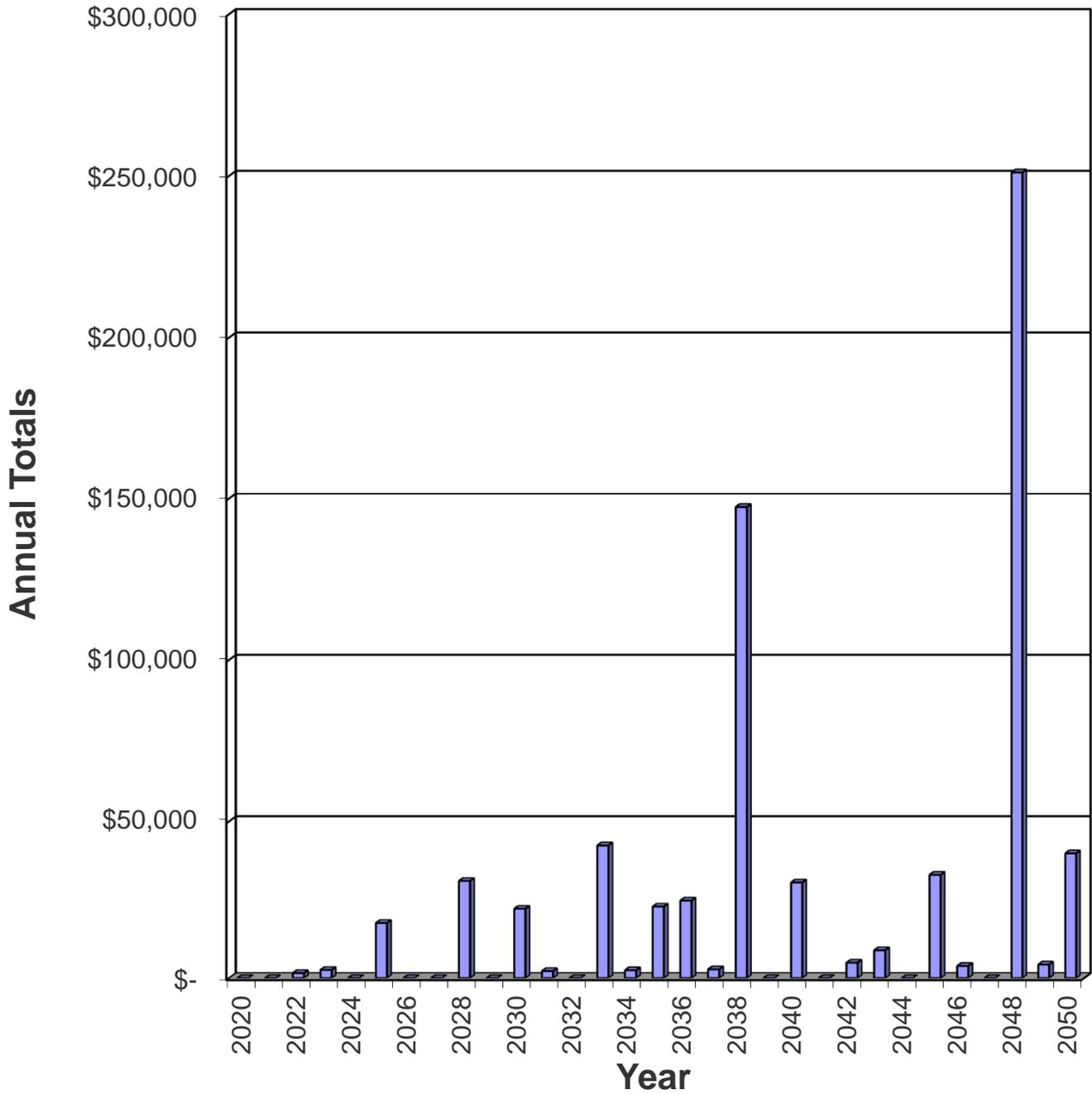
Year	2035	2036	2037	2038	2039
Starting Balance	\$186,548	\$192,102	\$196,764	\$224,830	\$109,003
<i>Reserve Income</i>	\$26,722	\$27,724	\$28,764	\$29,842	\$30,961
<i>Interest Earnings</i>	\$1,892	\$1,944	\$2,107	\$1,668	\$1,251
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$215,162	\$221,770	\$227,634	\$256,340	\$141,215
Reserve Expenditures	\$23,060	\$25,006	\$2,805	\$147,338	\$0
Ending Balance	\$192,102	\$196,764	\$224,830	\$109,003	\$141,215

Year	2040	2041	2042	2043	2044
Starting Balance	\$141,215	\$143,909	\$178,849	\$210,427	\$239,571
<i>Reserve Income</i>	\$32,122	\$33,327	\$34,577	\$35,873	\$37,219
<i>Interest Earnings</i>	\$1,425	\$1,613	\$1,946	\$2,249	\$2,594
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$174,762	\$178,849	\$215,372	\$248,549	\$279,383
Reserve Expenditures	\$30,852	\$0	\$4,945	\$8,978	\$0
Ending Balance	\$143,909	\$178,849	\$210,427	\$239,571	\$279,383

Year	2045	2046	2047	2048	2049
Starting Balance	\$279,383	\$287,508	\$326,734	\$371,790	\$166,570
<i>Reserve Income</i>	\$38,614	\$40,062	\$41,565	\$43,123	\$44,740
<i>Interest Earnings</i>	\$2,833	\$3,070	\$3,491	\$2,691	\$1,876
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$320,831	\$330,640	\$371,790	\$417,604	\$213,186
Reserve Expenditures	\$33,322	\$3,906	\$0	\$251,034	\$4,363
Ending Balance	\$287,508	\$326,734	\$371,790	\$166,570	\$208,823

Yearly Expenditures Graph For Lost Creek Farm

Reserve Expenditures



Projected Reserve Expenditures For Lost Creek Farm

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2020		No Expenditures Projected		\$0
2021		No Expenditures Projected		\$0
2022	601	Concrete Flatwork - Partial Replace	\$1,615	\$1,615
2023	205	Structures/Signs - Repaint	\$2,624	\$2,624
2024		No Expenditures Projected		\$0
2025	209	Wood Fencing - Restain	\$15,958	
	601	Concrete Flatwork - Partial Replace	\$1,803	\$17,761
2026		No Expenditures Projected		\$0
2027		No Expenditures Projected		\$0
2028	205	Structures/Signs - Repaint	\$3,155	
	601	Concrete Flatwork - Partial Replace	\$2,014	
	1701	Irrigation System - Major Repairs	\$12,418	
	2005	Mail Structure - Major Repairs	\$4,363	
	2006	Shade Structure - Major Repairs	\$9,397	\$31,347
2029		No Expenditures Projected		\$0
2030	209	Wood Fencing - Restain	\$19,183	
	1703	Irrigation Controllers - Replace	\$3,179	\$22,362
2031	601	Concrete Flatwork - Partial Replace	\$2,249	\$2,249
2032		No Expenditures Projected		\$0
2033	205	Structures/Signs - Repaint	\$3,792	
	1308	Park Furnishings - Replace	\$38,731	\$42,523
2034	601	Concrete Flatwork - Partial Replace	\$2,511	\$2,511
2035	209	Wood Fencing - Restain	\$23,060	\$23,060
2036	801	Community Signs - Replace	\$25,006	\$25,006
2037	601	Concrete Flatwork - Partial Replace	\$2,805	\$2,805
2038	205	Structures/Signs - Repaint	\$4,559	
	803	Mailboxes - Replace	\$12,222	
	1009	Wood Rail Fencing - Replace	\$64,600	
	1301	Climbing Wall - Replace	\$28,129	
	1701	Irrigation System - Major Repairs	\$17,944	
	2005	Mail Structure - Major Repairs	\$6,305	
	2006	Shade Structure - Major Repairs	\$13,580	\$147,338
2039		No Expenditures Projected		\$0
2040	209	Wood Fencing - Restain	\$27,720	
	601	Concrete Flatwork - Partial Replace	\$3,132	\$30,852
2041		No Expenditures Projected		\$0
2042	1703	Irrigation Controllers - Replace	\$4,945	\$4,945
2043	205	Structures/Signs - Repaint	\$5,480	
	601	Concrete Flatwork - Partial Replace	\$3,498	\$8,978
2044		No Expenditures Projected		\$0
2045	209	Wood Fencing - Restain	\$33,322	\$33,322
2046	601	Concrete Flatwork - Partial Replace	\$3,906	\$3,906
2047		No Expenditures Projected		\$0
2048	205	Structures/Signs - Repaint	\$6,588	
	1002	Metal Fencing - Replace	\$122,503	
	1308	Park Furnishings - Replace	\$67,279	
	1701	Irrigation System - Major Repairs	\$25,930	
	2005	Mail Structure - Major Repairs	\$9,111	
	2006	Shade Structure - Major Repairs	\$19,623	\$251,034
2049	601	Concrete Flatwork - Partial Replace	\$4,363	\$4,363
2050	209	Wood Fencing - Restain	\$40,057	\$40,057

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.